

## ***Four Years of Welfare Reform A Progress Report***

by **Lisa E. Oliphant**

### **Executive Summary**

Four years ago, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act, promising to put an end to dependence on welfare by requiring work and responsibility and encouraging two-parent families. The conversion of the old entitlements-based Aid to Families with Dependent Children program into the new work-oriented Temporary Assistance for Needy Families program has brought about some of the most talked-about public policy phenomena of the last decade, including dramatically reduced caseloads and an influx of single mothers into the labor market. Welfare reform is generally regarded as a great success, and policymakers today are talking about incremental add-ons to the 1996 legislation.

A closer review of the research, however, reveals that the celebration of welfare reform has been premature and that the new law, in fact, merits fundamental restructuring. A survey of welfare reform's progress to date suggests that the 1996 legislation, although moderately successful in reducing the dis-

incentive to leave welfare, has produced few gains in self-sufficiency and done little to discourage women from making the choices that cause them to enter the welfare rolls in the first place:

- Welfare reform has been largely unsuccessful in moving long-term unemployed, difficult-to-place individuals off cash assistance.
- Welfare reform is failing to make individuals self-sufficient.
- Welfare reform has failed to significantly curb out-of-wedlock births to young women.

Overall, the new welfare law is a second-best solution to welfare dependence. Until policymakers take a preventive approach and make welfare no longer available to, or an attractive option for, women considering making untenable life choices, the country will continue to spend endless taxpayer dollars trying to clean up its dependence problem.

**When the data are put together, the picture that emerges four years into welfare reform is one of positive, but very limited, change.**

## **Introduction**

Nearly four years after the “end of welfare as we know it,” weaning the nation’s poor from the dole no longer rates as a top priority among policymakers. Since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, caseloads throughout the country have plummeted and employment of single mothers has surged beyond policymakers’ expectations. Proclaiming victory last year, President Clinton announced: “The welfare rolls have been cut in half; they’re at their lowest level in 32 years. And those who are on welfare today are four times as likely to work as when I took office.”<sup>1</sup>

The evidence after nearly four years suggests that proponents of the new law have begun to uncork their champagne bottles prematurely. Although caseloads, for instance, have fallen more rapidly than ever before, most people who have left the rolls have been short-term recipients who have benefited from the nation’s hot economy. Furthermore, the mass movement off cash assistance has not actually resulted in reduced dependence. A majority of individuals who have stopped receiving welfare since enactment of the new law continue to depend on noncash assistance from the government to meet their health care, food, housing, and child care needs.

Although welfare reform is not succeeding in making former recipients self-sufficient, it would be inappropriate to declare the new law a total failure. Critics’ fears that in their race to cut caseloads the states would spawn an outbreak of poverty, hunger, homelessness, and domestic violence simply have not been justified. The lives of most individuals who have substituted paychecks for benefit checks have stayed the same or improved.

When the data are put together, the picture that emerges four years into welfare reform is one of positive, but very limited, change. Long-term dependence—largely the

result of out-of-wedlock childbearing—and continued reliance on noncash benefits are problems that work requirements, time limits, and new training programs are failing to address. Keeping people out of the welfare system would prove a far more effective way of reducing dependence than simply, as the current law does, altering the terms under which benefits are offered.

## **Out with the Old, In with the New**

As a result of bipartisan effort, PRWORA was signed into law on August 22, 1996, ending the historic federal entitlement to assistance. Under the new law, the Job Opportunities and Basic Skills Training (JOBS) and Aid to Families with Dependent Children (AFDC) programs were replaced with a time-limited assistance and work-requirement program, Temporary Assistance for Needy Families (TANF).

The new welfare law aims to increase self-sufficiency and well-being through a system that emphasizes work and responsibility—“a hand up, not a hand out.” The legislation outlines a four-pronged attack on dependence: labor-market attachment, marriage, two-parent families, and supplemental supports to aid in the transition from welfare to work.

Under PRWORA, states, territories, and tribes receive federal block grant allocations totaling \$16.8 billion each year until fiscal year 2002. Each state is permitted the flexibility to determine eligibility and benefit levels, as well as services provided to needy families. This so-called new federalism allows states to use TANF funding in any manner “reasonably calculated to accomplish the purposes of TANF,” so long as they maintain historical levels of spending, known as “maintenance of effort.” To continue receiving their full federal TANF allotments, states must also conform to specific requirements regarding current recipients’ work participation rates and length of time on the rolls.

## **Welfare Reform's Success: A Hasty Call?**

Over the past four years, welfare reform has too often been evaluated on the basis of caseload decline and work participation figures. That simplistic approach evades some of the most critical questions that need to be asked:

- Is welfare reform succeeding in moving long-term recipients off the rolls?
- Are former recipients better off working than they were when on welfare?
- Are families that leave welfare for work becoming self-supporting and upwardly mobile in the labor market?
- Is the new law encouraging potential new recipients to make wiser choices or look for alternative means of support?

Misleading coverage and scarce follow-up data on former and potential recipients have left many observers confused about just how much positive change has been wrought by the 1996 law. To get a clearer sense of the legislation's impact, as well as insights into how welfare reform should proceed in the next Congress, a comprehensive progress report that assesses the nature of the caseload decline, gains in the well-being and self-sufficiency of former recipients (frequently called "leavers"), and progress in stopping dependence before it starts is in order.

### **Shorter Welfare Rolls**

#### **Extent of Caseload Decline**

The most talked-about public policy phenomenon in recent years has been the nation's plummeting welfare rolls. Between 1993, when states began experimenting with welfare reform, and 1999, the country's caseload fell by 53 percent—or, as Cato Institute scholars calculate, a decline of nearly 6,000 welfare families per day.<sup>2</sup> The caseload now stands at its lowest level in 30 years.

Despite the nation's progress in cutting its welfare rolls under the new law, recent slowing of that trend in a number of states suggests that welfare reform may have begun to exhaust its potential. The most rapid declines took place in the first two years after enactment of the new welfare law, during which the nation's rolls fell by 32 percent. By 1998, however, drops in the welfare rolls in many states had started to slow or had begun to increase. Figure 1 shows some of the more notable examples. After nearly cutting its rolls in half, for instance, New Mexico saw a 40 percent increase in 1998. Hawaii, Indiana, and Wisconsin also experienced growth in their caseloads that year. Louisiana experienced no increase but did have a substantial slowing of its decrease. That reversal of fortune is largely linked to difficulties in moving long-term welfare recipients, who now make up a larger fraction of the caseload, off the rolls.

#### **Reasons for Caseload Decline**

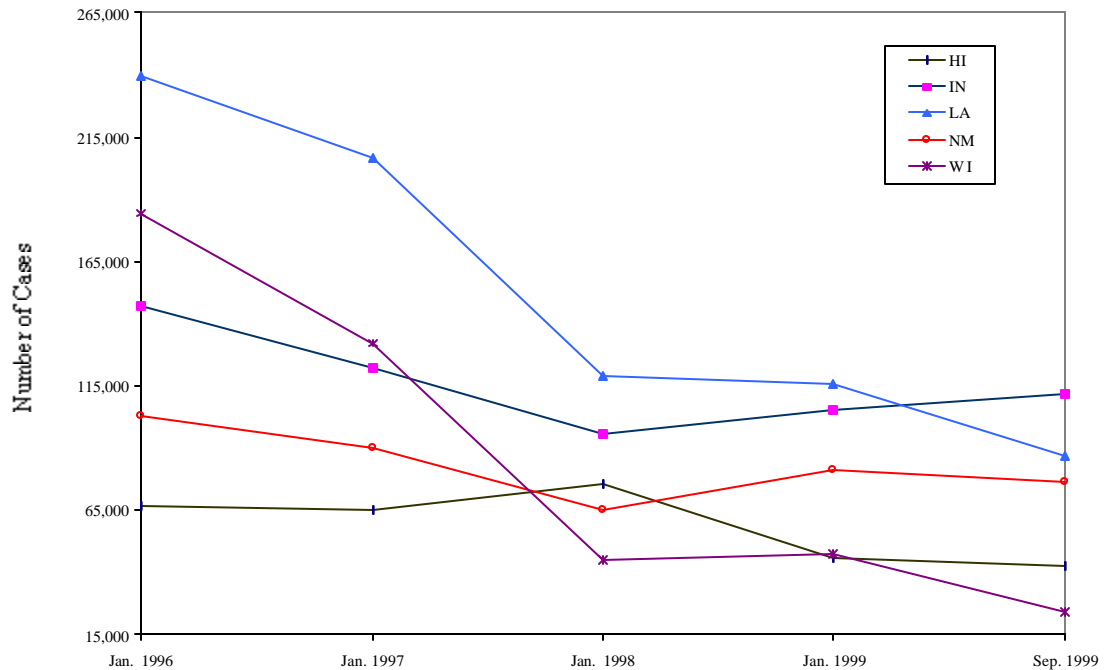
Cutting the nation's rolls nearly in half is impressive but not sufficient to constitute success. If, for instance, individuals are leaving welfare without jobs, or are merely transferring to other government cash-assistance programs, then the figures may mask prolonged dependence.

Rooting out from the welfare rolls the small number of fraudulent claimants with alternative sources of income is an important first step in the "cleaning up" process. The *Washington Post* reported in 1997 that cracking down on fraud had accounted for as much as 20 percent of the decline in the caseload.<sup>3</sup> Most fraudulent claimants fell off the caseload during the early days of welfare reform when they were effectively "weeded out" by new regulations requiring recipients to spend 20 hours a week in a job or performing community service. Though most fraudulent claimants have by now left the rolls, the new work requirements are effective in deterring such individuals from signing up in the first place.

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**Figure 1**  
**State Caseload Trends**



Source: U.S. Department of Health and Human Services, Administration for Children and Families, June 2000.

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mer recipients succeed in finding work at some point after leaving the rolls,<sup>4</sup> only 22 percent of TANF leavers, according to HHS data, cited “employment” as their main reason for exit in 1998.<sup>5</sup> That suggests that, although many former recipients are benefiting from the healthy job market, it is not actually the booming economy that has been drawing them off the rolls in recent years.

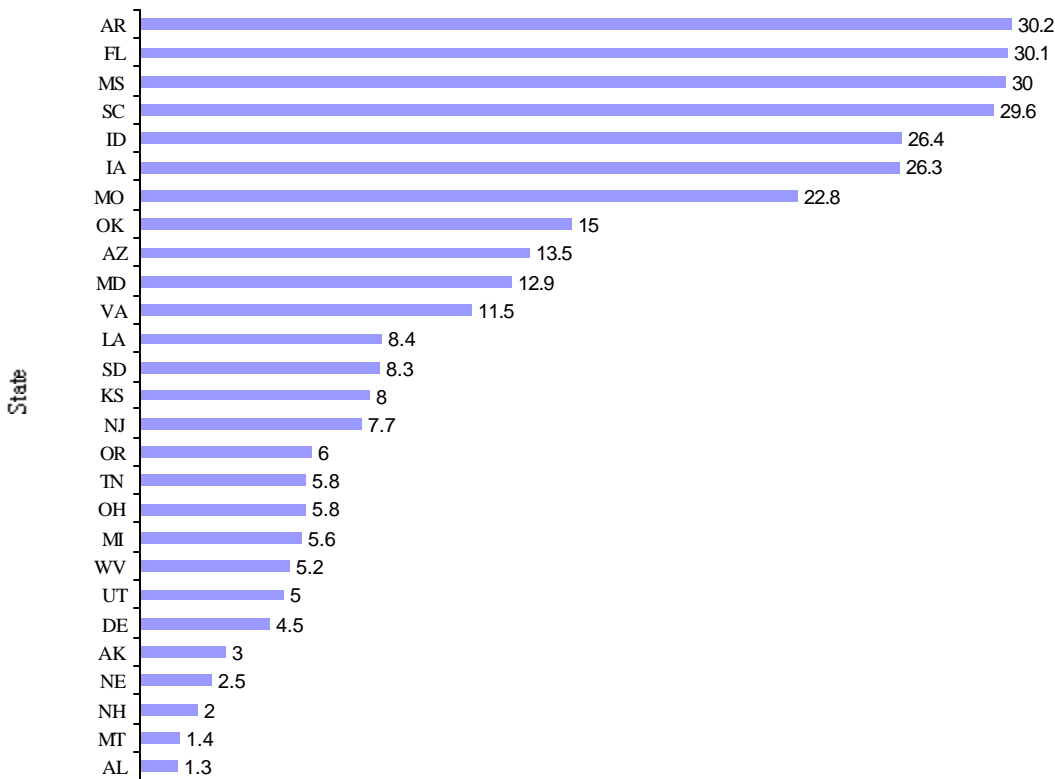
A person may marry after leaving the welfare rolls, but marriage is not frequently cited as a primary reason for exiting welfare under the new law. The Urban Institute notes that 6 percent of early AFDC/TANF leavers (1995–97) exited because of a change in family situation, which could have included marriage or ineligibility due to the youngest child’s turning 19.<sup>6</sup> In 1998 only 0.4 percent of case closures, according to the HHS, were due to marriage.<sup>7</sup>

