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Seung Ja Doe

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## REVIVAL OF WELFARE REFORM\*

SEUNG JA DOE, M.Sc.Econ.,MSW<sup>+</sup>

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### ABSTRACT

It is a well known fact that poverty is prevalent among single mothers and children. Currently, the Aid to Families with Dependent Children (AFDC) program fails to provide for all children and single mothers in need of public assistance. Previous attempts to "reform" the welfare system have been unsuccessful. However, in the time when the poor's right for social welfare is increasingly threatened, ideas for welfare reform need to be revived. The author advocates for a three-dimensional agenda for welfare reform: universal assistance to families with children, reinforced support for children with absent parents, and targeted employment programs for single mothers.

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+ The author is a Ph. D. candidate at the Washington University in St. Louis.

Recent statistics show that a significant proportion of children live with one parent only. According to the March 1984 Current Population Survey, 26 percent of all families with children under 18 were maintained by one parent (U.S. Department of Commerce (a), 1985:1). In 1984, the proportion of children living with one parent was more than 50 percent for blacks and nearly 20 percent for whites. In the same year, about 90 percent of all children in one-parent families lived with their mothers only (U.S. Department of Commerce (b), 1985:18).

One of the most compelling social welfare issues in recent years is the high incidence of poverty among women and children, which is epitomized by families headed by single mothers. In 1984, families maintained by women with no husband had a median income of approximately \$13,000 whereas the median income of married-couple families was approximately \$30,000. Consequently, in 1984, 34.5 percent of female-headed families lived in poverty, while about 7 percent of married-couple families fell below the poverty level (U.S. Department of Commerce (c), 1985:2-3). Since a considerable proportion of children live with mothers only, children are more likely than any other age group to be living in poverty. For example, in 1983, nearly one out of four preschool children lived in poverty (Moynihan, 1985:10). Moreover, it is projected that more than 60 percent of preschool children in female-headed families will be living in poverty in 1990 (U.S. House of Representatives, 1984:7).

Considering the high incidence of poverty among female-headed families, it is not surprising that the welfare receipt rate among them is also high. In 1978, about 60

percent of all individuals receiving welfare income lived in families headed by a woman (Duncan, et al., 1984:80). A high proportion of female-headed families also received various means-tested non-cash benefits.<sup>1</sup>

The purpose of this paper is three-fold. First, the problems with the current Aid to Families with Dependent Children (AFDC) program are scrutinized. Second, the past approaches toward welfare reform are briefly reviewed. Third, a three-dimensional approach toward welfare reform is discussed. In suggesting alternative income maintenance policies for children and single-parent families this paper intends to provide rationales for bringing about such policy changes. However, to delineate program costs for establishing a new welfare system goes beyond the scope of this paper. Thus, issues such as tax reform are not discussed. The goal of this paper is simply to facilitate further discussion by renewing life in progressive welfare reform issues.

#### STRUCTURAL PROBLEMS WITH THE AFDC PROGRAM

Among publicly funded welfare programs, the Aid to Families with Dependent Children (AFDC) program has played a crucial role in providing for mainly low income single mothers and their children. Currently, as one of the largest income-tested welfare programs in the United States, the total AFDC payment amounts to approximately \$14.4 billion per year, providing for about 3.7 million families (Ross, 1985:9). Since the inception of the AFDC program in 1935, many incremental changes have been made in the program. Looking back on its 50 year history, however, it is now time to make a fundamental advance beyond the limitation in the current AFDC program to fully achieve its

ultimate goal of strengthening family life. There are many problems with the current AFDC program:

- . Poor families with unemployed fathers are not eligible for AFDC benefits in 25 states. Due to the inequity of the AFDC program, two-parent families with no other income do not have access to AFDC benefits, even if they are in poverty as a result of unstable employment.

- . The disparity of the AFDC program is found in the payment levels which vary by states. In the absence of a nationally uniform benefit level, as of 1982, the amount of the average AFDC monthly payment provided by the most generous state was more than six times the amount paid by the least generous state (U.S. House of Representatives, 1983:52).

