

June 17, 1986

## MOBILIZING POLICIES TO BOLSTER THE FAMILY IN THE FIGHT AGAINST POVERTY

### INTRODUCTION

Throughout history, the family has been the most important unit in society. Yet for the past two decades it has been ignored by those designing programs to combat poverty and other problems. At last, however, policy makers and the press have begun recognizing that there is a strong link between family, government policies, and welfare dependency. Documentaries such as Bill Moyers's "The Vanishing Black Family" and recent books and articles, including Senator Daniel Patrick Moynihan's (D-NY) Family and Nation, have drawn attention to a simple fact of life in the U.S.: when families fail, the rest of society must pick up the pieces and pay the bill. And when families crumble, the welfare costs to society soar.

The increasing labor force participation rate of mothers, then, is a legitimate public concern. Moreover, the issue reveals a basic disagreement in public policy circles. Some see the only appropriate response to the increasing numbers of working-wife and female-headed families as stepped-up day care, flexible working hours, and legislated parental leave. This implies considerable extra expense to society in either private or public expenditures. But others see the situation differently, arguing that the pressure on mothers to join the workforce derives, in part, from welfare policies that discourage unified families and limit the ability of women to work at home.

Rather than assuming that spending more on welfare necessarily implies "better" welfare, it is time to overhaul the many tax and regulatory policies and those welfare programs that weaken the family unit. Tax legislation benefiting families and the poor by raising tax thresholds, increasing personal exemptions, and expanding the earned-income tax credit appears likely to be passed by Congress soon. Policy makers should subsequently give some thought to equalizing the tax treatment of one- and two-earner families in

similar economic circumstances, particularly child care and retirement provisions that discriminate against homemakers. Welfare policy should also be reexamined in light of the impact of programs on families and values. Aid to Families with Dependent Children, for example, which now simply validates family dissolution or nonformation, can be reformed to emphasize parental responsibility for the behavior of minors, paternal obligations to children, and the work ethic and work opportunities. A number of states are already moving in such a direction. Federal, state, and local regulatory policies should be reexamined to evaluate their impact on families. This includes labor regulations precluding women from doing paid labor in their homes, counterproductive day care licensing and zoning requirements, and urban policies that obstruct job creation in depressed neighborhoods.

Arresting the decline of the family is the first step toward reversing the spiral of homelessness and chronic welfare dependency that is destroying so many Americans.

#### THE CHANGING AMERICAN FAMILY

More than half of married American women now work; almost half of these work full time. Over half of all mothers with children under age 6 are in the labor force, as are well over two-thirds of mothers with youngest children between ages 6 and 13.<sup>1</sup> The earnings of these women contribute significantly to family income. If wives did not work, the average family would lose one-fourth of its current income, and the poverty rate would be at least one-third higher than it is. For many women, paid labor is not a matter of personal self-fulfillment; it is an economic necessity.

Wellesley College Sociologist Brigitte Berger points out that the vast majority of women in America today--over 90 percent--perceive the family to be of paramount importance. She cites data and surveys indicating that 86 percent of American women consider family the single most meaningful part of life, while only 9 percent think work is. Some 83 percent of American women "would welcome more emphasis on traditional family ties," while women aged 18 to 24 "confess to a

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1. Statement of Janet L. Norwood, Commissioner, Bureau of Labor Statistics, before the Select Committee on Children, Youth, and Families, House of Representatives, Congress of the United States, April 17, 1986.

2. A national poll, conducted in 1983 by Decision/Making/Information, McLean, Virginia, showed that about half of all working women perceived themselves to be working out of necessity rather than choice.

greater longing for traditional family life than they think their own parents had."

According to Berger, these priorities are not likely to change in the near future. She cites a study of high school girls which shows that the majority, including the brightest, do not expect to be working more than five years after graduation.<sup>3</sup> While harsh reality will clearly dash the expectations of many respondents, these desires and perceptions undoubtedly influence the career choices and life decisions of women.

The conundrum for policy makers, then, is how to create opportunities for families in which women choose to work without overburdening those women and families where the wife would prefer not to work. The problem is that massive government day care programs and other services for two-earner families will increase the tax burden on middle-class families--thus pushing even more wives reluctantly into the labor force.

