

Backgroundunder

The Heritage Foundation

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THE MASSACHUSETTS “WELFARE MIRACLE”: ANOTHER MIRAGE

(Updating *Backgroundunder Update* No. 96, “Bad News on the New Welfare Law,” April 7, 1989.)

The Massachusetts Employment and Training Choices program (ET), an elaborate and expensive strategy to place welfare recipients in jobs, was the model for the federal welfare reform legislation of 1988, the Family Support Act. But the first comprehensive study of the Massachusetts program, released this month by the Pioneer Institute in Boston, finds that ET “has not led to any significant reduction in the welfare rolls in Massachusetts.”

This conclusion contrasts sharply with unsubstantiated but persistent claims that the Massachusetts program has been a resounding success. The study should be read carefully by state policy makers now designing federally-mandated education and training programs. It should also be required reading for those in Congress who believed the Massachusetts program should be the model for the nation.

The ET program was launched in 1983 by the incoming administration of Michael Dukakis. The program is strictly voluntary, with the state committing enormous resources to provide a wide range of services to welfare recipients choosing to enroll in the program. Over a six-year period, the ET program has cost \$240 million in state funds and \$84 million in federal funds. The ET services include career planning, skills training, job placement, and education. Welfare recipients may receive basic education services and can even study for an advanced degree.

“Priority Jobs.” The program’s most expensive support service is day care, and this costs more than all other ET services combined – the estimated price tag for 1989 is over \$4000 per child. Those who have left the welfare rolls, as well as current ET participants, are eligible for these day care services, which emphasize expensive formal care in licensed centers. Under the ET program, contractors who provide training and placement services must show that they have enrolled a minimum number of their welfare clients in “priority jobs” to receive full reimbursement for their services. In some areas of the state, to qualify as a “priority job,” a position must pay \$7.00 per hour.

When the ET program began in 1983, there were approximately 90,000 Massachusetts families on welfare. By February of this year this number had grown to 91,000. Nevertheless, state officials have been claiming that ET is responsible for placing 67,000 welfare recipients in jobs. These officials assert that the welfare caseload has remained virtually unchanged because demographic changes in the state meant large numbers of families joined the welfare rolls.

The new study, *Work and Welfare in Massachusetts, An Evaluation of the ET Program*, examines these claims. Authored by June O’Neill, now a professor of economics at Baruch College of the City University of New York and formerly a senior researcher with the Urban Institute, the

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Congressional Budget Office, and the Brookings Institution, the study first analyzes changes in the state's welfare caseload from 1970 to 1987, taking into account such factors as the state of the economy, demographic trends, and policy changes. O'Neill concludes that ET has failed to reduce the welfare caseload, despite the state's falling unemployment rate, rising per capita income, and large expenditures on the ET program.

Less Likely to Work. O'Neill then examines the percentages of single mothers in Massachusetts who are on welfare and in the work force, and compares these with other states and with periods before and after the creation of the ET program. Again, O'Neill controls for demographic, economic, and programmatic changes. The study finds that single mothers in Massachusetts are in fact less likely to work than their counterparts in other states, and more likely to be on welfare. The percent of female-headed households on welfare rose by 22 percent in Massachusetts between 1983 and 1987, while it declined slightly nationwide and dropped a dramatic 54 percent in neighboring New Hampshire.

The study points to a number of factors which may explain the failure of ET, and suggests ways in which other states might avoid the mistakes of Massachusetts. Among them:

- ◆ ◆ By linking payments to service contractors to their "success" at placing welfare recipients in high-paying jobs, ET has encouraged contractors to focus their efforts on the most employable individuals. O'Neill recommends that states should instead target services at those most at risk of long-term welfare dependency, and should not emphasize higher-paying "priority jobs," since employers are more likely to hire low-skilled workers if they can do so at a lower wage.

- ◆ ◆ The voluntary nature of ET means that it does little to encourage unmotivated welfare recipients to choose work over welfare dependency. A mandatory program, O'Neill points out, it can help change the attitudes of young single women who currently view welfare as a long-term option for support.

- ◆ ◆ ET's emphasis on expensive, formal day care settings has driven up costs. O'Neill notes that less formal arrangements can be just as satisfactory and far less expensive.

- ◆ ◆ O'Neill recommends that overall welfare policies be examined and suggests that states consider "de-coupling" day care services, training, and health care benefits from the welfare program. By doing so, low-income families wishing to improve their employment situation would not have to go on welfare to qualify for an attractive array of services.

States this summer will be redesigning their welfare programs, to comply with 1988 federal welfare reform legislation. If the O'Neill study is read in every state house, the expensive mistakes of Massachusetts' ET program might be avoided. Where federal law and regulations prohibit the recommendations in the O'Neill study, governors should request waivers from the U.S. Department of Health and Human Services.

Critics of the 1988 Family Support Act argued that a federal program based on the untested Massachusetts ET program, with its heavy emphasis on expensive support services and its voluntary nature, would do little to cut dependency on welfare. Within months of the legislation reaching the statute book, a Congressional Budget Office appraisal of the new law predicted that the federal-state program actually would increase the nation's welfare rolls by 30,000 families over five years. Now the O'Neill study reveals that the very foundation of the 1988 "reform" has been a costly mistake.

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