According to HHS data, “noncompliance” was the reason 6 percent of leavers exited the rolls in 1998.<sup>8</sup> Noncompliance may include not following the proper procedure for claiming

benefits as well as refusing or being unable to comply with the new work participation rules. It should be noted that this low national figure for sanction closures masks widely differing rates among some states (Figure 2). As the Heritage Foundation has shown, the differences are largely the result of variations in state sanctions policies. High percentages of exits due to sanctions, it notes, correspond with stricter state sanction policies.<sup>9</sup>

At present there is little national data documenting case closures due to time limits. The HHS’s most recent data show that 15.5 percent of TANF families left the rolls in fiscal year 1998 because of “state policy,” although the extent to which that figure reflects time-limit cuts is unclear.<sup>10</sup> As do policies on sanctions, state policies on time limits vary widely, and that variation is reflected in the differences in individual state figures for case closures due to time limits. As the *New York Times* notes, for instance, although the expiration of time limits explains only 6 percent of the caseload

**Figure 2**  
**Percentage of Case Closures due to Sanctions, 1996**



Source: Jan Kaplan, "The Use of Sanctions under TANF," Welfare Information Network, April 1999.

decline in Massachusetts in 1999, it accounts for 33 percent of the decline in Connecticut.<sup>11</sup> The impact of time limits will start to become more apparent as the federal five-year limit begins to take effect and recipients are increasingly confronted with more stringent state policies.<sup>12</sup>

With only 22 percent of cases closed because of employment; 6 percent because of sanctions; 15 percent because of state policy, which may include time limits; and a very small proportion because of marriage or fraud, a large group of TANF leavers, as seen in Figure 3, remains to be accounted for. The HHS reports that, in 1998, 56 percent of all cases that closed did so for reasons classified as "other."<sup>13</sup> Unfortunately, the HHS does not specify what this category consists of, except to note that it encompasses all unknown reasons, including that the individual or family voluntarily closed the case.<sup>14</sup>

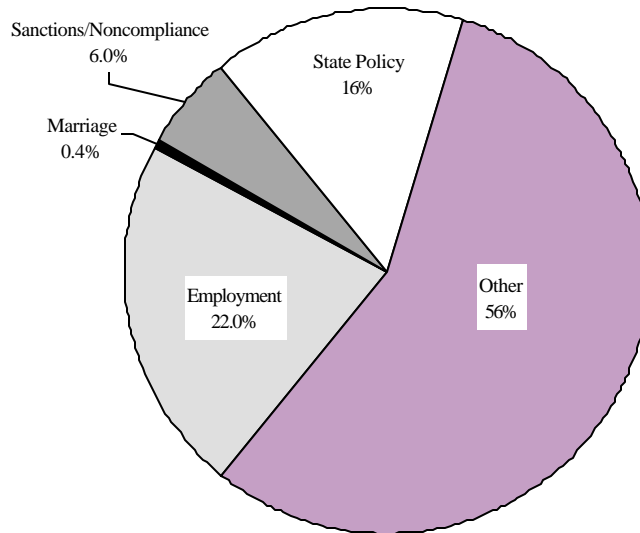
Several studies may provide clues to why people are voluntarily exiting the system. The Urban Institute's study of people who left AFDC or TANF between 1995 and 1997, for example, found that the second most common reason for leaving the rolls (next to work) was administrative problems or hassles, reported by 10 percent of former recipients. Another 7 percent in this study reported no longer needing or wanting to receive benefits.<sup>15</sup> A study by the state of Wisconsin at the end of 1998 found that 34 percent of those who had left the system said they simply "did not want to be on welfare," and 16 percent reported leaving because they "did not want to, or could not, participate in, welfare program requirements."<sup>16</sup>

**Welfare Reform vs. the Economy**

Since rapid caseload decline began to accompany states' experimentation with wel-

**The impact of time limits will become more apparent as the federal five-year limit begins to take effect.**

**Figure 3**  
**Reasons for Leaving TANF**



Source: U.S. Department of Health and Human Services, "National Emergency TANF Datafile," May 1999.  
Note: Entries in TANF Datafile do not add to 100 percent.

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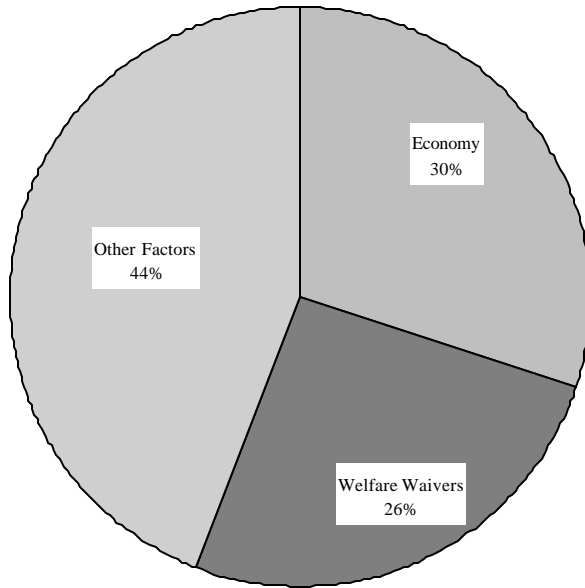
fare reform in the early 1990s, a debate has raged over the primary causes of the declining caseload. The evidence suggests that early caseload declines were largely a response to the booming job market, whereas the more recent and modest drops in the welfare rolls have stemmed primarily from states' tougher welfare policies.

The president's Council of Economic Advisers has undertaken the most comprehensive analysis of this question to date. Tracking the rate of caseload decline alongside the unemployment rate and changes in that rate, the study finds, as seen in Figures 4 and 5, that the economy was responsible for 26 to 36 percent of the falling rolls in the period 1993 to 1996 and a much smaller 8 to 10 percent between 1996 and 1998. For the latter period, as Figure 5 shows, the council finds that the influence of changes in the welfare law has exceeded that of the hot economy, producing roughly one-third of the reduction in the caseload between 1996 and 1998. The council notes that reform in recent years has "caused a large drop in welfare par-

ticipation, a drop that is independent of the effects of the strong labor market."<sup>17</sup> Thus, both the hot economy and welfare reform have played important and shifting roles in generating the country's caseload decline. As the Committee for Economic Development observes, "A fortuitous coincidence of welfare reform with a period of sustained economic growth has produced increases in employment that neither prosperity alone nor changes in public assistance policy alone could have achieved."<sup>18</sup>

The apparent weakening of economic influence on caseload declines in recent years can best be understood by looking at the changing makeup of the welfare rolls. When states began experimenting with work requirements and other welfare reform measures in 1993, not only was the economy booming, but a significant amount of underused labor was sitting on the welfare rolls. When there were no work requirements and benefits were generous, capable claimants had little incentive to rush off the welfare rolls to find jobs or to shorten the gap

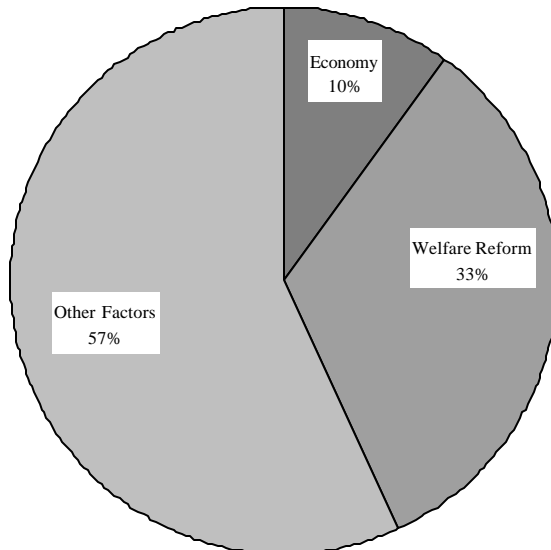
**Figure 4**  
**Reasons for the Decline in Welfare Caseloads, 1993–96**



Source: Council of Economic Advisers, “Explaining the Decline in Welfare Receipts, 1993–1996,” May 9, 1997.

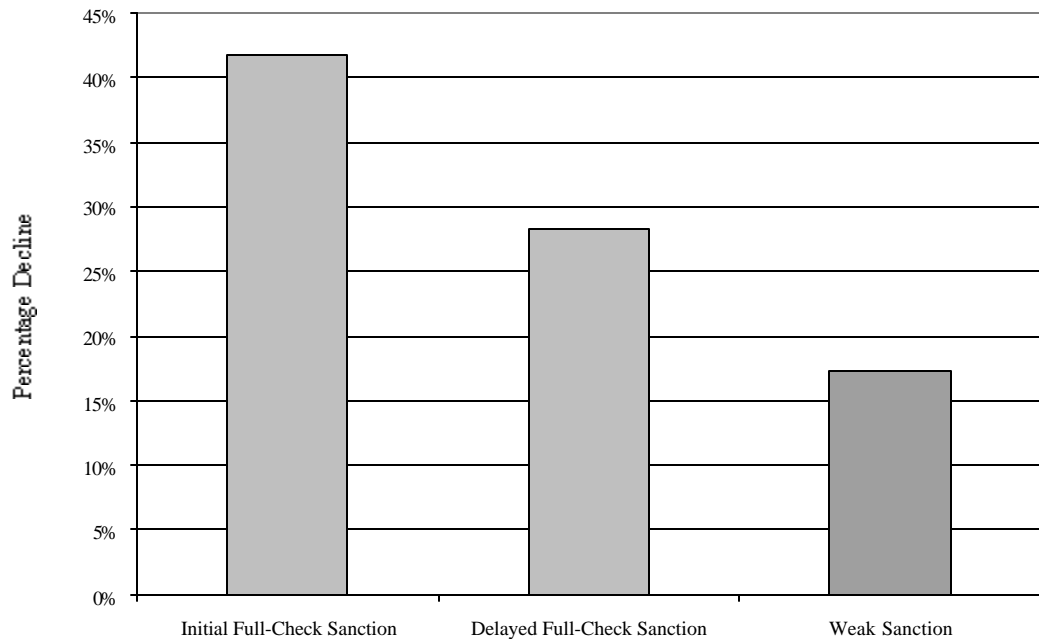
between jobs.<sup>19</sup> When states began experimenting with work requirements under waivers, even if those requirements were flexible or applied to only a small number of recipients, individuals capable of working quickly began to find jobs—both because

**Figure 5**  
**Reasons for the Decline in Welfare Caseloads, 1996–98**



Source: Council of Economic Advisers, “The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update,” August 3, 1999, executive summary.

**Figure 6**  
**Average Caseload Decline by Type of State Sanction**



Source: Robert Rector and Sarah E. Youssef, *The Determinants of Welfare Caseload Decline* (Washington: Heritage Foundation, 1999).

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they had to (or perceived that they soon would have to) and because the jobs were there. As a result, between 1993 and 1994, the country began to see a sharp rise in the employment of those most likely to have been on welfare—never-married and previously married women.<sup>20</sup> Plentiful jobs and tougher new rules thus began to encourage individuals to look for work, and the strong economy made their exit from the rolls into employment possible.