While it is now generally recognized that keeping a family together is essential in keeping the members of that family--particularly the children--out of poverty, often overlooked is that government policies impose considerable economic burdens on "traditional" families. Many welfare policies, meanwhile, reward broken families and provide much less assistance to families remaining intact.

The poverty statistics indicate how difficult it is for families with children to make ends meet. Childless couples have a very low 5.4 percent poverty rate. For families with one child, the poverty rate is 12.7 percent. The rate for families with four children is 34.5 percent, and for those with five or more it is a staggering 52.7 percent.<sup>4</sup> While children as a group have a poverty rate of 22 percent, poverty is heavily concentrated among children in single-parent-headed households, reflecting the lower earning potential of such families. Among female-headed families, the poverty rate is 35 percent.

Many government policies contribute to the economic difficulties confronting families, particularly working families with children. Policy makers should heed the ancient admonition that to do good,

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3. Brigitte Berger, "Comparable Worth at Odds With American Realities," in Comparable Worth: Issue for the 80's, A Consultation of the U.S. Commission on Civil Rights, Vol. 1, June 6-7, 1984, p. 68.

4. U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 149, Money Income and Poverty Status of Families and Persons in the United States: 1984, Washington, D.C., 1985.

first do no harm. Contributing to the harm done to families are tax, welfare, and regulatory policies at all levels of government.

## TAX POLICY

The federal tax system has been biased against families and the poor. Until 1985, for example, inflation-induced bracket creep meant that taxes rose automatically unless adjustments were legislated. Since the tax brackets are narrower at lower incomes, and the personal exemption and standard deduction are a larger proportion of income, bracket creep harmed lower-income taxpayers and larger families more than it did those in upper brackets. Single persons and married couples with no dependents had substantially the same average tax rates in 1984 as in 1960. But average rates rose steeply for households with dependents: the tax burden on a couple with two dependents rose 43 percent in that period, while it increased 223 percent on a couple with four dependents.<sup>5</sup>

Indexation of the tax rates has halted this, but it does not make up for ground already lost. The real value of the personal exemption, for example, is now about half what it was in 1955. Since that year it has fallen from 14 percent of median family income to just 4 percent.<sup>6</sup> The House-passed version of the tax reform bill (H.R. 3838), by reducing tax rates and increasing the standard deduction, personal exemptions, and the earned-income tax credit amounts, would go a long way to improving the situation for families and the poor. The Senate version of the bill, barring any unexpected changes on the floor, will do the same.

Ideally, the tax code should be neutral with respect to a wife's decision to work or not work outside the home. In practice, of course, perfect neutrality among the various categories of taxpayer is hard to achieve. The "marriage penalty," for example, increases the tax burden of two earners in marriage compared to what it would be if they were single.

Other aspects of the current tax code also are unintentionally "anti-family." For example, two-parent families with only one earning spouse are not eligible for the child care credit; this discriminates against "traditional" families in favor of one-parent households and

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5. Eugene Steurle, "The Tax Treatment of Households of Different Size," in Rudolph G. Penner, Taxing the Family (Washington, D.C.: American Enterprise Institute, 1983), p. 75.

6. Rebecca M. Blank and Alan S. Blinder, "Macroeconomic Income Distribution and Poverty," (Cambridge, Massachusetts: National Bureau of Economic Research, Working Paper No. 1567, February 1985), p. 35.

two-earner households. A family of four earning \$15,000, with a wife working outside the home, currently is eligible for a credit potentially worth nearly \$1,300. But a family earning only \$10,000 with the wife at home is not eligible. In other words, child care is subsidized by the government only if a spouse leaves the job of child rearing to others by working at something else. Ideally, such a credit should be based on ability to pay and not the working status of the second spouse.

Another example: the limit on potential IRA contributions of married couples with a nonearning spouse is \$2,250, compared with \$4,000 for two-earner couples. This strongly implies that the traditional homemaker is not entitled to the same benefits in planning for old age as the wage-earner. And the declining real value of personal exemptions has had a decidedly anti-family effect. Since 1960, average tax rates rose far more rapidly for families with dependents (including one-parent families) than for couples or single Americans.