- . AFDC benefits are less than adequate in meeting the need of AFDC recipient families. The federal government does not require that states pay the full amount of the minimum living expense as designated by each state. As a result, the median maximum AFDC benefit among states is about half the poverty standard. The value of AFDC benefits even when it is combined with food stamps remains below the poverty level in all states except Alaska (The Center for the Study of Social Policy, 1984:15).

- . Income-tested welfare programs such as AFDC have produced an intrinsic dilemma by creating work disincentive effects. The dilemma is that welfare recipients' work incentives are influenced by implicit tax rates levied on their earnings, that is benefit reduction rates. Often, welfare recipients' earnings create a "notch" problem -- earnings reach a point at which the eligibility for welfare is terminated and welfare benefits fall by more than the amount

of the additional earnings. With high implicit tax rates which may go over 100 percent, when the loss of in-kind benefits is considered, "the current system of income transfers penalizes the poor for working" (Smeeding and Garfinkel, 1980:43).

. The current welfare system fails to provide for the working poor. In 1980, about one-half of all poor family heads worked but were in poverty due to low earnings (Levitan and Johnson, 1982:53). The economic "hardship" of the working poor is likely to be faced most frequently by women, minorities, and other low income workers (Taggart, 1982:264). Thus, an income transfer program such as AFDC which ignores the need of the working poor cannot be an efficient program for solving the problem of poverty, particularly among female-headed families.

. AFDC recipients are not free from the stigma of receiving public assistance. The existence of the stigma of welfare reciprocity is confirmed by stereotyping of welfare recipients as well as by case studies, survey data, and other resources (Allen, 1982:48; Garfinkel, 1982:496-497; Moffitt, 1983:1030-34). According to a survey study, the degree of stigma attached to General Relief and AFDC programs is the greatest, when compared with other income maintenance programs (as quoted in Pettigrew, 1980:223).

. The AFDC program is inefficiently administered due to its complex procedure of income-testing.<sup>2</sup> In particular, it should be noted that an inefficient duplication of income-testing often takes place in processing separate applications for AFDC benefits and Food Stamps, while 80 percent of AFDC recipients also receive Food Stamps (General Accounting Office, 1984:v).

These problems in the AFDC program are traced to the structure of the American welfare system. In 1981, about 45 percent of federal expenditures was used for the income transfer system in the United States. About \$300 billion were used for over 40 separate income maintenance programs, amounting to about 10 percent of the GNP in 1981. However, most of the expenditures for income maintenance were used for social insurance programs, leaving about \$76 billion for welfare programs (Garfinkel and Haveman, 1983:479-481). Unlike in most industrialized countries, the United States lacks an equality-enhancing welfare system which provides minimum guarantees such as family allowances or national health services.

Due to the structure of her welfare system, the United States is not considered to be a welfare state, nor a social security state, but a "positive state" aiming "primarily at insuring economic stability and thus the self-interest of existing property holders" (as quoted in Mishra, 1984:156). The social security state is defined to be the one aiming at a guaranteed national minimum income like Britain, and the social welfare state the one furthering greater social and economic equality like Sweden. The United States is, at best, a reluctant welfare state, because it does not follow the "principles" of the welfare state: guaranteed basic economic security, distributive justice and equality, and most of all, social solidarity (Esping-Andersen, 1982:36). In the absence of nationally guaranteed programs, the American welfare programs have lacked systematic planning, resulting in a series of piece-meal measures. Categorical welfare programs have been incremented in response to economic distress and social crisis (Piven and Cloward, 1971: Hareven, 1974:69-70). In

short, the AFDC program is a typical example of categorical welfare programs with problems of inequity, disparity, inadequacy, work disincentive effects, inefficiency, stigma effects, and complexity.

#### BILATERAL APPROACHES TOWARD WELFARE REFORM

Policy proposals aiming to correct problems of welfare programs are broadly categorized into two groups: an overhaul of the welfare system and an incremental improvement of existing programs. In the past, neither approach toward welfare reform has been successful. For example, the Family Allowances Act proposed in 1967 aimed at an overhaul of the welfare system by taking an universalistic approach toward welfare reform. The proposal intended to cover all children under 18 in all families, regardless of family income levels or the family structure. It was to be administered by the federal government and financed from general tax revenues (Vadakin, 1968:184-189).