By 1996 many states had been experimenting with work requirements and sanctions for several years and had already “creamed” from their rolls a substantial portion of employable recipients. The people who remained on many states’ welfare rolls one to two years into welfare reform were individuals who faced numerous obstacles to work. As a result, it has become increasingly challenging in recent years to move recipients off the rolls and directly into the labor market. As noted above, although many of the people who leave TANF eventually end up

employed, many others exit because they have been sanctioned or choose to leave for “other” reasons.

The strongest evidence of the increasing impact of welfare reform on the caseload in recent years is the fact that states with the toughest work and sanctions policies and the least attractive benefits packages have been the most successful in cutting their welfare rolls. A recent Heritage Foundation study, which examines how states’ welfare policies and local unemployment rates correlate with drops in the welfare rolls, concludes that unemployment rates and the economy have had no significant or predictable effect on the size of the caseload in recent years. As shown in Figure 6, the study notes that “differences in state welfare policies—specifically stringent sanctions and immediate work requirements—are highly associated with rapid rates of caseload decline. By contrast, the relative vigor of state economies, as measured by unemployment rates, has no statistically significant effect on caseload decline.



Indeed, states with higher caseload reductions, on average, had slightly higher unemployment rates.<sup>21</sup>

A Cato Institute study suggests that the generosity of states' welfare benefits has more influence on the size of the caseload than do sanctions. The study finds that for every thousand-dollar decrease in the overall welfare package (which includes AFDC, food stamps, and Medicaid) states reduce their welfare rolls by an average 3 percent. Reductions in benefits, the author notes, can be significantly more effective at reducing caseloads than the sanctioning provisions and work requirements highlighted by the Heritage Foundation's study.<sup>22</sup>

Despite the fact that in recent years "policy reform—not economics—is the principal engine driving the decline in dependence,"<sup>23</sup> there remains cause for concern about what would happen during an economic slowdown or recession. The Committee for Economic Development predicts: "This reduction in welfare rolls could quickly reverse itself if the economy weakens. With low seniority and limited skills, many former recipients remain vulnerable to layoffs from their new jobs. In a slack labor market, many would experience considerable difficulty finding new positions, as would current welfare recipients seeking to leave the rolls. A weaker economy would sharply reduce the number of jobs available for former welfare recipients, and many might attempt to return to public assistance."<sup>24</sup> And, in the event of such a slowdown, it is unlikely that states would continue to enforce such important guards against recidivism as strict work requirements, sanctions policies, and time limits.

### **Distribution of Caseload Decline: Current vs. Former Recipients**

The economy's shrinking role in the nation's caseload decline, as we have seen, is largely attributable to the fact that fewer people who are capable of taking advantage of the booming job market are left on the rolls. Critics suggest that the unprecedented rate of case closures has been achieved primarily

through creaming the easiest cases from the rolls in the midst of a hot economy, and such creaming is increasingly leaving behind a hard core of long-term unemployed and difficult-to-place recipients. As a result, many people contend that the remarkable caseload decline of the past four to seven years cannot be sustained (and has, in fact, been slowing down) and signifies little actual progress in chipping away at long-term dependence. As one caseworker puts it, "It is easy to take credit for placing people in jobs who would likely find them anyway, especially in a healthy economy; it is much harder to deal with hard-core unemployed, who have all sorts of aptitude and attitude problems, in an economy with few jobs for low-skill workers."<sup>25</sup>

Studies of people who leave welfare confirm the view that the majority of case closures under the new law have occurred among the easiest-to-place and least-dependent population of recipients. Many who have exited the system under welfare reform appear to be people who were not at risk of long-term dependence and frequently had some form of employment even while receiving welfare.<sup>26</sup> As Charles Murray notes, "The reductions in caseloads are occurring disproportionately among women who wouldn't have spent much time in the system anyway and are not part of the underclass."<sup>27</sup> The initial wave of welfare leavers has tended to have better education, higher levels of basic skills, and more previous experience in the labor market than those who remain on the rolls.<sup>28</sup>

The data indicate that a large proportion of the 3 million American households still receiving welfare are hard-core dependence cases that will present a growing challenge for welfare reformers in years to come. The HHS reported in 1998 that, as caseloads drop, the proportion of long-stay families on welfare rolls is increasing<sup>29</sup> and noted that there had been a small but steady decline since 1994 in the percentage of the caseload that had been on assistance for one year or less (36 to 33 percent) and a corresponding increase in the percentage of the caseload on assistance for five years or more (19 to 24 percent).<sup>30</sup>

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**Table 1  
Barriers to Current Recipients' Working**

Barriers	Prevalence
None	15.5%
Less than high-school education	30.1%
Fewer than four job skills	21.1%
Perceived discrimination	13.9%
Transportation problem	47.3%
Major depressive disorder	26.7%
Drug dependence	3.3%
Mother's health problem	19.4%

Source: Sandra Danziger et al., "Barriers to the Employment of Welfare Recipients," Institute for Research on Poverty, Discussion Paper no. 1193-99, June 1999.

Most of the families who remain on welfare are headed by unmarried women under 30—a growing percentage of whom are African American or Hispanic.<sup>31</sup> An increasing proportion, as a recent Brookings Institution study shows, is concentrated in high-poverty urban areas.<sup>32</sup> HHS reports that 23 percent of adult recipients in 1998 were employed, with average monthly earnings of \$553, and 7 percent had unearned income averaging about \$229 per month. At the time of the survey, 45 percent of adult claimants were actively seeking work, and two of five were exempt from work participation requirements.<sup>33</sup>

Studies of current welfare recipients suggest that this population faces significantly more impediments to work than did people who left the rolls soon after passage of the new law.<sup>34</sup> The Institute for Research on Poverty undertook an extensive study of single mothers who remained on welfare in 1997 and found that around two-thirds of remaining recipients faced two or more obstacles to work. As Table 1 shows, of the barriers to working, low education, lack of access to transportation, poor health, drug dependence, a major depressive disorder, and several experiences of workplace discrimination were most likely to reduce employment among nonleavers.

As the Urban Institute observes in a similar study, as the number of obstacles increases, the percentage of TANF parents working

for pay diminishes rapidly, and those who face two or more obstacles are highly unlikely to engage in work activity of any sort.<sup>35</sup>

### Summary

It should be clear by now that the size of the caseload decline alone is an inadequate gauge of welfare reform's success. More important questions—why and whether individuals are actually exiting the system; whether the most needy have, in fact, benefited from the recent caseload declines; and what role the nation's booming economy has played in enabling welfare reform measures to take effect—often get lost when the talk turns to numbers.

Most former recipients have voluntarily left the welfare rolls under the new law because they have found work; because of administrative hassles; because they no longer want or need assistance; or, in a small number of cases, because of marriage. Few exits thus far have been initiated involuntarily by noncompliance or exhaustion of time limits. If the pace of caseload decline continues to slow and the proportion of long-term cases remaining on the rolls continues to expand, however, it is likely that involuntary exits will begin to increase significantly unless states choose to relax their sanction and time limit policies.

Whether or not individuals are independently choosing to leave the rolls, the nation's caseload decline since enactment of

welfare reform remains impressive. As the research shows, however, the economy deserves as much credit as do the new rules for both bringing about and sustaining this trend. Although the role of the economy in moving individuals off welfare appears to be declining as fewer people remain who are actually job ready, it is likely that sanctions and work requirements would have a much more limited impact on the size of the caseload if jobs were not plentiful. That fact has led critics to speculate about how the caseload trend might reverse itself in the face of an economic turnaround. Because of the mutual interplay of welfare reform and the economy, there is good reason to believe that a future period of dwindling prosperity could quickly lead to swelling caseloads.

Even if the economy remains healthy, critics contend that, unless benefits levels are cut and tougher sanctions and time limits are enforced, the caseload declines of recent years will begin to slow because of the increasing proportion of long-term recipients remaining on the rolls. In fact, as we have seen, such a leveling off—and, in some cases, the beginning of an increase—is already evident in the latest caseload figures. Welfare reform appears to have been most successful in creaming the short-term, easily employable cases from the rolls and has made comparatively little progress in moving long-term recipients out of the system. The individuals who remain on the rolls nearly four years after enactment of welfare reform tend to face multiple barriers to employment and have yet to reap the self-sufficiency gains at which the 1996 law aims. It appears that the new law has so far been more effective in forcing the dependence problem to the surface than in chipping away at it.

## **Welfare to What?**

In recent years, evaluations of the new welfare law have turned from “How many people are leaving the rolls?” to “Where are those people going?” As success begins to be measured more in terms of results than numbers,

sobering evidence is emerging that individuals are making slow progress toward independence after exiting welfare. For most former recipients, long-term employment and upward mobility within the labor market remain out of reach.

### **Participation in Work Activities**

Information on the types and extent of work activities engaged in by former recipients is more scarce than that on current TANF recipients, since states are not required by the federal government to report on the status of former recipients. This seems odd, given that a large portion of federal welfare dollars is intended for use by states to subsidize strategies and programs that supposedly have long-term self-sufficiency goals. The disparate figures that are available on former recipients’ work activities often come from studies voluntarily initiated by the states.

The data that do exist indicate that a sizable proportion of welfare leavers who are supposedly engaged in “work activities” do not actually have jobs.<sup>36</sup> In the Urban Institute’s study of individuals who exited the rolls between 1995 and 1997, for instance, at the time of the interviews, 10 percent of the group were in school and 25 percent were actively seeking work.<sup>37</sup> A more recent study on Wisconsin showed 21 percent of former recipients not working and engaged in full-time training programs.<sup>38</sup>

Nevertheless, 5 to 10 percent more former recipients are managing to find unsubsidized jobs than under the old AFDC/JOBS program.<sup>39</sup> Studies show, on average, two-thirds of former recipients having found unsubsidized work at some point since exiting the rolls, and that number occasionally reaches 87 percent.<sup>40</sup> The percentage of welfare leavers working tends to vary widely by state, with Wisconsin showing especially high levels of work among TANF leavers (between 66 and 83 percent),<sup>41</sup> while states like New York and Tennessee report work levels as low as 29 percent.<sup>42</sup>

Sanctioned former recipients appear to have a consistently more difficult time securing unsubsidized work than do other former

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**TANF leavers' current jobs, as well as the numerous support services and initiatives that states offer, are failing to equip many with the skills, experience, and opportunities needed to obtain more responsible and better-paying positions and to become self-sufficient.**

recipients. Nationally, only 20 to 50 percent of sanctioned leavers tend to secure employment after they exit welfare,<sup>43</sup> and in Wisconsin, where work rates tend to be the highest, only 42 to 53 percent of sanctioned leavers find jobs.<sup>44</sup>

*Unsubsidized Employment.* Considering the array of welfare-to-work programs and support services available under the new law, we might expect individuals to be finding more promising employment opportunities when they leave the rolls than in the past. On the contrary, the *Washington Post* reports, "There is no reason to believe that the kinds of jobs that . . . welfare recipients are getting today are any different from the ones they have already had."<sup>45</sup> Studies show the majority of TANF leavers entering full-time jobs in food service, retail trade, sales, manufacturing, recreational services, hotels, and clerical duties. Those jobs are usually entry-level positions with few educational experience or skill requirements.<sup>46</sup>

Not surprisingly, many working former recipients are not earning enough to lift themselves out of poverty through wages alone,<sup>47</sup> and many current recipients still earn too little from their jobs to disqualify them for receipt of TANF benefits.<sup>48</sup> An Urban Institute study of early welfare leavers found the median wage in 1997 to be \$6.61—the 20th percentile of hourly wages for all workers. Twenty-five percent of the early leavers were making less than \$5.29 per hour.<sup>49</sup> A 1999 General Accounting Office survey found that annual earnings of former recipients ranged from \$9,512 to \$15,144.<sup>50</sup> In addition to paying low wages, most former recipients' jobs do not offer benefits packages. A recent study by the Committee for Economic Development finds that only around 23 percent of employed former recipients receive health care coverage through their employers.<sup>51</sup> In high-employment states such as Wisconsin, only 16 percent of working TANF leavers in 1998 had employer-sponsored health insurance.<sup>52</sup>

