

Fighting Poverty through Incentives and Work Mandates for Young Men

Ron Haskins

Many of the nation's most vexing domestic problems are linked with negative behaviors of and problems experienced by adolescent boys and young men. Delinquency and crime, school dropout, unemployment and nonwork, nonmarital births, and poverty are all associated disproportionately with young men. Two sets of public policies—wage subsidies and work requirements—that hold promise for helping young men increase their employment and earnings could thereby alleviate many of these social problems, especially poverty.

It would be hard to imagine an environment less conducive to socialization than the one in which millions of boys in America grow up. Chief among the traditional agents and institutions by which a society nurtures its children and youth is the two-parent family. In a passage written in 1965 that has shaped thinking but not public policy for more than four decades, Daniel Patrick Moynihan foresaw the

looming problem of boys growing up in female-headed families: “A community that allows a large number of young men to grow up in broken homes, dominated by women, never acquiring any stable relationship to male authority, never acquiring any set of rational expectations about the future—that community asks for and gets chaos.”

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To read the full report on antipoverty policies, go to www.futureofchildren.org.

The decline of the family is not solely responsible for the rise in poverty, school dropout, and other problems associated with young men. Historically, the socialization efforts of the family have been supplemented and reinforced by schools, churches, peer groups, and civic groups and associations. But many of these forces for transmitting positive values and behavior are in decline, especially in low-income communities. Not only do half of all children and up to 85 percent of black children spend a considerable part of their childhood in a female-headed family,

usually without the direct, day-to-day benefit of paternal influence, but many of them attend ineffective (some would say terrible) schools, which, far from providing a haven for healthy social relationships and learning, are often not even physically safe. The neighborhoods in which these children live are likewise often dangerous. Fears of crime and violence, aggravated by a lack of resources and commit-

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ted adults, have caused extracurricular activities traditionally sponsored by schools and other community organizations to wither.

Given that scholars and assorted public intellectuals have long recognized that young men are at the nexus of many of the nation's most pressing social problems, it is a curious feature of U.S. public policy that most programs that focus on young men seem designed to do something to, rather than for, them. The two government interventions that most affect young men are child support enforcement and prison. Child support enforcement requires fathers to pay child support on pain of taking part of their income through payroll deduction, seizing their property, or even throwing them in jail. Prison is, necessarily, the most rigid, controlling, and relentless institution in U.S. society. The nation's once large-scale commitment to prisoner rehabilitation

has given way to a system whose major purpose is punishment. By contrast, most of the major social programs such as cash welfare, Medicaid, and the earned income tax credit (EITC) all but ignore young men. The EITC, for example, provides up to \$4,500 a year to low-income custodial parents, usually mothers, but only up to about \$400 for noncustodial parents, usually fathers.

Thus, the nation faces an anomalous situation in which a sizeable group of citizens, linked with some of the worst domestic problems, is not a major focus of public policy; and such policy as exists is largely punitive in character. In this regard, child support enforcement and prison, justifiable and understandable though they might be, could well exacerbate the ills they intend to address.

The latest volume of *The Future of Children*, published by Princeton University and the Brookings Institution, contains a diverse and comprehensive set of recommendations for reducing poverty, two of which focus primarily on young men. The purpose of this brief is to review these two quite different approaches to helping poor men and to suggest how the proposals could be tested to see whether they can be implemented successfully and cost-effectively.

Falling Wages

Gordon Berlin, the president of the research firm MDRC, shows that focusing on the role of economic incentives is a standard and useful approach to understanding young men and their low rates of work and high rates of poverty. At the heart of his argument is the dismal growth record for wages and annual earnings of those at the bottom of the distribution of male wages. Although the American economy has produced more than a 65 percent increase in per capita gross domestic product since the late 1970s, the wages of production workers have suffered an almost continuous recession. Their wages fell and their average inflation-adjusted earnings declined from a peak of nearly \$34,000 in 1978 to less than \$26,000 during the early 1990s. Only after 1996 did real wages and earnings begin to rise before

falling again after the mild recession of 2001. Despite this brief respite from continuous declines, real annual earnings fell between 1979 and 2004 for men at the 10th, the 25th, and even the 50th percentile of the earnings distribution. Falling wages might reduce employment, lower the opportunity cost of crime (make it more remunerative to engage in crime than in work), and undermine a young man's ability to support a family.