There is, moreover, a close relationship between tax policy and welfare policy. Increases in all taxes, but especially the Social Security tax, disproportionately burden the working poor and increase the disincentives to work. This is particularly true for large families, because welfare benefits increase with the number of children while wages do not. Last year, the Christian Science Monitor described an unskilled Laotian refugee in California and his family of seven. If he worked too many hours each month, he would lose welfare eligibility. But to get off welfare entirely and make up the value of his welfare subsidies, he would have had to earn about \$1,000 a month, a virtual impossibility given his limited skills.<sup>7</sup> Adding a tax burden into the equation amounts to discouraging self-sufficiency even further.

Congress appears likely to raise the threshold and the personal exemptions in the tax reform legislation. This could remove as many as six million poor taxpayers from the tax rolls and would go a long way to assisting families with children. This is a step in the right direction and an acknowledgement of the costs as well as the social benefits of raising children. If the child care credit, in some form, is not extended to nonworking spouses, lawmakers should consider an additional personal exemption for spouses who stay at home to care for small children, to acknowledge that the wages foregone by a nonworking mother are equivalent to the expense of paid child care.

Further, whatever the outcome of current deliberations on the future tax deductibility of Individual Retirement Accounts, Congress

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7. March 15, 1985. Cited in The Journal of the Institute for Socioeconomic Studies, Spring 1985, p. 35.

should ensure that homemakers are given the same opportunity to provide for their retirement as are working spouses.

## WELFARE POLICY

There are two related but distinct public policy problems regarding welfare. One is the issue of how to improve the earnings of the recipient so that welfare becomes less necessary or attractive. The second is how to keep public expenditures within reasonable bounds.

Obviously, the willingness of a person to work is affected to some degree by the relationship between her or his earnings potential and the level of welfare benefits. The greater the welfare benefits, the lower would seem the incentive to work. But this equation is not so simple. If the individual places a great value on leisure, potential earnings may have to be very high, compared with welfare benefits, to induce that person to work. Other individuals place positive value on work itself, and thus prefer working to being on welfare even if they are worse off financially. In any case, most people do not have a "free" choice between welfare and earned income, because there are constraints on access to each and there are burdens imposed by both welfare and tax laws. Economic choices by heads of households are made in the context of their own value system, as well as within a system of income and welfare incentives.

The design of many major welfare programs, moreover, takes insufficient regard of the composition of today's dependent population. Aid to Families with Dependent Children (AFDC), for example, for decades provided benefits for which no work was required, unlike most assistance programs for men. Even when the AFDC program did apply and enforce work requirements, it did so very incompletely and half-heartedly, because the prevailing philosophy was that mothers of young children should not work, but if a father was present, the state was absolved of responsibility. This feature of AFDC predictably affected family structure. There is little incentive for young men with poor job prospects to marry young women (or the young women to marry such men) if marriage precludes the availability of steady (if minimal) support from the state for their children.

If the welfare system offers mothers higher benefits than the labor market offers unskilled men in the form of earnings--and this can be the case even in states paying low welfare benefits--then the mother becomes the family's "primary earner." This complicates the

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8. For a discussion of this issue, see Elizabeth Durbin, Welfare Income and Employment, An Economic Analysis of Family Choice (New York: Fredrick A. Praeger, 1969).

problem of reducing dependency on welfare for two reasons. The woman's opportunities in the labor market are usually those of a secondary wage earner. Generally, she will lack the requisite skills and preparation for an upwardly-mobile job, and her child care responsibilities will limit her ability to travel or work overtime or irregular hours, common requirements for well-paying jobs. And since, in these cases, the welfare department has assumed the role of primary provider, men have a greatly reduced obligation to provide. The decreasing labor force participation rate of young black men in the inner city, for example, appears to be an important factor in the decline of the black family. The structure of programs like AFDC simply shores up such pathologies.

Thus these underlying problems would not disappear with increased benefits. Indeed, increased benefits can exacerbate dependency and family decline by making independence and work even less attractive. Moreover, the new wave of workfare reforms for AFDC are not likely to improve the situation, because they do not increase work incentives or opportunities for absent fathers. Instead, they attempt to transform mothers into primary earners. This may not be sound policy in the long run. In the short run, policy makers must strive to make existing family units, including single-parent households, as self-sufficient as possible. But long-term welfare reform should focus on strengthening the intact family and on having both parents assume responsibility for children.