On a positive note, former recipients actually tend to stay employed longer than other

low-skill minimum-wage workers.<sup>53</sup> This turns out, however, to be only mild cause for celebration. After several months on the job, a large proportion of welfare leavers begins trickling off the payrolls either to return to welfare or to search for new jobs. The Urban Institute's study of early welfare leavers found that three-quarters of employed former recipients had worked at their current jobs for less than one year, and one-third had been at their jobs for fewer than six months.<sup>54</sup> Similar findings by the Committee for Economic Development suggest that, on average, fewer than 25 percent of former recipients manage to stay in their jobs for an entire year.<sup>55</sup>

More important than former recipients' tenure at their first jobs after welfare, however, is their ability to use this experience to stay off welfare and to gradually move upward within the labor market. Unfortunately, TANF leavers' current jobs, as well as the numerous support services and initiatives that states offer, are failing to equip many with the skills, experience, and opportunities needed to obtain more responsible and better-paying positions and to become increasingly self-sufficient. On the one hand, current research on upward mobility under the new law does show modest signs of TANF leavers' earnings increasing over time. Eight state studies funded by the HHS report steady increases in former recipients' earnings in every location over the course of the year following exit.<sup>56</sup> On the other hand, however, there is little indication that these earnings increases are helping former recipients to make significant advances toward self-reliance. Despite the evidence of some wage growth over time, earnings of former recipients remain low.<sup>57</sup> In addition, access to employer-provided benefits appears to increase only modestly over time.<sup>58</sup> The Committee for Economic Development speculates that the types of jobs in which TANF leavers currently work are responsible for their slow progress in the job market and continued difficulty in lifting themselves out of dependence. The key problem, the com-

mittee notes in a recent report, is that few former recipients' jobs offer opportunities for training and advancement.<sup>5,9</sup>

*Subsidized or Supported Employment.* As we have seen, many individuals engaged in "work activities" under the new law are still in the process of making their way into unsubsidized jobs. Various types of supported work schemes to help individuals advance into unsubsidized employment have emerged since states began experimenting with welfare reform, and the results have been mixed at best.

Despite some disappointing outcomes before welfare reform, the new legislation channels a hefty amount of taxpayer funds into welfare-to-work programs. In the four years since enactment of the new law, nearly \$9 billion has been expended on work-support programs for current and former recipients.<sup>6,0</sup> Welfare-to-work initiatives are supported under the new law by money from states' TANF block grants, state and local treasuries, a new welfare-to-work tax credit for employers of long-term welfare recipients, and the so-called welfare-to-work (WtW) grants program. The sorts of initiatives currently operating with the help of WtW grant money include wage subsidies in the public and private sectors, on-the-job training, job-readiness services, vouchers for job-readiness, placement and postemployment services, community service and work experience, and job-retention and supportive services. As of September 1999, WtW grants were flowing to about 700 local programs in 28 states and territories at a cost of \$2 billion annually. At this funding level, the WtW grants program alone allocates nearly \$1 billion more each year to welfare-to-work than was spent by both the federal and state governments together on welfare-to-work in 1996 under the JOBS program.<sup>6,1</sup>

Current calls for even greater investment in welfare-to-work imply that such programs have so far proven effective in alleviating welfare dependence. Republicans, in particular, have advocated expanding welfare-to-work and finding methods to increase enrollment in those programs. Yet, on some measures,

welfare-to-work appears to be generating few or even negative results. Often, it is simply impossible to know the extent of programs' effectiveness because former participants are not tracked and studied.

In fairness, recent studies of welfare-to-work programs indicate that they can have positive impacts on maternal psychological well-being, parent-child interaction, and children's home environments when the family environment is already relatively healthy.<sup>6,2</sup> Already volatile families and previously troubled mothers, on the other hand, notes the Urban Institute, tend to respond especially poorly to the new welfare-to-work programs. In troubled homes, such initiatives have produced negative impacts on maternal depression and stress levels and exacerbated already unhealthy circumstances.<sup>6,3</sup> The Manpower Demonstration Research Corporation has noted, moreover, that most individuals who do succeed in securing employment after participation in such programs end up in low-paying jobs with few benefits, have high turnover rates, and remain in poverty. Overall, welfare-to-work has not shown much success in advancing self-sufficiency and reducing welfare receipt.<sup>6,4</sup>

Workfare, employer subsidies, and supplemental earnings programs are among the broadly implemented yet questionable strategies being used to encourage responsible behavior and unsubsidized employment among current and former recipients. Fans of workfare believe that unpaid work in return for a welfare check is an effective way of advancing self-sufficiency and making recipients into responsible, work-oriented individuals. In truth, such programs have been largely unsuccessful at realizing either of those objectives. The Welfare Information Network notes that unpaid work "in almost every case did not result in increased earnings or steady employment for participants."<sup>6,5</sup> New York City's Work Experience Program, currently the largest workfare program in the country, has achieved notoriously poor results in equipping participants with marketable skills and

**Overall, welfare-to-work has not shown much success in advancing self-sufficiency and reducing welfare receipt.**

**Subsidized work as a route to unsubsidized employment appears to be only mildly successful with a limited group of participants.**

helping them to find full-time unsubsidized employment.<sup>6 6</sup> In return for cash benefits, participants are put to work cleaning parks, sweeping streets, answering phones, and rubbing graffiti off walls. Not surprisingly, in 1998 fewer than one-tenth of the 125,000 people who had passed through the program had reported finding permanent jobs, and nearly two-thirds had left the program and given up benefits without any indication of employment.<sup>6 7</sup>

For those capable of more than unpaid community service but lacking in work experience, education, or certain basic skills, states have encouraged subsidized employment as a path to full-time, unsubsidized work. "Wage-based community service" or "supported work" jobs involve time-limited work at a private, public, or nonprofit organization in return for taxable wages that are funded through diversion of individuals' welfare grants. Participants are generally paid minimum wage, qualify for the Earned Income Tax Credit, participate in training activities, and have access to comprehensive support services, including child care and transportation. Most programs also provide participants with a mentor or job counselor to facilitate transition to unsubsidized employment. On-the-job training subsidies and employer tax credits are also available to employers to encourage the hiring of current and former recipients, which will supposedly lead to full-time unsubsidized work and upward mobility. Some of states' more noteworthy subsidized employment initiatives under the new welfare law include Wisconsin Works' Trial Jobs, Florida's WAGES Work Supplementation, Chicago's Project Match, San Francisco's Wage-Based Community Service Pilot, and Philadelphia@Work. Additional well-known organizational approaches to subsidized work include Goodwill Industries of Southern California and Marriott International's Pathways to Independence.

Although anecdotal evidence of successful job placements through those programs abounds, on the whole, subsidized work as a route to unsubsidized employment appears

to be only mildly successful with a limited group of participants. Most grant diversion programs are characterized by low enrollment due to both employers' reluctance to hire current and former recipients and to a meager client base. In its examination of Work First strategies in five states, for instance, the Urban Institute found that employers refrained from offering subsidized work because of both the administrative burden and the stigma attached to hiring welfare recipients.<sup>6 8</sup>

More important, only a small group of current and former recipients is likely to take advantage of subsidized work. On the one hand, the Urban Institute discovered that "those who were good candidates for subsidized employment generally could find (and preferred) unsubsidized jobs."<sup>6 9</sup> On the other hand, the long-term dependent individuals who are the targets of many such initiatives are often unemployable. When the Brookings Institution interviewed employers offering subsidized work, many indicated that the individuals they were serving "had such poor education and skill levels that the clients were often unable to hold even the simplest entry-level jobs. Severe and often multiple deficiencies in life skills, education, and job skills combined with unstable living arrangements and children with health problems threatened the ability of these recipients to ever become economically self-sufficient . . . many clients could work in a supported-work environment over the long term, but would have great difficulty meeting the demands of a normal private sector employer."<sup>7 0</sup> Particularly in an economy where jobs are plentiful, current and former recipients have divided into two categories: those working in low-paying, unskilled, unsubsidized jobs and those who face multiple barriers and either have been exempted from the work rules or are engaged in dead-end workfare activities. For the few who fall in between, subsidized work has proved moderately successful at raising earnings and job retention, but its impact on the dependent population remains relatively limited.

A final and increasingly popular strategy for moving people from welfare to work is supplemental earnings programs. Those initiatives use an array of state supports to encourage individuals to work. Such supports include anything from child care to transportation assistance to mentoring to continuation of cash benefits for a specified time period while the recipient is working full-time. A number of supplemental earnings programs have been tested, and many continue to operate around the country. Milwaukee's highly publicized New Hope program, tested between 1994 and 1997, guaranteed low-income, full-time working participants an income above the poverty line and access to subsidized child care, health insurance, and, if necessary, a paid community service job. Minnesota's Family Investment Program, piloted in seven counties between 1994 and 1998, gave participants who were working full-time the opportunity to continue receiving some portion of their benefits checks until their incomes reached 140 percent of the poverty level (in contrast to the old AFDC program that withdrew the entire check when earnings reached 85 percent of the poverty level).<sup>71</sup> Current participants in Chicago's Project Match who work at least 25 hours per week continue to receive partial cash assistance, as well as mentoring, individualized employment plans, and a range of follow-up services.

It is not at all surprising that participants report gains in earnings and employment and decreased receipt of benefits while on supplemental earnings programs. Those results, however predictable and obvious, are what evaluators are citing as evidence of "success." Progress should instead be measured according to whether the programs are giving individuals a more solid foundation from which to achieve self-sufficiency when the program ends. Unfortunately, there exists little, if any, information about what happens to participants after their supplemental earnings expire. Few studies examine whether individuals manage to remain out of poverty and are able to stay employed and off the rolls. Given

costs like the \$7,200 per participant for Milwaukee's New Hope, we need to ask whether supplemental earnings programs are merely increasing the welfare burden and extending the life of benefits or are, in fact, generating long-term savings and independence among participants. As a skeptical Robert Rector warned about Minnesota's program, "The financial incentives in Minnesota's plan ultimately could harm beneficiaries by perpetuating welfare dependence."<sup>72</sup> The evidence also suggests that the people who manage to reap benefits from programs like New Hope tend to be participants who have few obstacles to overcome. Enrollees often participate voluntarily and express the desire and have the ability to work full-time.<sup>73</sup> Thus, even if we were to obtain evidence that most participants moved into self-sufficiency after expiration of their supplemental benefits, we would have to wonder if those people, the cream of the crop, would have achieved the same results on their own without the added supports.

The lessons are still coming in about what does and does not work in helping individuals to move from welfare to work. The fact that we do not fully know the effects of current programs, combined with the fact that many of today's efforts were notoriously ineffective before welfare reform, should make policymakers wary of increased investment in and expansion of welfare-to-work as a strategy for self-sufficiency under the new law.

### **Nonemployment**

When policymakers boast of welfare reform's successes, they rarely mention either the 30 to 40 percent of former recipients who do not manage to find work after leaving the rolls or the 25 percent whom studies have found have no working member in their family.<sup>74</sup>

Most studies provide only limited information about the circumstances of and reasons for failure to find work after welfare. The data that do exist indicate that the most common reasons for staying out of work include lack of access to jobs or work supports, inability to find jobs that pay enough,

**We need to ask whether supplemental earnings programs are merely increasing the welfare burden and extending the life of benefits or are, in fact, generating long-term savings and independence among participants.**

**Most former recipients are no closer to self-sufficiency than when they were receiving cash assistance.**

lack of child care, lack of transportation or distance from available jobs, involvement in nonwork activities, caring responsibilities at home, school, lack of need or desire to work (possibly because of receipt of other types of benefits), and illness or injury.<sup>75</sup>

Without jobs, most former recipients are forced to depend on less-reliable sources of income such as the earnings of a working spouse or partner, Social Security, Supplemental Security Income (disability) benefits, unemployment compensation, child support, and other government supports such as food stamps.<sup>76</sup> Most are no closer to self-sufficiency than when they were receiving cash assistance. A number have simply transferred to another cash benefit program but are formally considered “off welfare.” In the Urban Institute’s study of individuals who departed the rolls between 1995 and 1997, for instance, 23 percent reported that they or a family member were currently receiving Supplemental Security Income (SSI).<sup>77</sup> A recent Wisconsin study showed an astounding 47 percent of nonworking former recipients receiving some amount of SSI.<sup>78</sup> Though those figures do not generally reveal the extent to which the other forms of government assistance constitute a primary means of support for TANF leavers, they do indicate that a significant proportion of nonemployed former recipients remains at least partially trapped in a cycle of dependence.