Oppositional Culture

Without denying that economic factors play some role in the crisis among poor men, Lawrence Mead of New York University believes that cultural factors are more influential. Mead interprets the data on employment by poor men, along with the ethnographic accounts of inner-city men by scholars such as Elijah Anderson and Philippe Bourgois, to indicate that young poor men no longer comply with mainstream culture, especially the culture of work. They might want to work in principle, but they do not reliably do so in practice. As Orlando Patterson of Harvard writes, the behavior of these youth can seem to suggest quite other values: "The 'cool-pose culture' [consists of] hanging out on the street after school, shopping and dressing sharply, sexual conquests, party drugs, hip-hop music and culture."

Patterson stresses that this pattern of behavior is promoted by movies, magazines, and most of all by the behavior of well-to-do white youth. But kids from the suburbs know that achievement is important. They know when to turn off the rap and open a book. Further, they grow out of it. Young minority men, by contrast, are often "ensnared" by the cool-pose culture and refuse to give it up. This, according to Patterson, is a "major factor in their disconnection from the socioeconomic mainstream."

For Mead, inner-city young men often resist working, even when jobs are available. The youths often believe that those jobs are beneath them, they have problems taking orders from bosses, and they react to perceived slights by quitting their jobs. Mead, like Patterson, minimizes the importance of economic considerations such as low wages or shortages

of jobs in the inner city. Mead notes that the wages of low-skilled workers rose during the latter part of the 1990s without significantly increasing rates of male employment and that immigrants use these same jobs as entry points to the American labor market and then improve their wages over time. Immigrants also see their children rise far above their own status.

Although the Berlin and Mead diagnoses of the problem posed by young males are different, they are not incompatible. Both could be part of a complex picture that combines growing economic difficulty with an oppositional culture. The wage and earnings data summarized above provide convincing evidence that the returns to employment for low-wage workers have been falling, thereby sapping their incentive to work. Further, though there is probably widespread agreement in the public and among policymakers that accepting low-wage jobs is preferable to idleness, it is difficult for even a single adult—let alone a family—to live on earnings of \$8 or \$9 an hour. Similarly, the Mead portrait of the oppositional culture in which young black men live, especially as expressed by Orlando Patterson, has considerable credibility, although there are certainly many unskilled men who do not display this oppositional culture and who work reliably.

Policies That Work

As would be expected, the Berlin and Mead perspectives lead to different policy recommendations. Berlin interprets the data on falling wages to indicate that a promising approach would be to supplement the wages of young men who work full time. He proposes to create a tax credit for which all low-income earners would be eligible, even if they had no children. He would supplement each dollar of earnings by 25 cents up to \$7,800 of earnings, for a maximum credit of nearly \$2,000. In effect, this credit would convert a \$6 an hour job into a \$7.50 an hour job. The credit would remain constant until earnings reached \$14,400, at which point it would begin to phase down until ending completely when earnings reached about \$26,600. For the average man in the bottom 10th percentile of the earnings distribution,

earnings of \$18,000 would be supplemented by \$1,400—a sizeable benefit but still only about half as much as wages have fallen since 1979.

Several important points should be made about the Berlin tax credit. The first is that the earned income tax credit has been administered since the mid-1970s by the Internal Revenue Service using comparatively simple application requirements and forms. With the important exception of overpay-

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ments, which have been a problem for the IRS, Berlin's proposal could be efficiently administered and would likely not run into the difficulties that almost always hamper new programs. Second, recipients could be required to work a minimum number of hours to qualify for the supplement. Berlin recommends thirty hours a week, but the bar could be set higher. Evidence from welfare reform experiments suggests that setting a minimum hours requirement boosts the total number of hours worked. Further, in the long run, low-wage workers must work many hours to earn even modest incomes that could contribute substantially to supporting themselves and perhaps a family. Third, based on estimates from research, the Berlin proposal would increase employment as much as 20 percent, precisely the effect that is needed to bring more poor fathers into the mainstream economy.

