

# Wages of reform: Welfare policy: A six-year report

by [Barbara Howell](#)

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Six years after Bill Clinton signed into law a controversial bill ending “welfare as we know it,” Congress is debating how to extend or revise the welfare program. Funding guidelines must be reauthorized by October 1. In February President Bush surprised allies and opponents by proposing to increase the welfare work requirement from 30 to 40 hours per week (the average for private payrolls is a 34-hour work week). He also wants to require states to put 70 percent (up from 50 percent) of their welfare recipients into jobs.

The 1996 Personal Responsibility and Work Opportunity Act eliminated a federal guarantee of aid to the poor; provided for a \$16.5 billion “block grant” to states for each of six years; set a five-year lifetime limit on receiving aid; and mandated work requirements. It also eliminated food stamps and Medicaid for almost 1 million tax-paying legal immigrants. The legislation also shifted welfare programs from the federal government to the states, which have responded in 50 disparate ways.

Some welfare advocates howled at Bush’s recent proposals, calling them punitive. The nation’s governors were not pleased either. They called the proposal unworkable, since it would call for funding many more hours of child care but provide no additional funds for that service. (Only one in seven mothers who have left welfare for work has adequate child care now.) States also face the prospect of spending more money on transportation, job training and drug and alcohol rehabilitation at a time when many are struggling to balance their budgets.

The debate on the next chapter in welfare policy naturally rests on perceptions of how successful the 1996 experiment was. Many observers, including Clinton, call it a success. Dennis Hastert (R., Ill.), speaker of the U.S. House of Representatives, declares that since work requirements went into effect “millions of Americans have left welfare for paying jobs. The number of families on welfare peaked in March 1994 at 5.1 million; by September 2001, the figure was 2.1 million. Low-income mothers,

especially, have made tremendous progress" (*New York Times*, April 11).

Welfare caseloads are down dramatically across the nation—59 percent on average. A significant number of former welfare recipients have found jobs and many are happy and proud to be off welfare. Elizabeth Jones, a Washington, D.C., policewoman, the subject of a powerful *New Yorker* profile (April 9, 2001), told a Brookings Institution forum in August that her struggle from welfare to work has been demanding—she has three small children and works two jobs—but “I make the tradeoff because I want my children to grow up with dignity and a sense of security.”

But Jones also voiced a lament heard from many working mothers. “My children are raising themselves. I see them . . . in passing.” She worries particularly about her unsupervised 12-year-old daughter. “I don’t want her to wind up the same way I did . . . having children at a young age.”

One benefit of new welfare laws is an altered climate of debate. With work requirements in place, poor people are less often demonized (“alligators and wolves,” one member of Congress called them in the angry 1996 debate). Bush refers to welfare recipients as “our neighbors.” And with putting people to work more clearly the goal of welfare programs, it is politically possible, within limits, to ask whether jobs are paying a living wage.

A good bit of the qualified success of the welfare experiment must be attributed to good fortune, however. The major shakeup of the welfare system, which ended a 60-year federal commitment to providing a safety net, came in the midst of an economic boom. The fertile economy accounted for about 70 percent of the decline in welfare caseloads, according to some estimates. Record high employment through 2000 not only meant more jobs than usual but jobs at higher wages.

These developments helped move Lois Ann Cataneo of New York City off the dole. She proudly called herself “a poster child for the welfare-to-work movement” at a Washington meeting in August. But in September she lost her job as a concierge after her hotel near the World Trade Center was badly damaged. In the past five years more than one-third of those who left welfare for work also lost their jobs. Some got new jobs. Some did not.

Whatever the success of welfare reform, the decisive question is not whether the nation is reducing caseloads but whether it is reducing poverty.

Senator John Breaux (D., La.) has raised precisely this question. His state of Louisiana cut its welfare rolls by 74 percent between 1994 and 2001. But in a public forum in late 2001 Breaux groaned that Louisiana has a higher percentage of citizens (875,000 people, 20 percent of its population) and children (319,000 children, 27 percent) living in poverty than any other state in the union. Breaux agreed with a welfare study done in 2000 by Southern University in Baton Rouge. "If success is defined as families being better off or experiencing fewer problems, or less poverty," Breaux paraphrased, "the work of welfare reform has much to do to demonstrate its effectiveness."