### **Summary**

It is dangerous to draw conclusions about welfare reform’s success from numbers alone. The same hazard exists when it comes to post-welfare outcomes. Knowing, for instance, that a large proportion of former recipients eventually ends up working tells us nothing about the types of jobs they are getting and whether such employment is proving to be a path out of dependence. Focusing attention exclusively on working TANF leavers also obscures the fact that one-third of former recipients do not enter the labor market.

In examining the work activities of current and former recipients, we see that a significant number of those who are “active” are

not employed but are instead engaged in education or training, or are merely seeking work. Many of those individuals are in work experience programs that offer few opportunities to gain meaningful skills and lead few participants into unsubsidized employment. Other recipients are engaged in job initiatives that offer artificial earnings supplements but show little evidence of helping to increase self-sufficiency after the program ends.

On a positive note, more former recipients are managing to secure unsubsidized employment than did under AFDC, yet their jobs continue to be the same low-skilled, low-paying, no-benefits jobs secured by their predecessors. Moreover, few manage to keep their jobs for an entire year, and few are given opportunities for advancement.

Worst off are the 30 to 40 percent of former recipients who are not engaged in any form of work activity. Most of those people continue to rely heavily on other means-tested government programs for support.

## **The Self-Sufficiency Challenge**

Simply getting people off the rolls and into work, as we have started to see, does not necessarily imply real self-sufficiency of former recipients. As one caseworker puts it: “If success is measured in a decreasing number of public assistance cases, then welfare reform is certainly succeeding. But if success is measured in client self-sufficiency, then the experience of my caseload suggests we have a way to go.”<sup>79</sup>

A telling measure of whether or not welfare reform is causing more individuals to become self-reliant is the extent to which former recipients are able to meet their basic needs without having to depend on additional governmental assistance. As the Urban Institute asks, “To what extent do . . . leavers rely on work and earnings to support themselves?”<sup>80</sup>

Unprecedented numbers of recipients have left welfare for work in the days since enactment of welfare reform, but it appears



that very few of those individuals are relying on their own wages and family earnings alone for subsistence. In 1999 the nation spent \$80 billion on the Earned Income Tax Credit and other benefits like child care for low-income workers.<sup>81</sup> Former recipients make up a significant proportion of the beneficiaries of such spending. The Urban Institute found that, in the first three months off welfare, two-thirds of leavers report use of one or more of the following: child care assistance, Medicaid, emergency aid, assistance with transportation, and assistance in meeting other work expenses.<sup>82</sup> Similarly, a multistate study performed by researchers at the Institute for Research on Poverty at the University of Wisconsin, Madison, shows that around two-thirds of leavers receive some type of benefit in their first year after leaving welfare.<sup>83</sup>

To a growing number of critics, self-sufficiency of former recipients is little more than an illusion. The array of supplemental benefits available to leavers of welfare, in particular, seems to suggest that the new law has succeeded merely in creating a sort of “working” welfare state. As one frustrated observer puts it, “Replacing one open-ended entitlement with another does not serve self-sufficiency, welfare reform’s real goal.”<sup>84</sup> A look at five categories of supplemental assistance provides important insights into how those forms of government “welfare” are perpetuating former recipients’ entanglement with the public safety net.

### **Medicaid**

After exiting the rolls, a substantial portion of former recipients satisfy their health care needs through Medicaid and the Children’s Health Insurance Program; comparatively few are self-insured or covered by their employers. Ideally, if self-sufficiency is the goal, individuals will be moving away from reliance on government-funded health care toward reliance on private insurance after they exit the welfare rolls.

Medicaid has been made widely available to former recipients under the new law as

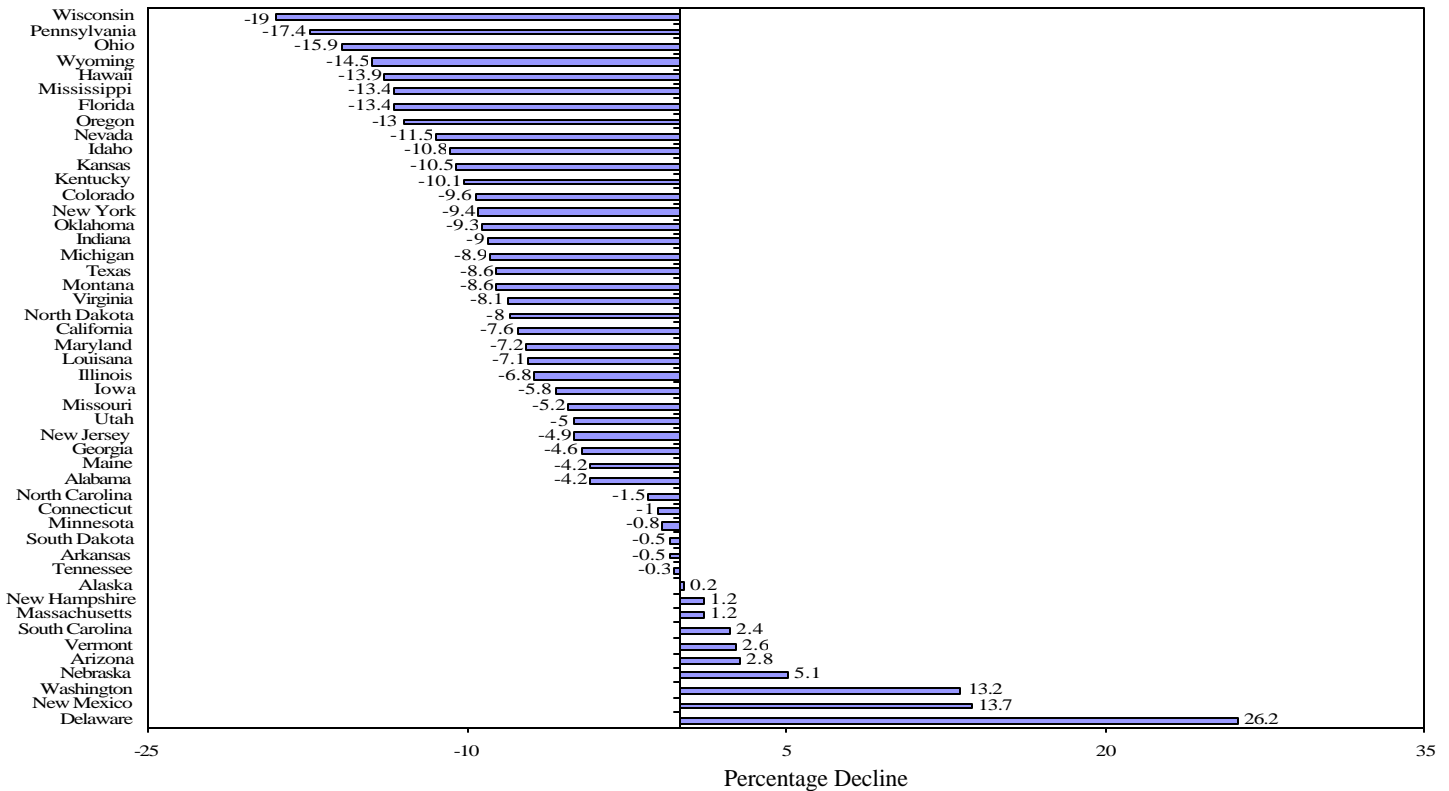
part of welfare reformers’ multifaceted effort to “make work pay.” By “delinking” Medicaid from eligibility for TANF, the new law has made it possible for individuals to continue receiving government health insurance outside the cash assistance system. In addition, the new law permits families who were receiving Medicaid on welfare, but whose incomes disqualify them for Medicaid after they exit the rolls, to continue receiving transitional Medicaid assistance (TMA) for up to 12 months. Families lose their eligibility for TMA when there is no longer a dependent child in the home, they fail to pay premiums or to report their income quarterly, the caretaker recipient has no earnings, or the family’s average gross monthly earnings, minus child care costs, exceed 185 percent of the poverty level. The states, however, have tended to take a more liberal approach and have suspended or relaxed many of the eligibility criteria for TMA.

States vary widely with regard to the proportion of former welfare recipients continuing to claim Medicaid. Between 1995 and 1997, for instance, from 4 to 94 percent of all former recipients made Medicare claims.<sup>85</sup> A number of states on the lower end of this spectrum report that welfare leavers are failing to claim the Medicaid benefits for which they are eligible. Since enactment of the new law, Medicaid claims have declined sharply. As Figure 7 shows, between 1995 and 1997, 12 states experienced declines of 10 percent or more, and only 4 states saw Medicaid enrollment increase by more than 5 percent.<sup>86</sup> Among children, Medicaid receipt declined by almost 10 percent between 1996 and 1999,<sup>87</sup> although there remain more children of former TANF families receiving Medicaid coverage than heads of families.<sup>88</sup>

If the former TANF families who are failing to claim Medicaid were doing so because they had secured alternative forms of health coverage, then the news of underclaims would be welcome. A significant body of research, however, suggests that increasing self-sufficiency is not the primary reason for former recipients’ failure to sign on to

**Unprecedented numbers of recipients have left welfare for work in the days since enactment of welfare reform, but it appears that very few of those individuals are relying on their own wages and family earnings alone for subsistence.**

**Figure 7**  
**Changes in Medicaid Enrollment, 1995–97**



Source: U.S. General Accounting Office, “Medicaid Enrollment: Amid Declines, States’ Efforts to Ensure Coverage after Welfare Reform Vary,” GAO/HEHS-99-163, September 1999.

Note: GAO was unable to obtain comparable Medicaid enrollment data for the District of Columbia, Rhode Island, and West Virginia.

**Increasing self-sufficiency is not the primary reason for former recipients’ failure to sign on to Medicaid.**

Medicaid. More commonly, TANF leavers have responded in surveys that they were unaware that they could work full-time, not claim TANF benefits, and still receive Medicaid;<sup>8,9</sup> eligibility rules were too complex; caseworkers did not inform them of their eligibility for Medicaid; there were too many administrative hassles and requirements; the separate application procedure was a burden; or there was too much of a stigma attached to Medicaid receipt.<sup>90</sup>

The Medicaid claims of people who receive Medicaid after leaving welfare tend to decrease sharply over time. Studies show that, whereas the percentage of TANF leavers claiming Medicaid increases throughout the first year after exit, it drops threefold between individuals’ first and third year off welfare.<sup>91</sup> Falling claims, however, as Figure 8 shows, do not necessarily indicate that individuals are replacing