The failure of the proposed Family Allowances Act led to a compromised welfare reform proposal which abandoned the coverage of all children. The Family Assistance Plan (FAP) proposed in 1969 by President Nixon was to provide nationally financed income support to all low income families with children. The goals of the FAP were 1) to alleviate poverty among all poor families with children, 2) to reduce work disincentive effects of income-tested programs, and 3) to encourage family stability by providing for all poor families. However, it was foreseen that work disincentive effects could not be reduced because the FAP relied on income-testing to limit the eligibility to poor families. Thus, the fear of work



disincentive effects defeated the FAP (Lynn, 1977:106-109; Ozawa, 1982:100-103).

In order to produce a politically workable welfare reform proposal, the Program for Better Jobs and Income (PBJI) proposed in 1977 by President Carter combined the provision of income assistance with work requirements. The major features of the PBJI were 1) to create public service jobs, 2) consolidate AFDC, SSI, and Food Stamp programs to provide single cash payments, and 3) to supplement low earnings (Betson, et al., 1980:166). However, despite its emphasis on the work requirement, the PBJI was not enacted due to congressional concern with the budgetary costs.

Although unsuccessful, the above welfare reform proposals were based on the belief that the federal government's intervention should be expanded to deal with social problems. Contrary to the past administrations, the Reagan administration introduced the "New Federalism" in order to minimize the federal government's involvement in social policy. In Glazer's words, "the originality of the administration lay in its conviction that the way to wealth and national income growth, and out of poverty for the poor, could not be designed by government, or implemented by programs keyed to specific problems" (Glazer, 1984:97).

With this conviction, the administration's plans for cutting federal budgets targeted mainly entitlement programs. By definition, the entitlement programs are supposed to be "uncontrollable" because everyone who is eligible for an entitlement program has a "legally enforceable right to the benefits" (Congressional Quarterly Inc.(a), 1982:193). Nevertheless, the Reagan administration managed to control the entitlement programs by changing the laws

through the Omnibus Budget Reconciliation Act of 1981 (OBRA). The federal government's ax for cutting the budgets for social programs fell most heavily on the entitlement programs designed for the poor who are politically the least powerful.<sup>3</sup>

The goals of the OBRA were to have more AFDC recipient mothers work, promoting their self-sufficiency and thereby serving the truly needy only. However, from the beginning, the OBRA's goal of promoting self-sufficiency was hampered by its failure to provide work incentives.<sup>4</sup> It was apparent that the ultimate goal of the OBRA was to save AFDC costs by limiting the eligibility and by reducing AFDC benefit levels.<sup>5</sup> A visible outcome of the OBRA changes was the savings in AFDC costs, which were achieved at the expense of AFDC recipient families that lost eligibility or some benefits.<sup>6</sup> The worsened hardship of affected families was reflected in the fact that they had to borrow money or get food from charity organizations frequently (Social Legislation Information Service, 1984:130-131). Ironically, the families affected by the OBRA changes became economically worse-off as they increased work efforts.

In summary, the past administrations' attempts for welfare reform -- either progressive or regressive -- have not resulted in structural changes in the welfare system, nor provided work incentives for welfare recipients. To make things worse, under the Reagan administration, the direction for the advance of the welfare system has been completely reversed. Through the Deficit Reduction Act of 1984, the most recent changes made to the AFDC programs intended to alleviate work disincentive effects of the OBRA.<sup>7</sup> However, the current

AFDC program remains essentially the same in terms of its structural problems.