Even after the longest economic expansion in U.S. history, more than 31 million Americans live in poverty, 12 million of them children. About 14 million people in the U.S. have annual incomes of less than \$6,750, which is less than half the poverty-line figure for a family of three. And that was before unemployment rose by 2.2 million between October 2000 and October 2001.

Has cutting welfare rolls made a difference in poverty? Consider these items:

New York State reduced its welfare rolls by 49 percent after 1994 but reduced its poverty rate by only 1.2 percent. By one estimate about 400,000 New York City residents suffered moderate to severe hunger in 1999. Homelessness hit an all-time high this past winter in the city, where the preponderance of the state's welfare recipients reside. Records were being set before September 11; it got worse after that.

In Speaker Hastert's state of Illinois, welfare caseloads dropped by 73 percent after 1994. Yet homelessness rose 20 percent in Chicago in 2001, 13 percent nationally. In 25 of 27 cities studied by the U.S. Conference of Mayors in its annual survey of hunger in America, emergency food requests were up an average of 23 percent in 2001 over the year before.

Though Hastert claims that "millions have left welfare for paying jobs," most of those jobs do not pay a living wage. Best estimates are that the average wage for those who have left welfare has been \$6.75 an hour. Stack that up against these realities: to afford a two-bedroom apartment in Illinois and meet other basic needs, a worker needs to make \$14.92 an hour; in California, \$18.33; in Massachusetts, \$17.65.

Hastert also did not explain that hundreds of thousands left welfare for no job at all. About one in eight of those who left (or were expelled) is no longer on the welfare or unemployment or any other roll. They are the “disappeared,” says Peter Edelman, who resigned from the Clinton administration when the president signed the '96 welfare bill.

Some analysts point to another reason for shrinking caseloads. Many families are turned away by state laws and by individual caseworkers who are given more discretion in deciding who is eligible for welfare. States also have dropped some TANF (Temporary Aid to Needy Families) recipients for failing to meet program requirements. Many work with what is termed “barriers to employment”—substance abuse, mental and physical impairments, learning disabilities, illiteracy, children with limitations. In fact, those most prepared to move into the work world have done so. The more difficult cases remain.

A major problem is that only 40 percent of those eligible for food stamps receive them when they go to work. Also, too few of those eligible for Medicare receive it. This is a crucial factor, since people coming off welfare have found that fewer than one-quarter of employers provide health insurance.

Of those who left the welfare rolls by mid-2001, only 32 percent had found full-time employment and about 16 percent had found part-time work, according to the nonpartisan Urban Institute. Ironically, these are about the same figures that accompanied the much-maligned Aid to Families with Dependent Children (AFDC) program that was replaced by TANF in 1996.

These figures at least confirm the view pressed by Bread for the World and other antipoverty and antihunger groups: the critical national task is not cutting caseloads but helping poor people escape poverty.

For decades opponents of welfare programs have argued that giving cash to people who do not work creates a culture of dependency that encourages indolence and out-of-wedlock births. On the other side of the fence were those who argued that the main causes of poverty are inadequate education, limited job training, low wages, and a society that tolerates 6 percent or higher unemployment. Yet jobs have always been a concern for welfare advocates. The first priority of the National Welfare Rights Organization in the 1960s and '70s was “a decent job at a decent wage.” The American Psychological Association has bemoaned “perceptions of the poor and of welfare—by those not in those circumstances—that attribute poverty to

personal failings rather than socioeconomic structures and systems and ignore strengths and competencies in these groups.”

Welfare recipients themselves long complained about the welfare system’s demeaning treatment of them, as well as about the complicated procedures and inadequate aid. Even now Alabama pays only \$164, Texas \$188 and Arkansas \$204 as the maximum monthly cash assistance for a family of three with no income, compared to California’s \$699, Wisconsin’s \$673, New Hampshire’s \$550 and Nebraska’s \$535.

Welfare mothers have been so much the focus of attention in the debate that few have noted that children constitute 72 percent of those benefiting from welfare assistance. Or that the average TANF family has two children; 42 percent have one child. Or that 1.5 million grandparents are taking care of their grandchildren, trapped “in policies never intended to address” their needs, says the American Association of Retired Persons. Under the new work requirements, one 67-year-old grandmother raising three grandchildren in New York City lost her benefits because she did not take the job she was assigned.