There are limits, of course, to what welfare policy can accomplish with respect to reversing trends in divorce rates and illegitimate births. Cultural norms and moral standards are not readily susceptible to change by government fiat. Yet the welfare system should not facilitate family and community dissolution. Current efforts to increase child support payments and step up enforcement of collections from absent fathers are appropriate and long overdue to encourage parental responsibility. In the case of unwed teenage mothers, enforcing paternal responsibility is more problematic. Perhaps the new wave of workfare reforms should include job clubs and mandatory job search for unemployed fathers of illegitimate children, which could include discussions of parental responsibility. Whether or not this "worked" initially, it is important for government to structure programs to reflect the values of the broader society. Minor mothers should be expected to live with their own parent or parents and not establish a separate household. And both sets of grandparents of illegitimate children born to minors, following the example of Wisconsin, should be held legally responsible for supporting their grandchildren.

Upgraded educational and job-training efforts in urban slums also must be part of the long-term solution. There are many examples of schools--both public and private--where determined principals or parents imposed discipline and raised expectations and achievement levels in the face of insuperable odds. Such models should be

evaluated and emulated. Moreover, the economic and moral barrenness of out-of-wedlock births must be taught in the schools and in the community. And community leaders must take the responsibility for tackling these issues at the neighborhood level. It is no use expecting federal welfare programs to teach morality.

Both the federal and state governments can help these local efforts by redesigning programs to encourage strong families, as discussed earlier. Another example: AFDC assistance to families with fathers unemployed through no fault of their own (the AFDC-UP program) should be extended nationwide; such coverage now exists in only about half the states. And AFDC could be made an explicitly temporary program--say, four years. While this would not affect the vast majority of welfare recipients, who remain on the program a few years at most, it would create a different incentive structure for pregnant and potentially pregnant teens, who are most likely to become long-term recipients. A system in which benefits taper off or end after a set period, and perhaps even decline with rising numbers of illegitimate children, could be designed, together with support systems to ensure that innocent children would not suffer. Continuing education and job training for the teen mother should be mandatory during the four-year period. This would send an overdue message to those most likely to develop welfare dependency and help them avoid the tragedy of self-perpetuating poverty.

## REGULATORY POLICY

In the name of protecting the poor, and at the behest of unions, social workers, community organizers, and many other such "spokesmen" for low-income Americans, government at all levels has created regulatory barriers to jobs and self-help efforts for many of the poor, particularly poor women. An example are rules setting standards such as occupational licensing restrictions and building codes. Ostensibly they are to protect the poor. In reality, these regulations make it impossible for parents to work at home and thus combine family duties and paid work.

Regulations promulgated in the 1940s, for instance, forbid producing certain women's apparel in the home. These were intended to protect workers from sweatshop conditions and wages. But conditions and needs have changed. Now they prevent many women from combining work with their obligations as mothers. Continued enforcement of the ban on "home work" by the Department of Labor destroys jobs and opportunities for women, particularly in rural areas where transportation, day care, and social services pose obstacles to



employment. The Department's rulings, in fact, recently eliminated 85 jobs in North Carolina.<sup>9</sup>

Opportunities for home work are bound to expand in the future, as personal computers and word processors expand home business opportunities. Technology is creating enormous new possibilities for women who wish to combine work with raising a family. But forbidding capable women from contracting with employers for the sale of their merchandise and services merely protects unions from competition--it does little to protect women or the family. Giving women the chance to work at home, on the other hand, strengthens the family. The federal government should rescind the outdated home work ban on the women's apparel industry and ensure that future regulations in this area do not discourage the creative pro-family efforts of the self-sufficient.<sup>10</sup>

#### STATE AND LOCAL RULES

Many barriers confronting women trying to help their families economically are erected by state and local regulations. Washington, however, makes this worse through guidelines attached to federal funds for local programs. For example, although affordable day care is increasingly important, those who wish to provide day care in their homes encounter occupational licensing and zoning ordinances. Most states limit the number of children who can be cared for in a home. And if the limit of children is exceeded, the facility may have to meet the stringent and prohibitively costly building codes designed for schools, including separate toilet facilities for boys and girls and accessibility for wheelchairs.<sup>11</sup>

Such extensive regulation hurts working women in two ways. It makes child care more expensive for women who work outside the home (but not necessarily better or safer, as several recent court cases involving child molestation demonstrate). And it limits the opportunities for women who prefer to work at home. Legislation to expand day care for needy families has been proposed in the House by Connecticut Republican Nancy Johnson. Her plan would reduce the

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9. Allen Norwood, "Caught in Threads of Bureaucracy," The Charlotte Observer, March 2, 1986.