Finally, one of the most far-reaching characteristics of the Berlin proposal is that it would be paid to individual workers regardless of their marital status. A major flaw in the current EITC is that it often penalizes marriage by requiring married couples to

use their combined income to compute their eligibility and benefit level. If a mother with two children earning \$20,000 were to marry a man earning \$20,000, her EITC of around \$3,000 would fall to zero. But under Berlin's proposal, the mother's EITC would be based only on her own earnings and would thereby remain at about \$3,000. In addition, a vital feature of the proposal is that if a male worker married a working mother, calculation of his EITC benefit would be based only on his own income. Not only would the mother retain her full EITC, but the family unit would also receive the husband's EITC. As compared with a zero EITC under current law, the married couple's combined EITC would be more than \$4,500 under the Berlin proposal. As a result, his proposal provides not only a major work incentive, but also a substantial marriage incentive for most working parents contemplating marriage.

The Berlin credit could contribute to increased marriage rates because men with jobs and a decent income make more desirable marriage partners than poor jobless men. Researchers Kathy Edin and Maria Kefalas find that poor mothers often mention steady income as an important criterion in considering a marriage partner. Further, with each partner receiving a wage supplement, the combined household income from two paychecks and two EITCs could carry many couples and their children well above the poverty level.

Berlin argues that the impact of his credit on work and poverty rates would be "certain, large, and immediate." Individuals who now work at least thirty hours a week, whether married, cohabiting, or single, would receive the credit, thereby boosting their income and reducing poverty. In addition, individuals now working less than thirty hours a week could try to increase hours worked in their current job, find a new job that guarantees at least thirty hours a week, or work two jobs. These people, too, would boost their earnings and receive the supplement, thereby further reducing the poverty rate. If the Berlin credit also raised marriage rates, its effects on poverty could be compounded.

Mead also supports raising wage subsidies for men, but his primary proposal is to require men to work under the threat of penalties. His proposal reflects his view that lack of work discipline and an oppositional culture, rather than low wages, are the principal forces that prevent young men from working regularly. He notes that the 1996 welfare reform law succeeded in raising work levels substantially among poor single mothers by requiring work as a condition of aid and by making day care, health care, and wage subsidies more generous.

Mead would take the same approach to two groups of young men, disproportionately poor and low-income, who are already subject to government authority. One group is young men who do not live with their children but have a legal responsibility to pay child support. If these young men fail to pay, they are subject to legal sanctions, including jail. The second group is ex-offenders who leave prison on parole; in most states, parolees are obligated to find work and work steadily, on pain of return to prison.

Mead would create a new, mandatory work program for members of these groups who do not work consistently. The clients would include low-skilled men in default on child support obligations, apparently because of low levels of work, and parolees who persistently fail to work. These men would be given, say, sixty days to find a steady job, where their attendance and performance would be more closely monitored than is now the case. If they failed to find employment, they would be placed in a job arranged by the program, where again their performance would be monitored. Child support, for men who owed it, would be deducted from their paycheck automatically. At the same time, the program would help the men claim public benefits for which they might be eligible, including wage subsidies. Men who failed to work steadily would be sent or returned to prison. Men who worked for a year or two would be released from the mandatory program and returned to the looser oversight of the regular child support and parole systems.

This program is consistent with Mead's view that nonwork among poor and minority men is attributa-

ble mainly to their oppositional culture. The program presents work as an obligation, not a choice, while also providing new benefits—the same approach that achieved higher work levels in the case of welfare mothers. The Mead proposal is a judicious mixture of stiff work requirements, penalties for noncompliance, and services designed to help young men deal with personal problems and get needed work supports. Implementing both the Mead and Berlin proposals would give young men far more reason to work than they have now.

Implementing the Plans

The Berlin proposal could cost as much as \$33 billion a year; the Mead proposal, up to nearly \$5 billion a year. Because the nation's foremost domestic problem is the federal budget deficit, it is important that any new spending be financed without raising the federal deficit. In today's political environment, that would necessitate offsetting new spending by cuts in current spending. As both Berlin and Mead concede, research has so far produced only modest evidence that their proposals would in fact produce the benefits they believe are possible. It would be unwise to spend nearly \$40 billion on these proposals without firmer evidence of their effectiveness.