It’s also little noted that 24 percent of TANF recipients suffer from mental problems. Or that the value of welfare benefits—without adjustments for inflation—declined by 52 percent between 1970 and 2000.

The sharp decline in welfare caseloads has freed federal TANF funds to pay for other antipoverty programs such as child care, transportation help, and treatment for drug and alcohol abuse and mental illness. Some states used the money that way. Others tried to slide substantial parts of the money into the general state budget and into tax cuts.

Then came the economic slowdown. In 33 states, welfare caseloads increased after March 2001. Now that general surpluses have vanished, 44 states are having trouble balancing their books. According to the National Governors Association, the combined shortfall may reach \$50 billion. Because every state except Vermont is legally required to balance its budget, states will be slashing their spending and in many cases adding regressive fees and hidden taxes. It will be important to monitor what happens to TANF funds now.

President Bush’s proposal also calls for taking \$300 million from the TANF block grant to encourage marriage and reduce out-of-wedlock births. Several conservative

groups want to spend \$1.5 billion on this effort—almost 10 percent of the current \$16.5 billion block grant.

In fact, the language of the 1996 welfare reform law focused strongly on supporting marriage and reducing out-of-wedlock births. So far, states have done little to meet those goals. One explanation is that they have concentrated their efforts on putting people to work. Perhaps more important is that no one knows exactly what the government can do to accomplish these goals.

A bill proposed by Representatives Wally Herger (R., Calif.) and Buck McKeon (R., Calif.) would devote funds to premarital counseling, teaching parental skills and researching “promising approaches” to encouraging marriage.

The problem is real. Data suggest that children in single-parent homes are five times more likely than those in two-parent families to live in poverty. But what to do about it? Marian Wright Edelman once said, “Hope is the best contraceptive.” She has also said, “The best thing for marriage is a good job with a decent wage.”

The proportion of poor children residing with two adults is in fact rising. The numbers of African-American children living with two married parents jumped significantly from 1995 to 2000. And the reported 19 percent decline in African-American nonmarital births in the 1990s, Paul Offner of the Brookings Institution writes, largely came before the welfare reform legislation was passed. Some people give sex education and birth control considerable credit. But don’t expect promotion of either from those who support the \$300 million marriage initiative.

Minnesota’s creative welfare experiment in the mid-1990s may offer a useful model. One study found that the financial benefits of its innovative welfare program reduced the stress on families and improved the likelihood of low-income single parents marrying and of two-parent families staying married.

Eliminating the “marriage penalty” in programs for low-income people is one thing Congress can do. Too often benefits are cut when two incomes are combined, even though the total is often still too low to support a family.

Church and advocacy groups are calling for a welfare program that makes poverty reduction the top priority. Rewards have been built into the current system to reduce caseloads. Now the states should have incentives to reduce poverty, they say.

Call for Renewal will lead a rally on this theme on May 20 at the U.S. Capitol. The same night, the National Campaign for Jobs and Income Support plans to hold demonstrations in up to 25 state capitals calling for a greater emphasis on reducing poverty. (Paul Sherry, former president of the United Church of Christ, is a liaison between the coalition and church groups.)

Reducing poverty means improving the prospects for employment and self-sufficiency by providing training and education. Forty-eight percent of those receiving “cash assistance” have less than a high school education. Only those with two years of postsecondary school education or training have a reasonable chance of escaping poverty. Most states have been so focused on a “work first” philosophy that few people receive the skills they need for sustained employment.

Full funding of TANF is essential, and likely to happen. But indexing for inflation should also occur. Already the \$16.5 billion annual block grant has lost 14 percent of its value since 1996.

“Work supports,” which some states have emphasized, are crucial. Lack of adequate child care is a major obstacle to work. Housing costs can be overwhelming, and public housing is dwindling. Transportation subsidies help, but many more people need to have ways to commute to areas with jobs.

Flexible time limits on eligibility are important. Thousands of people who have lost their jobs in the past year’s slowdown do not get unemployment benefits. They should not also lose TANF payments because of arbitrary five-year cut-offs of eligibility.

Finally, many people are simply not capable of working. They shouldn’t be lost in the shuffle, left to destitution.

Perhaps the most important lesson of the past six years is that those who can work want to work, that the nation wants them to work, that education is essential for good work and that work should pay enough to engender hope.

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