10. According to economics columnist Warren Brookes, the Department of Labor will move to end the ban on or about July 1. "Unraveling the Ban on Work at Home," The Washington Times, June 11, 1986.

11. Catherine England and Robert J. Valero, "Working Women: Is Uncle Sam the Solution...Or the Problem?" Heritage Foundation Backgrounder No. 263, May 2, 1983, p. 7.

availability of the current child care tax credit for higher income families and use the increased revenues to fund day care vouchers for the poor.

Johnson's Child Care Act of 1986 acknowledges the reality that most children, particularly poor children, are cared for in informal and extra-legal home settings and that licensure has failed to provide adequate child care options or protection. The bill thus would require states receiving such voucher funding to exempt home-based day care providers from state licensing regulation. In this way, the responsibility for oversight would shift to parents, as is the case when the child is in the home. Such a common-sense approach to the real needs of working families should be pursued.<sup>12</sup>

#### ENTERPRISE ZONE DEVELOPMENT

Reducing poverty in depressed urban areas requires more jobs within communities, reducing the need for expensive commuting. The creation of enterprise zones in such depressed economic areas as Louisville, Kentucky, and Norwalk, Connecticut, demonstrates that excessive taxation and regulation sap a community's vitality. When such taxation and regulation are eased, thereby encouraging risk taking, many communities manage to find the capital and human resources to rebound. Innovative approaches to promoting entrepreneurship among women and unemployed inner-city youth also are showing promise of success. This, in turn, strengthens the community and the families within it.

Congress so far has refused to enact bipartisan legislation to strengthen state enterprise zones with federal incentives, thanks to footdragging by the House. This would appear to indicate that Congress might not be serious about arresting the breakup of inner-city families.<sup>13</sup>

#### CONCLUSION

Government has an obligation to promote the general welfare of its citizenry. Social and economic trends are placing increasing stresses on the family, an institution that is fundamental to the

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12. See William Raspberry, "Day-Care Magic," The Washington Post, May 5, 1986.

13. As this study was going to press, the House--on June 12--passed housing legislation that would create 100 federal enterprise zones. The bill still has several hurdles to pass before enactment.

economic and social health of Americans. The family and family values are important for the healthy development of children. When families fail, there is little government can do but pick up the pieces--it can never put them together again. In a recent speech, Secretary of Education William Bennett noted that reaffirming the value of the family is but a first step. Next, "...we must make sure that federal policies are not doing things that weaken the fabric of the family. We must then look to see if federal policies can be restructured to give the family more incentive and support."<sup>14</sup>

Tax policy has weakened the family. While the Congress appears to be on the verge of a historical reform, more could be done to equalize the treatment of one- and two-earner families. Welfare policy has weakened the family. By allowing fathers to evade their responsibilities, largely ignoring the needs of intact families and treating minors as adults, it facilitates the decline of the family as a social institution. Regulatory policy can be counterproductive. Home work regulations, day care restrictions, and local zoning and tax policies frequently prevent poor families from attempting meaningful self-help. And the role of education in reform is pivotal.

It is time for lawmakers to step back and look at all the pieces of the social welfare system from the perspective of the family. The programs and rules in place today constitute a family policy by default--but a policy that undermines low-income families rather than strengthening them. It is time to redefine compassion. Compassion is not expressed by shoring up social pathologies. True compassion means nurturing individuals to feel competent and responsible and thereby restoring health to families and communities, the foundations of our society.

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14. Address by William J. Bennett, U.S. Secretary of Education, to Fourth Annual Meeting of Networking Community Based Services, Washington, D.C., June 10, 1986, Omni Shoreham Hotel, p. 11.