#### REVIVAL OF PROGRESSIVE WELFARE REFORM NEEDED

At the beginning of the Reagan administration, Albrecht solemnly declared that demands for (progressive) welfare reform are futile because "welfare reform is dead politically" (Albrecht, 1982:15). On the contrary, despite the conservative tilt of the country, Turem advocated for welfare reform proposals out of his conviction that "the time has come for a discussion of program alternatives apart from ideology and budget" (Turem, 1982:29). More recently, however, regressive perspectives on welfare reform became conspicuous as a result of Charles Murray's (1984) well-publicized book, "Losing Ground: American Social Policy, 1950-1980". Despite its methodological and interpretational flaws<sup>8</sup>, his book produced bitterly regressive policy implications: retrenchment or elimination of major welfare programs. In attacking the ineffectiveness of the current American welfare system in a politically appealing manner, Charles Murray has argued that the poor became worse-off as a result of pro-poor programs. Although he has made a flawed underestimation of the effectiveness of anti-poverty programs, he effectively described the difficulties in curing poverty under the current welfare system.

On the other hand, given the weaknesses and the problems in the current welfare system, a progressive formula for curing poverty can be prescribed: advance and/or expansion of the welfare system. For example, the U.S. Catholic bishops call for national economic planning for improving distributional justice, income security, and

employment opportunities for women and minority. They claim that a substantial reduction in poverty and inequality requires fundamental changes in social and economic structures. The bishops' specific recommendations include "reforms in the tax system" to reduce the burden on the poor as well as "a thorough reform of the nation's welfare and income-support programs" to protect children and families (Ad Hoc Committee in Catholic Social Teaching and the U.S. Economy, 1985:11).

With the viewpoint that fundamental not incremental changes are essential, a three-dimensional agenda for welfare reform and its rationales are discussed in this paper. The author's advocacy for a reinforced investment in the welfare system is based on the fact that past anti-poverty programs have worked, but not sufficiently nor perfectly. The following policy proposals are based on three principles: 1) all children have the inborn right to be protected against material deprivation, 2) all parents should meet their parental responsibility to provide for their dependent children, and 3) socioeconomic disadvantages faced by single mothers striving for economic independence need to be reduced through targeted employment programs.

#### Dimension 1: Universal Assistance to Families with Children

An overhaul of the income maintenance system involves the incorporation of *universalism* into the welfare system. The principle of universalism is to provide non-income-tested uniform benefits to certain categories of persons identified only by demographic characteristics like age. Universal payments to custodial parents aim to cover all children under a certain age, as

shown in the proposal of 1967 Family Allowances Act. There are many rationales for advocating the provision of children's allowances:

. It should be noted that, in 1981, only about 11 percent of all children received some AFDC benefits, while about 20 percent of all children lived in poverty (U.S. House of Representatives, 1983:17-18). The current AFDC program fails to save children from poverty not only because of the program's limited coverage, but also because of its inadequate benefit levels.

. The current labor market structure fails to compensate according to family income needs, because wages are not based on the family size, but on productivity. As primary victims of this labor market structure, children in large families often face the great risk of living in poverty.<sup>9</sup> Thus, children's allowances need to be provided as a way of supplementing the insufficient wages of parents.

. Children's allowances will redistribute income from childless families to families with children and from better-off to poorer families. In fact, the current income maintenance system has benefited the aged more than young children. The aged who constitute about 20 percent of all households receive over 50 percent of the total income transferred through the income maintenance system. On the other hand, the households with children constituting about 40 percent of all households receive only about 23 percent of all transferred incomes. Indeed, the income maintenance system reflects the "pro-aged tilt" (Danziger, 1981:4). The fact that children are distinctly worse off than adults can no longer be ignored.

. It is believed that to invest for securing productive future generation through

children's allowances is in society's self-interest (Segalman and Basu, 1981:202; Watts, et al., 1982:407). Because the opportunities for children of low income families to fully develop potential abilities are limited by the socioeconomic status of their parents, it is necessary to provide socially-affordable children's allowances to promote equal opportunities for children.

. It should not be overlooked that the AFDC program has the divisiveness of income-testing. To raise children under a stigmatizing income support program is viewed to be harmful to society's solidarity (Titmuss, 1971:238; Rotherham, 1981:360; Garfinkel, 1978:187-188).

. Under a universal provision of children's allowances, the working poor will not be penalized by implicit tax rates which are much higher than explicit tax rates levied on the non-poor.