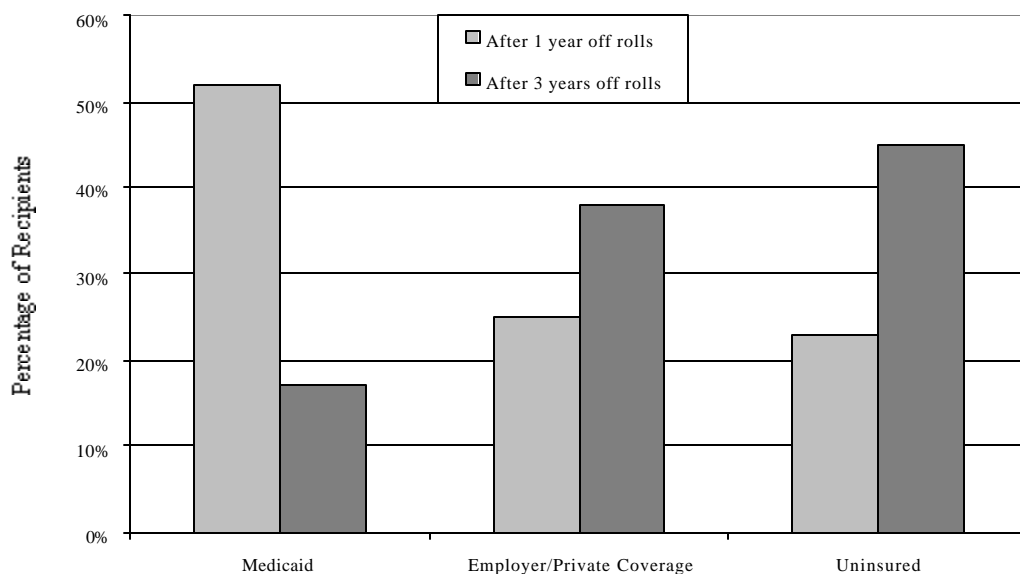
dependence on the government with reliance on the private sector. “Over time,” the HHS notes, “as eligibility for Medicaid expires, more clients rely on private insurance. However, more also go uninsured.”<sup>92</sup>

**Food Stamps and Nutrition**

Another important measure of self-sufficiency is whether individuals are becoming self-reliant in terms of meeting their nutritional needs after leaving the rolls. Studies show that, on average, one-half of former recipients rely on food stamps.<sup>93</sup> While sizable, that figure represents around a one-third decline in the number of food stamp claimants since January 1996 (Figure 9), suggesting that perhaps more individuals are coming to rely on themselves to meet their basic nutritional needs.<sup>94</sup>

In fact, many people who are no longer

**Figure 8**  
**Health Insurance Status of Former Welfare Recipients**



Source: Amy Johnson and Alicia Meckstroth, “Ancillary Services to Support Welfare to Work: Lack of Health Insurance,” U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, June 22, 1998, <http://aspe.os.dhhs.gov/hsp/isp/ancillary/hi.htm>.

claiming food stamps have become ineligible because of increased earnings or a new job.<sup>95</sup> According to a recently released report by the U.S. Department of Agriculture, around one-third of the decline in the food stamp rolls that has occurred since states began experimenting with welfare reform is attributable to changing economic conditions and individuals’ escaping poverty.<sup>96</sup> Similarly, the GAO reported last year that employment was the primary cause of falling food stamp claims.<sup>97</sup>

As the Urban Institute has pointed out, however, there also exists a sizable group of former recipients who, on the basis of their earnings levels, have retained eligibility for food stamps yet are failing to claim them.<sup>98</sup> Some studies note that some potential recipients are unaware of their eligibility for food stamps,<sup>99</sup> and others cite administrative problems and hassles as a major deterrent to potential food stamp claimants.<sup>100</sup> In response, policymakers have been brainstorming ways to increase enrollment in the food stamp program. If they are successful,

we are likely to witness increased dependence on this part of the safety net in years to come.

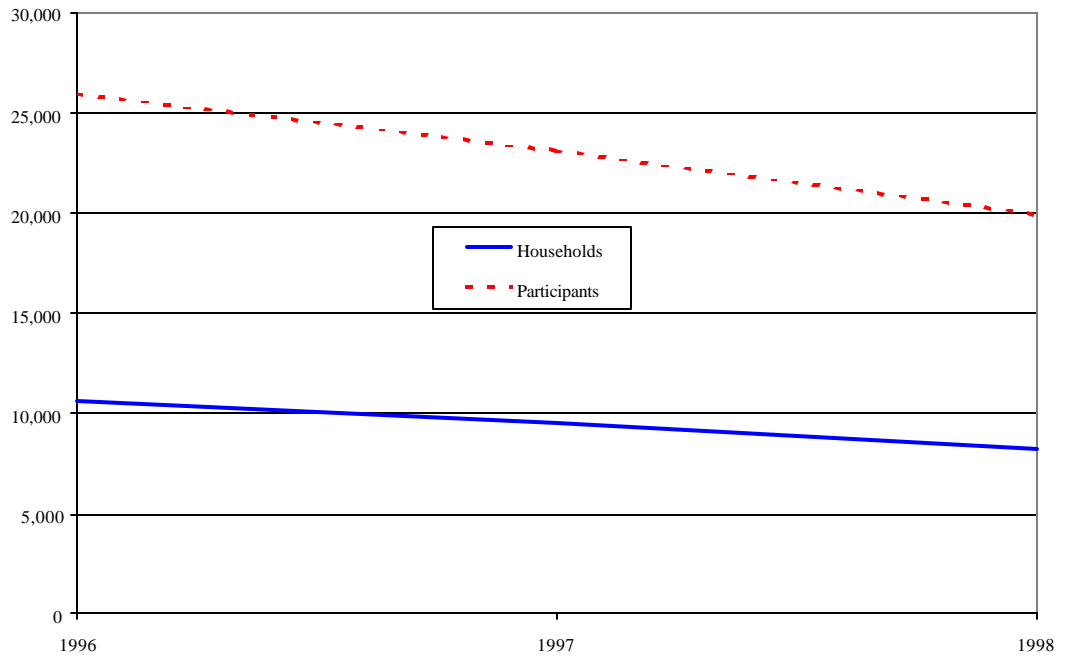
### Housing Assistance

Difficulties with housing after welfare are common among TANF leavers. Given their low earnings, it is not surprising that a number of families continue to rely on public housing assistance after they exit the rolls.

Information on the percentage of TANF leavers turning to the government for help with housing is scarce and comes mainly from individual state studies. We know, for instance, that around 25 percent of former recipients depend on housing assistance in states like Wisconsin.<sup>101</sup> TANF leavers’ reliance on rent subsidies or public housing, however, can provide only an indication of the extent to which individuals are failing to become independent in this area because of the limited availability of housing assistance. The fact that studies tend to show between one-third and one-half of former recipients experiencing problems with housing and utilities indicates that individuals’ inability

**Policymakers have been brainstorming ways to increase enrollment in the food stamp program. If they are successful, we are likely to witness increased dependence on this part of the safety net in years to come.**

**Figure 9**  
**Decline in Food Stamp Participation**



Source: Laura Castner and Jacquelyn Anderson, "Characteristics of Food Stamp Households: Fiscal Year 1998," U. S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation, July 1999.

**Former recipients who are relying on government to finance their child care have still not achieved independence of the public safety net.**

to meet such needs independently is more pervasive than the reliance on public subsidies would suggest. What surfaces, as a result, appears to be another major deficiency on an important measure of self-sufficiency.

### **Child Care Subsidies**

A fourth need that many former recipients are failing to satisfy independent of the public safety net is child care. Studies show, on average, 30 to 50 percent of welfare leavers relying on public child care subsidies. Dependence on child care benefits varies widely across the country, however, with as few as 13 percent receiving subsidies in Connecticut and as many as 70 percent claiming assistance in states like Florida.<sup>102</sup> Much of the reason for the variation has to do with differences in the availability of subsidies, access to alternative informal care, and the cost of both formal and informal care. As the HHS emphasizes, "There are differences in how states have earmarked and allocated funding for child care, which will contribute

to differences in the local supply of care that is affordable and available."<sup>103</sup>

Greater demand for child care due to increased employment is a development worth celebrating. Dependence on the government as chief supplier of child care, however, represents stagnation in moving individuals out of dependence. While the half of former recipients, on average, who are relying on government to finance their child care may be less entangled in the welfare system than they were when they were receiving cash assistance, it is important to recognize that those individuals have still not achieved independence of the public safety net.

### **Earned Income Tax Credit**

The recently expanded Earned Income Tax Credit, in addition to the supplemental benefits detailed above, plays a measurable role in raising the incomes of former welfare recipients who are working. Whereas families with two or more children were receiving tax credits of 17 percent on earned income up to

\$7,140 in 1991, by 1997 such families were eligible for tax credits of 40 percent on earnings up to \$9,140.<sup>104</sup> That expansion of the EITC thus allows many former recipient families with two or more children to increase their incomes by almost \$4,000.<sup>105</sup> All in all, notes the Urban Institute, the EITC is responsible for well over half the income gain enjoyed by families who move from part-time to full-time minimum-wage work.<sup>106</sup> In addition to the federal EITC, many states also offer their own supplementary EITCs. By the end of 1999, the Center for Budget and Policy Priorities reports, 11 states were offering EITCs based on the federal credit.<sup>107</sup>

### **Summary**

When policymakers spoke of “ending welfare as we know it” in 1996, they had far more in mind than simply shrinking welfare rolls. The long-term aim of the bill was to end the country’s dependence problem by getting recipients into jobs and on the path to self-sufficiency. What we see four years later, unfortunately, bears less resemblance to self-sufficiency than to continued entanglement with the system in the form of “supplemental welfare dependence.”

Very few former recipients know true self-sufficiency under the new law. Most rely on some form of means-tested government assistance to help them meet their medical, food, housing, or child care needs. The incomes of most working welfare leavers, moreover, are supplemented by generous federal and state EITCs. Overall, few can say they have surpassed the need for state aid, and, down the road, predicts the Upjohn Institute at the University of Michigan, “former welfare recipients will continue to need government income supplements if they are to support their family at incomes above the poverty line.”<sup>108</sup> Observers of welfare reform too often believe that TANF leavers are becoming self-reliant because they are earning more and having their needs met. In a more thoughtful assessment of welfare reform, we have to ask, What have we achieved in the war on dependence if those needs are continuing to be satisfied by reliance on the public safety net?

## **Worse for the Wear: Are Families Better Off after Welfare?**

Advocates for the poor warned before enactment of PRWORA, and cite growing evidence since the law went into effect, that welfare reform actually makes low-income individuals worse off by removing the entitlement to cash benefits. Critics have attempted to link changes in the welfare law with increases in poverty, homelessness, hunger, loss of health insurance, and decreases in the general well-being of low-income individuals and their families.

If such criticisms are valid, then policymakers will have not only failed to help former recipients become self-reliant but will have achieved the very opposite by making individuals worse off after welfare. Part of the motivation behind the 1996 law was to remove the perverse disincentives built into the system that encouraged people to enter and stay on welfare and to replace those disincentives with new system of incentives to seek work rather than assistance. What critics are asserting is that, in fact, “work does not pay” for many who exit the system.

The evidence reveals that the new law has made moderate progress in eliminating the disincentive to leave welfare. Most former recipients have maintained or increased their general well-being in moving from welfare to work.

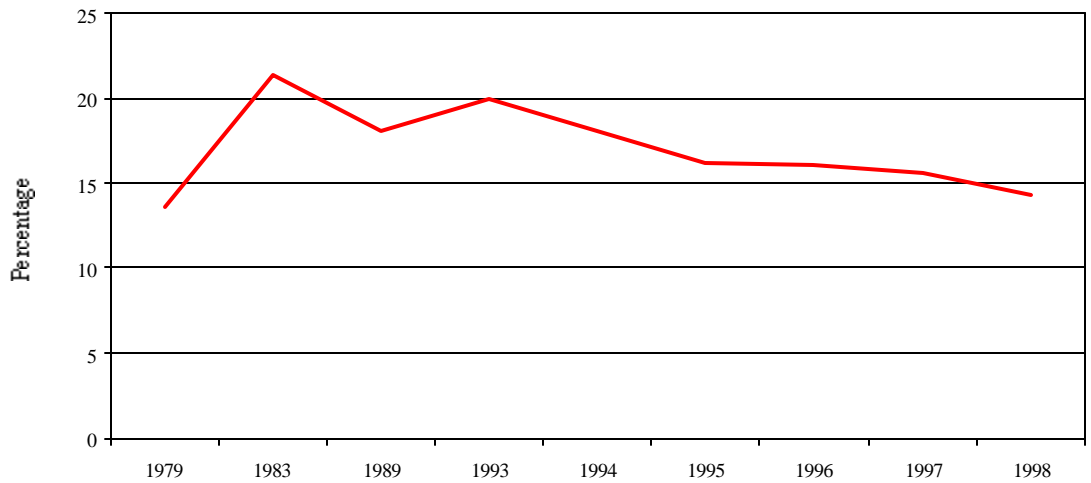
### **Financial Well-Being**

Advocates for the poor predicted before welfare reform that tightening eligibility rules and cutting people from the rolls would cause dramatic increases in poverty among low-income families. The advocates reasoned that people would not be able to compensate for their loss of cash benefits because they had no—or low-paying—jobs. In addition, the advocates predicted that leavers would experience increased financial hardship as the result of the loss of noncash benefits such as food stamps and Medicaid.