But a constructive alternative lies readily at hand. As both Berlin and Mead note, the nation could mount large-scale demonstrations to test the effectiveness of their respective proposals. The seminal 1996 welfare reforms grew out of precisely such an approach. Large-scale programs were tested using random-assignment experiments to determine whether the programs, and the particular bureaucratic arrangements by which states can conduct them, produce the desired effects.

Congress could pass legislation to authorize the U.S. Department of Health and Human Services (HHS) to enter into agreements with states and counties or cities to conduct two types of demonstrations. The first would involve the large, EITC-like wage supplements for single workers recommended by Berlin. The federal government would pay for the

benefit itself, as well as for the cost of the experiment. The demonstrations would include random-assignment, third-party evaluations, lasting at least five years. States and counties would work with HHS to establish the particulars of the demonstrations, especially the new procedures needed for reporting hours of work by employees. The task of reporting hours worked might be assigned to the U.S. Employment Service, which already receives reports from

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employers in every state. Some new means would also have to be devised for paying the wage supplement to single workers because involving the Internal Revenue Service in the demonstrations would be difficult. A demonstration along these lines could be conducted in one big state and one medium-sized state for about \$75 million if the experiments involved 10,000 men (half receiving the wage supplement) for five years.

Similarly, HHS would work with states and counties to establish the proposed mandatory work programs. Employment and other services—such as addiction and counseling—would be crucial. HHS would carefully scrutinize evaluations of ex-offender programs that are already being conducted in several states. The demonstrations would test different service provider models, including contracts with private companies and with child support agencies. HHS should also test the effectiveness of suspending any back child support the father might owe as long as he stays current on child support in the future. HHS would also work with state prisons or county jails to establish the prisoner work programs. Again, services would be important. States and counties conducting the tests must be willing to manage programs for both child support violators and ex-offenders together, as the two populations overlap substantially. It should be possible to conduct several demonstrations along these lines for less than \$500 million a year, including the cost of the study.

Public funding for these demonstrations can be justified by existing research evidence of the effectiveness of the economic incentive and authoritarian principles on which they are based. The evidence offers every reason to believe that policymakers could develop cost-effective programs that would substantially boost the work effort and earnings of young men. From those effects would follow others, especially increased rates of marriage, which would benefit subsequent generations. The likelihood that programs to address the problems of poor young men would ease many of the nation's most serious social ills makes it well worth the expense of testing both the Berlin and Mead proposals.

Additional Reading

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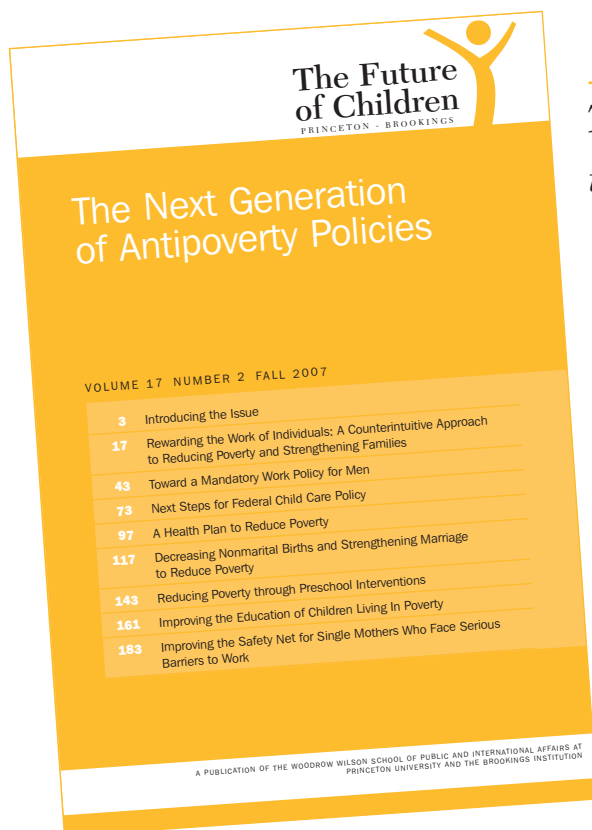
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