. Children's allowances are advantageous in maintaining a neutrality of public policy, minimizing governmental influences or control over individual family life by paying uniform benefits.

Despite these various advantages, welfare reform proposals based on universalism have often been criticized under the assumption that social welfare budgets are fixed. Usually, the opposition to universalistic approaches toward welfare reform falls on the financial burden of providing for all, including the non-poor. It is criticized that advocating for a guaranteed income has "an almost wistful, childlike appeal -- the desire to be free from the constraints of reality ..." (Anderson, 1978:75). However, it should be noted that, despite the growing federal deficit, defense spending swelled from \$136 billion in 1980 to \$230 billion in 1984

(American Public Welfare Association, 1985:8). Thus, continued efforts should be made to challenge the assumption of a fixed budget available for social welfare programs. To increase funds to meet the needs of children and families should have a higher priority in the decision-making process of allocating federal budgets.

### Dimension 2: Reinforced Support for Children with Absent Parents

The goal of the Child Support Enforcement Program initially enacted in 1975 is to collect child support payments from absent parents in order to compensate for AFDC costs. However, the child support program has been ineffective to protect children with absent parents in many aspects. First, only about 60 percent of single mothers whose children have an absent father have legal child support agreements (Sorensen and MacDonald, 1982:59). Also, less than a half of all children awarded child support receive the full amount due, and about 30 percent receive no payment at all (Garfinkel and Uhr, 1984:114-115). Second, the amount of collected child support is not adequate to save all children with absent parents from poverty. For instance, in 1978, 14 percent of families that received the full amount of court-ordered child support still lived in poverty (Sorensen and MacDonald, 1982:65). In addition, there exists inequity in the current system because the amounts of child support awarded vary according to the attitudes of the professionals involved in the court decision (Garfinkel and Uhr, 1984:115).

Recent policy proposals for correcting these problems center around a social child support system which resembles the Swedish

social Child Support system providing for children with absent parents (Oellerich and Garfinkel, 1983; Danziger et al., 1979; Smeeding and Garfinkel, 1980; Garfinkel and Uhr, 1984; Garfinkel, 1982; Garfinkel and Sorensen, 1982). The contents of the social child support system as elucidated by its advocates are as follows:

. It assures that all absent parents pay child support taxes to share income with their children. All absent parents should pay an equitable proportion of income varying only by the number of children to be supported. In this way, the parents' responsibility for supporting their children will be sustained no matter how the family structure changes.

. An adequate amount of child support should be guaranteed in order to protect all children with absent parents. If absent parents fail to pay, at least, the minimally guaranteed amount of child support, the government should supplement inadequate child support from the general revenues. Thus, the basic income need of all children will be met even if their absent parents earn a low income, are unemployed, or are sick.

. The AFDC program will be eliminated, thus saving its costs. Since the social child support system will not involve income-testing, it will be administered more efficiently than the AFDC program, reducing stigma effects on the beneficiaries.

. Collecting child support from absent fathers should be carried out effectively through an income withholding system. Employers should be required to withhold a portion of the income of employees liable for child support taxes.

. Most of all, since the amount of child support is not based on the income of custodial parents, work disincentive effects



will not be created by the child support system. The custodial parents will not be subject to higher tax rates in relation to the receipt of social child support, as AFDC recipient parents have been.

Overall, the social child support system is believed to be an efficient policy instrument for reducing the income inequality between female-headed families and two-parent families. Also, the idea of the social child support system appears to be particularly promising in terms of its political feasibility and effectiveness.<sup>10</sup>

### Dimension 3: Targeted Employment Programs for Single Mothers

It has often been maintained that welfare problems must be solved in the context of the labor market problems because poverty and welfare dependence are largely the results of the inadequate structure of the labor market (Gordon, 1972:7; Glazer, 1975; Saks, 1975:103; Galper, 1975:29). The labor market-focused approach for welfare reform relates to both micro and macro economic policies. Microeconomic policies to reduce the income gap between the rich and the poor attempt to raise the earnings of the poor by intervening in both the supply side and the demand-side of the labor market through training, public employment, and wage subsidy programs. Macroeconomic policies toward full employment are also helpful in reducing the income gap (Cain, 1984:30-31).