However, a majority of former recipients have managed to secure employment after

**The new law has made moderate progress in eliminating the disincentive to leave welfare. Most former recipients have maintained or increased their general well-being in moving from welfare to work.**

**Figure 10**  
**Child Poverty Rate (percentage)**



Source: Unpublished Census Bureau data given in Kathryn Porter and Wendell Primus, “Recent Changes in the Impact of the Safety Net on Child Poverty,” Center on Budget and Policy Priorities, December 1999.

Note: The child poverty rate is based on income that includes social insurance, cash assistance, food and housing benefits, and EITC, less federal taxes.

**Between 1993 and 1998, the poverty rate for female-headed families with children fell from 46 to 39 percent, and by 1998, the child poverty rate was the lowest it had been in nearly 20 years.**

leaving welfare, the earnings of most are subsidized by a generous combination of state and federal EITCs, and few have lost their eligibility for noncash benefits. Given that, it is hardly surprising that poverty has continued to fall every year since welfare reform was enacted.<sup>109</sup> With the help of a booming economy, more than 2 million individuals were able to rise out of poverty between 1996 and 1998.<sup>110</sup> Dependent single mothers and their children account heavily for this decline. Between 1993 and 1998, the poverty rate for female-headed families with children fell from 46 to 39 percent,<sup>111</sup> and by 1998, as Figure 10 shows, the child poverty rate was the lowest it had been in nearly 20 years.<sup>112</sup> Perhaps most notable, the number of black children in poverty has fallen since enactment of welfare reform at the greatest rate ever recorded.<sup>113</sup>

In examining changes in poverty since passage of the new law, the Committee for Economic Development concludes, “There is little indication that welfare reform has made the problem worse.”<sup>114</sup> As numerous studies have shown, an array of supplemental benefits, the increased minimum wage, and an

expanded EITC make work a more attractive option than it was under AFDC. The *Wall Street Journal* points out:

The new work-support system means that mothers who take minimum-wage jobs are far better off than mothers on welfare. Even under the official definition, poverty has been declining since 1994—the year the great exodus from welfare began. But this definition does not count most of the benefits provided to workers through the new work-support system. If we use a Census Bureau measure that counts these benefits, we find striking evidence that welfare reform is reducing poverty more than ever before.<sup>115</sup>

The extent to which former recipients appear to profit in moving from welfare to work depends on what benefits researchers choose to include when calculating the welfare benefits package. Studies that take into account only cash assistance and food stamps, such as a recent GAO review of seven states, suggest that

former recipients' earnings alone often exceed their TANF benefits packages.<sup>116</sup> Other studies, such as one conducted by the Cato Institute, indicate that the gap between an individual's wages on and off welfare is not nearly as impressive when the entire welfare benefits package is taken into account. In fact, when the typical welfare package, including cash benefits, food stamps, Medicaid, public housing, nutrition assistance, and utility assistance is considered, recipients in most states would have to be making more than \$8 an hour (and significantly more than that in a handful of states) to be doing better in work than on welfare.<sup>117</sup>

Nevertheless, while most working former recipients are not earning the cash equivalent of their full welfare packages as calculated by the Cato Institute, the majority are able to supplement their incomes from work with the EITC and an array of noncash benefits. As the Urban Institute has shown, in all states a woman increases her income if she leaves welfare for full-time work at a minimum-wage job—so long as she receives other supplemental benefits for which she is eligible, including food stamps, Medicaid, child care subsidies, and the EITC.<sup>118</sup>

The people who fare the worst under the new law tend to be nonworking families who have had their cash assistance reduced or removed; both working and nonworking families who, for one reason or another, are not claiming the supplemental assistance available to them; and families moving off welfare into unemployment or low-wage jobs in high-benefit states. It is, without question, tragic that some of the worst-off families have seen their situations deteriorate in recent years.<sup>119</sup> That trend, however, does not necessarily imply the failure of welfare reform. Welfare reformers' promise, after all, has been to "make work pay," as well as to continue to support those who cannot engage in work activities. For those who are complying with the new requirements and taking advantage of the supports offered by the new system, that promise is largely being realized.

### **Individual and Family Hardship**

For the bulk of former recipients who are employed and using the work supports offered

by the new law, the experience of both financial and psychological hardship should have become less familiar. As the *Washington Post* puts it, the new welfare rules "have magnified the strengths of those who were strongly motivated and able to take advantage of new programs. For this group with the psychological stamina to push themselves, the new system has provided job training, child care, and other resources."<sup>120</sup>

Surveys of former recipients indicate that quality of life for those who are working and receiving supplemental benefits has, at the least, not deteriorated or has improved since leaving welfare. Studies by Wisconsin and South Carolina show a majority of TANF leavers disagreeing with the statement "life was better when you were on welfare,"<sup>121</sup> and nearly 70 percent in Wisconsin agreeing that "getting a job was easier than living on welfare."<sup>122</sup> Quality-of-life surveys also show more positive responses from former recipients who are engaged in full-time, year-round—as opposed to part-time or irregular—work. Such individuals, as a University of Michigan study shows, experience fewer increases in financial hardship after leaving the rolls and tend to feel more hopeful about their future well-being.<sup>123</sup>

The families and children of most working leavers also appear to be no "worse for the wear" since exiting the rolls. Many critics predicted that increased stress, lower incomes, and more parental time away from home would cause former welfare families to disintegrate. The GAO reviewed data gathered by seven states and discovered that, in fact, such fears had not been realized for the majority. It found little evidence of increased abuse or neglect that had led to involvement with child protective services or placement of children in foster care, or both.<sup>124</sup> As the Urban Institute observes, "Children in certain subgroups will benefit from welfare reform to the extent that new policies succeed in moving parents into jobs and increasing economic resources for families; bringing about greater and more positive father involvement (both economic and social) in children's lives; placing children in care settings that are safe, stimulating, and supportive; and reducing family size."<sup>125</sup>

**In all states a woman increases her income if she leaves welfare for full-time work at a minimum-wage job—so long as she receives other supplemental benefits for which she is eligible.**

**Most former TANF recipients remain dependent on the public safety net to meet their basic needs.**

**Table 2  
Odds of Child Mistreatment Allegations by Sanction Status**

Type of Child Abuse and Neglect Allegation	Probability of No Sanction in 12/95	Probability of Sanction in 12/95	Ratio (sanction/no sanction)
Lack of supervision	.0085	.0156	1.84
Risk of harm	.0065	.0112	1.72
Physical abuse	.0042	.0059	1.41
Sexual abuse	.0024	.0032	1.35
Environmental neglect	.0047	.0059	1.26
Parental substance abuse	.0049	.0056	1.14
Other neglect	.0019	.0021	1.13

Source: Kristin Shook, "Assessing the Consequences of Welfare Reform for Child Welfare," Joint Center for Poverty Research *Poverty Research News* 2, no. 1 (Winter 1998): 5.

A certain subgroup of former recipient families is, however, experiencing increased overall hardship since exiting the rolls. As the *Washington Post* puts it, "New welfare rules have exacerbated the problems of families whose lives were already chaotic. . . . The same regulations that are pushing some families toward self-sufficiency are causing other, more troubled families to unravel."<sup>126</sup> Families whose benefits have been terminated and who are afflicted by substance abuse, mental illness, domestic violence, or physical illness appear to be most at risk after leaving the rolls.<sup>127</sup> Income can also be a strong determinant of the extent to which former welfare families experience increased hardship under the new law. As the Urban Institute finds, the quality of the home environment for young children of former welfare families can decline when mothers begin jobs that are low wage and unstimulating.<sup>128</sup> Children in sanctioned families are usually the worst off because of the maternal stress and decreased economic resources that often follow termination of benefits.<sup>129</sup>

Some of the most notable hardships encountered by the families that are the worst off after leaving the rolls include increased domestic violence and child abuse and neglect. As usual, sanctioned TANF leavers appear to be most at risk. As an Illinois study finds, sanctioned families' odds of having a child placed

with the state welfare agency are reportedly 53 percent higher than for other former TANF families.<sup>130</sup> The quantified effects of sanctions on child well-being, as calculated by the Joint Center for Poverty Research, are given in Table 2. Other studies cite increasing domestic violence as a result of women being forced off the rolls and returning with their children to battering husbands and boyfriends.<sup>131</sup>

**Satisfaction of Basic Needs**

Most former TANF recipients remain dependent on the public safety net to meet their basic needs. It is precisely because of continued dependence on both the government and an alternative array of family and community supports, however, that most are likely to be meeting their needs as well as or better than they did as recipients of welfare.

*Health Care.* Former recipients' Medicaid claims since enactment of welfare reform have been decreasing dramatically without a corresponding increase in enrollment in private or employer-provided health insurance.<sup>132</sup> The result is that most studies show the percentage of leavers who lack health coverage after welfare at around 40 to 45 percent.<sup>133</sup> Access to health insurance also appears to deteriorate in the short to medium term. Between the first and third year off the rolls, the number of former recipients



enrolled in Medicaid declines threefold, while the number of those who are uninsured doubles.<sup>134</sup>

How has decreased access to health insurance after leaving the rolls played out in terms of the actual physical health of former recipients? Does increased lack of insurance really mean that TANF leavers are worse off? In the absence of up-to-date figures on changes in the health of former recipients, it is tempting to assume that the large percentage of former recipients who lack health insurance implies deteriorating health since enactment of welfare reform. In fact, numerous economic analyses have shown that, contrary to popular belief, being uninsured does not necessarily correlate with lack of access to health care, nor with poor physical health. Poor physical health is largely the result of not being able to obtain needed medical services, and there is little reason to believe that the uninsured are any worse off than the insured in terms of access to critical care. Nearly every state requires state or local governments, or both, to provide care for the indigent and uninsured, and federal law requires hospitals treating Medicare patients to accept all patients with emergency health problems. Generally higher levels of spending on health care and greater use of services by individuals with insurance does not, in fact, imply better health. As John Goodman and Gerald Musgrave point out, “The amount of medical care that people consume varies with the out-of-pocket price they have to pay, often with no effect on health.”<sup>135</sup> Given such information, as well as the absence of data on changes in the health status of former recipients, there is no basis for concluding that TANF leavers are worse off in terms of physical health simply because an increasing number lack insurance.

*Food.* Since enactment of welfare reform, critics have routinely blamed the new law for increasing hunger and food shortages among former recipients. Are people truly worse off after they leave the rolls when it comes to their food and nutritional needs, and is the new welfare law responsible for those difficulties?