From the viewpoint that the intervention in the labor market should be an important agenda for welfare reform, many consider targeted employment programs to be particularly advantageous for welfare recipients to increase incomes by combining earnings and welfare benefits (Danziger and

Lampman, 1983:69; Plotnick and Smeeding, 1979:268-269; Danziger et al., 1979:34). The primary rationale for providing employment programs specifically designed for single mothers lies in the fact that single mothers are the most disadvantaged workers. Single mothers generally earn low wages compared with male/father providers, in large part, due to sex discrimination and/or occupational segregation in the labor market (Watts, et al., 1982:407-408).

Because the employability of mothers with children is associated with diverse factors such as work experience, educational background, job skills, demand for labor, child care task, and so on, employment programs for single mothers should provide multi-faceted services. In the past, comprehensive employment programs such as the Work Incentive (WIN) program aimed to improve the employability of welfare recipient mothers by providing training, child care, and other services. However, the Reagan administration has shifted from the work incentive approach to the mandatory work requirement approach out of "ideological and fiscal concerns" (Kuttner and Freeman, 1982:18). Since mandatory workfare programs such as Community Work Experience programs cannot lead the participants to better jobs, the current policy should be replaced with a more progressive employment policy aimed at leading low income women to better jobs by improving job skills.

In addition to training/education services, it is particularly important to provide employer subsidies for single mothers. For example, the current Targeted Jobs Credit Program should be made more effective in terms of encouraging employers to hire low income mothers.<sup>11</sup> At the same time, the child care constraint cannot be

ignored in helping mothers transfer from welfare to stable employment.

To summarize, to reduce the earning gap between female heads and male heads is the ultimate goal of targeted employment programs for single mothers. Targeted employment programs for single mothers should deal with both the supply side and the demand side through training/education and employment subsidies. In particular, child care constraints need to be removed through direct child care subsidies. The danger of providing insufficiently-funded employment programs, as has been the case under the Reagan administration, leads single mothers, at best, to dead-end jobs, confining them in prolonged poverty and dependence on public assistance. Thus, it cannot be overemphasized that future employment-oriented programs should be sufficiently funded to provide quality services.

#### CONCLUSION

In this paper, three policy goals have been advocated: basic guaranteed income for all children, reinforcement of child support for children with absent parents, and improvement of employment opportunities for disadvantaged women. It should be noted that both children's allowances and minimum guarantees for children with absent parents resolve the problem of work disincentive effects on custodial parents. At the same time, when children have access to a universal grant as a right and absent fathers meet their parental duties, single mothers with young children will be less frequently forced to sacrifice child care duties for economic reasons. Mothers should be allowed to make the optimal choice between home and work so that their children's need for

maternal care will not be neglected. For this purpose, the above three-dimensional policy proposal needs to be implemented concurrently to make a substantial improvement in both the material and non-material well-being of children and their families.

While the provision of employment-oriented programs for disadvantaged individuals has been diminishingly funded in the past, the proposals for providing a guaranteed income for children have hardly been implemented mainly due to budgetary concerns. Although financial constraints are not likely to be easily overcome in the near future, it cannot be overemphasized that future approaches toward welfare reform should be integrated with the long-term movement toward the welfare state. In the absence of a tradition of social solidarity, advance toward the welfare state is likely to be a painfully slow process. Nevertheless, it is time to resurrect the ideas for progressive welfare reform.

#### Notes

1. For example, in 1983, about 46 percent of female-headed families with children in school received school lunch benefits (U.S. Department of Commerce (d), 1985:2).

2. The sheer complexity of the current welfare system was effectively documented by Tom Joe and Lorna Potter who examined income-testing procedures for a typical AFDC working mother for a 4-year period. Describing administrative complexity, the authors evaluated that the 1981 policy changes further complicated an already complex welfare system (Joe and Potter, 1985:12).

3. According to a 1983 Brookings study, the reductions achieved by the OBRA, imposed on the budget of 1982, was \$27.1 billion, while Ellwood reported an estimated cut of \$35.2 billion in outlays (as quoted in Glazer, 1984:79). The budget reductions were made disproportionately in income maintenance programs, with heavier cuts in public assistance. According to an estimate of outlays savings in 1984 arising from the 1981 OBRA, almost 60 percent of reductions occurred in pro-poor programs, while these account for only 18 percent of income maintenance outlays. The expected savings as a percentage of baseline amount for each program is 1.6 percent for OASDI, 16.3 percent for AFDC, 18.6 percent for Food Stamps, and 34.5 percent for low income energy assistance (as quoted in Glazer, 1984:96).

4. Initial studies of the effects of the 1981 policy changes failed to provide empirical evidence that the OBRA changes caused a reduction in the labor supply of working AFDC recipients (Moffitt, 1984:29; Smolensky, 1985:10). However, an updated study showed that a significant decrease in work efforts was found among AFDC recipients when the unemployment rate was taken into account (as reported in "Focus" by Institute for Research on Poverty, Fall/Winter 1985:22).

5. The major changes in the AFDC program brought by the OBRA included: 1) establishing a cap on eligibility at 150 percent of the state need standard; 2) new assets eligibility limit; 3) elimination of \$30-and-one-third deductions after four months; 4) reduction in the amount of the

\$30-and-one-third deductions during the first four months; 5) standardizing work-related expenses at \$75 per month and capping child care expenses at \$160 per child; 6) deeming step-parent income available to the children; and 7) automatically counting in advance the Earned Income Tax Credit (Moffitt, 1984:3; The Center for the Study of Social Policy, 1984:19-20).

6. The savings in AFDC costs achieved in the year following the OBRA enactment amounted to \$93 million per month (Institute for Research on Poverty, 1985:4). The fiscal 1983 budget proposal also estimated that a combined total savings in AFDC costs would amount to \$5.9 billion by fiscal 1987 (Congressional Quarterly Inc. (b), 1982:240-241). The number of AFDC recipient families that were affected by the OBRA changes were 710,000; about 408,000 families lost eligibility and 299,000 lost some benefits nationwide. The average monthly income of families who lost AFDC benefits due to the OBRA changes was lower than the 1983 poverty level for between 28 to 86 percent of the families, depending on the areas of residence (Institute for Research on Poverty, 1985:2-7).

7. The changes to the AFDC program brought by the Deficit Reduction Act of 1984 include: 1) raising the AFDC gross-income limit from 150 percent of a state's need standard to 185 percent of a state's need standard; 2) extending the disregard of the first \$30 of an AFDC recipients' earnings from the first 4 months to the first 12 months on a job. The disregard of a third of the remaining earnings is still limited to 4 months; and 3) raising the AFDC work-expense deduction for part-time workers to the \$75

level for full-time workers, and so on (General Accounting Office, 1985:13-14).

8. Researchers at the Institute for Research on Poverty provided a sound critique of Charles Murray's book. For details, see McLanahan, Sara et al., *Losing Ground: a Critique*. Institute for Research on Poverty, Special report No. 38, August 1985.

9. The family size is closely associated with the poverty rate. For example, in 1978, nearly 40 percent of families with 5 or more children were poor, while less than 5 percent of families with no children lived in poverty (Levitan, 1980:10).

10. It is expected that a social child support demonstration project which is under way in Wisconsin will provide sound evidence that the new system indeed reduces both poverty and public dependence among female-headed families. Several counties are currently using wage withholding for financing child support. According to current plans, as of January 1986, a minimum benefit will also be provided in several counties (Garfinkel and Uhr, 1984:122).

11. Under the current Targeted Jobs Credit program, employers hiring economically disadvantaged, handicapped or welfare recipient persons can receive a credit of 50 percent of the first \$6,000 of wages only in the first year of employment. However, the credit reduces to 25 percent in the second year, curtailing its effectiveness (Social Legislation Information Service, 1984).

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