Two ways researchers have attempted to assess changes in former recipients’ ability to satisfy their basic food needs have been to

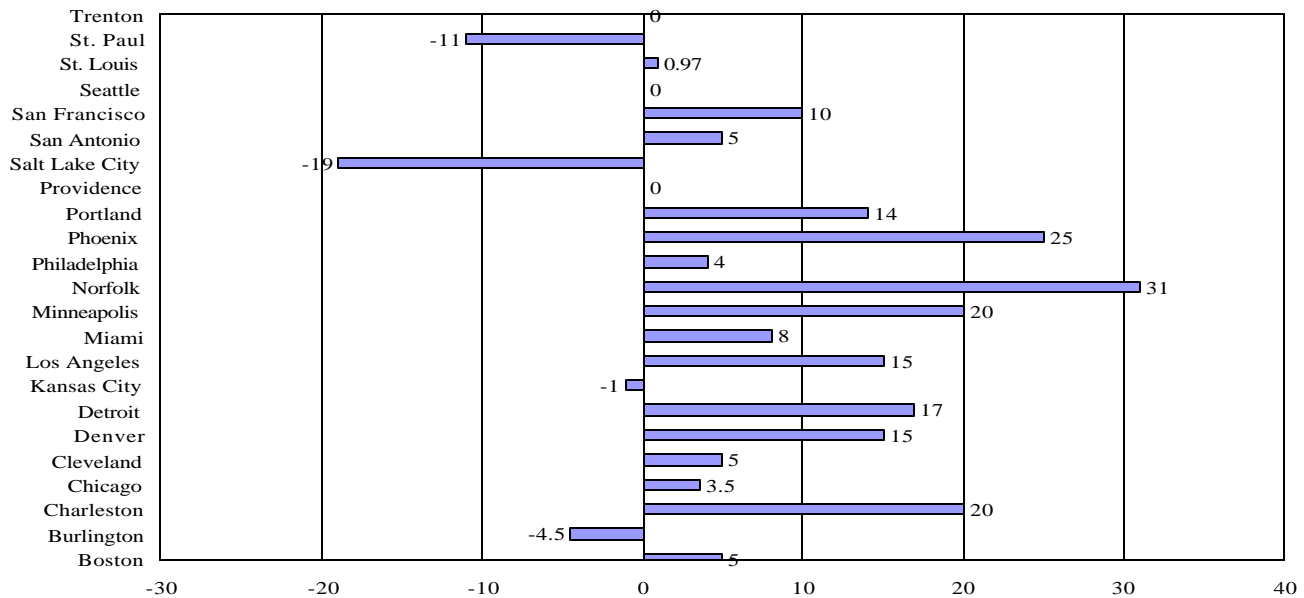
examine whether there is increased reporting of general difficulties in this area since the former welfare recipients left the rolls and whether more former recipients are having to turn to food pantries and other community resources for emergency food assistance. Both measures prove to be inadequate gauges of whether former recipients have been made worse off by welfare reform.

Critics of the new law cite surveys, such as those conducted in South Carolina and Wisconsin, that suggest that TANF leavers may be encountering more food problems, mainly as a result of failure to claim the food stamps for which they qualify. Those two studies paint a picture of an emerging crisis by noting that, for instance, when former recipients were asked “Was there ever a time when you could not buy food?” the number responding “yes” increased 3 percentage points in South Carolina and 10 percentage points in Wisconsin after respondents left the welfare rolls.<sup>136</sup> The danger in using the results from such studies to generalize about the well-being of the entire former recipients population is that respondents to those surveys tend to be self-selecting and the surveys therefore overrepresentative of a certain highly afflicted segment of welfare leavers. There exists little in the way of a comprehensive, scientific examination of this issue as it applies to leavers of welfare under the new law.

Another indication cited by critics that former recipients have been made worse off is the reported increase in requests for emergency food assistance since enactment of welfare reform. Between 1997 and 1998, the U.S. Conference of Mayors noted an average 14 percent increase in requests for emergency food assistance in more than two-thirds of the cities it studied, and Catholic Charities found an average 38 percent increase in requests for such assistance among nearly three-quarters of the parishes it surveyed in 1998.<sup>137</sup> Overall, what this and data from USDA indicate, notes the GAO, is that the demand for food assistance by low-income—presumably, former-recipient—families has increased over the last few years.<sup>138</sup> Critics use these figures to seduce us into believing that welfare reform, by making more people turn to food pantries, has led to a hunger crisis among former

**Being uninsured does not necessarily correlate with lack of access to health care, nor with poor physical health.**

**Figure 11**  
**Percentage Increase in Requests for Emergency Shelter, 1998–99**



Source: United States Conference of Mayors, “A Status Report on Hunger and Homelessness in America’s Cities 1999: A 26-City Survey,” December 1999.

Note: Study does not provide data for Charlotte, Nashville, and New Orleans.

**There is reason to believe that many individuals who have left food stamps for food pantries are, in fact, having their needs more adequately met.**

recipients. The misguided premise here is that decreased dependence on the public safety net and increased reliance on private charity imply greater suffering. In truth, there is good reason to believe, given private charities’ consistently documented effectiveness in delivering social services, that many individuals who have left food stamps for food pantries under the new law are, in fact, having their needs more adequately met.

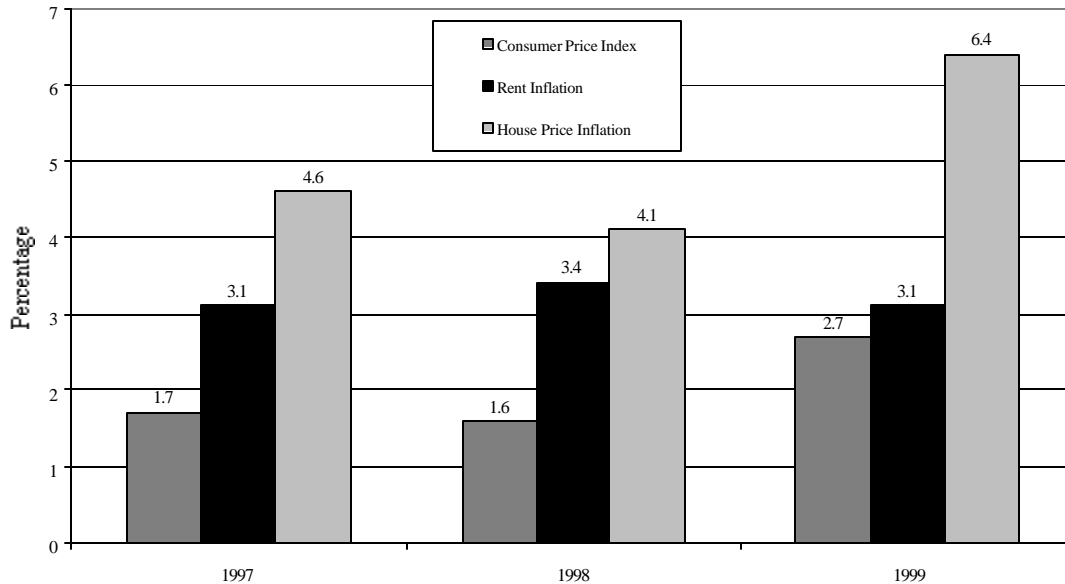
To the extent that leavers’ increased difficulties in meeting basic food and nutritional needs can legitimately be documented, there exists little basis for faulting the new welfare law.<sup>139</sup> Eligibility for the food stamp program is in no way linked to eligibility for cash benefits, indicating that efforts to cut individuals from the rolls should have little effect on their ability to claim food stamps and meet their basic food needs. In light of this, there are several alternative explanations for increased reports of hunger and need for emergency assistance. One, already mentioned, is that individuals are failing to claim the food stamp assistance for which they are eligible. Another provocative explanation for increased visits to food pantries,

however, may simply be that emergency food assistance has become more available in recent years, particularly now that the welfare law encourages government support for private-sector and faith-based delivery of such services.<sup>140</sup> Finally, numbers may appear higher if data collection has become more aggressive over the last few years in response to interest in tracking the effects of the new welfare legislation.

*Housing.* Advocates for the poor have suggested that, like hunger, homelessness has been exacerbated by welfare reform. They cite rising numbers at homeless shelters and increased demands for emergency assistance as evidence of the new welfare law’s detrimental impact on the living conditions of poor families with children. Studies put the average increase in homelessness since enactment of welfare reform at between 10 and 15 percent (Figure 11).<sup>141</sup> A majority of cities in at least one survey indicated that they expected requests for emergency housing assistance to continue to rise.<sup>142</sup>

Some observers, such as the National Coalition for the Homeless, have identified

**Figure 12**  
**Rents and House Prices Compared with Overall Inflation**



Source: U.S. Department of Housing and Urban Development, "The State of the Cities 2000: Megaforces Shaping the Future of the Nation's Cities," June 2000.

poverty as a result of low wages and cuts in benefits as a primary cause of increased visits to homeless shelters.<sup>143</sup> Scaled back cash benefits and tough work and sanctions policies, certain studies have suggested, are causing the living situations of some former recipients to deteriorate. As the *Christian Science Monitor* recently pointed out, "The biggest hike is in families with children, many of whom recently had their welfare benefits reduced or terminated."<sup>144</sup>

Such studies, however, are misleading in that they fail to reveal that homeless former recipients are frequently sanctioned leavers who face more than the ordinary number of barriers to work. This group, as we have seen, makes up a relatively small percentage of the overall population of former recipients.<sup>145</sup> In general, surveys of homeless populations tend to exaggerate the extent to which former recipients are encountering increased poverty and homelessness.

More important, when TANF leavers experience housing problems, it is unlikely that welfare reform is the culprit. A major decline in the quantity of affordable housing<sup>146</sup> throughout

the country is perhaps the strongest explanation of the reported increases in housing problems in recent years. As a recently released HUD report shows, rents and housing prices have been consistently rising at higher rates than overall inflation (Figure 12). According to the study, the number of low-income families paying more than half their income for housing or living in dilapidated units has risen by 12 percent since 1991.<sup>147</sup> In Fairfax County, Virginia, the Homeless Oversight Committee reports that a rise in the local homeless population includes around 750 adults who have full-time jobs but can't find housing they can afford. One of the key problems identified by the committee is a shortage of rental housing.<sup>148</sup>

Finally, former recipients' housing difficulties may be linked to a decrease in the amount of housing assistance available, as well as the number of landlords willing to accept Section 8 housing vouchers.<sup>149</sup>

The new welfare law itself appears to have done nothing directly to worsen the housing situations of former recipients. Most families do not lose access to housing assistance as a consequence of leaving welfare. Housing dif-

**Housing difficulties after exiting the rolls are connected, not with the new welfare legislation, but with the decrease in affordable housing and rental units and the supposed shortage of housing assistance.**

**The number of child care providers has actually managed to keep pace with the swelling demand for child care.**

difficulties after exiting the rolls are connected, not with the new welfare legislation, but with the decrease in affordable housing and rental units and the supposed shortage of housing assistance available to low-income individuals. Perhaps even more important, lack of housing assistance or unaffordable housing, or both, does not necessarily mean that individuals are becoming homeless and worse off. Many may be finding new ways to meet their housing needs, such as moving in with relatives or, in some cases, getting married.

*Child Care.* For working families with children, affordable, quality, and accessible child care can be one of parents' most pressing needs. Opponents have criticized the new law for failing to adequately provide current and former recipients with access to child care so they can cope with the new work requirements. This is an area in which critics suggest families perhaps suffer most as they move from welfare to work.

Talk of a growing gap between need and provision, as well as increasing evidence of poor-quality subsidized care, has grown louder since enactment of welfare reform. The Urban Institute recently found that only 15 percent of the population of children eligible for public child care assistance was served in 1998, suggesting the existence of, as the HHS puts it, "a large gap between child care need and services."<sup>150</sup> A similar conclusion was arrived at by the GAO in a 1997 study of supply of and estimated demand for child care in four sites. In the report's final remarks, the GAO notes: "State and local officials in the four cities and counties we reviewed regarded their current supply of known child care as inadequate for meeting even the demand they currently face for children in certain age groups, particularly for low-income populations in three of the areas reviewed. Unless the supply of known child care for certain age groups at these sites is increased, the gap between supply of known care and anticipated demand is likely to become even greater as welfare reform is fully implemented."<sup>151</sup>

Former welfare recipients constitute a significant proportion of the eligible families that fail to

claim child care assistance. Studies show that while the majority of TANF leavers qualify, only between one-fifth and one-half are benefiting from subsidized child care.<sup>152</sup> Advocates of expanded child care assistance suggest that much of the reason former recipients and other low-income working individuals are not taking advantage of the subsidies has to do with shortages in the types of care such individuals need. Nontraditional-hours care, infant care, special needs care, and sick-child care are among the types of licensed care for which studies say supply is outweighed by *potential* demand.<sup>153</sup>

For families who do benefit from government-subsidized child care, the quality of care is said to be another crisis. A recent study of formal care by the University of California at Berkeley and Yale University finds that many toddlers are in low-quality care and are lagging behind in language and social development. Numerous others, the study reports, are spending hours in child care watching television or wandering aimlessly, with little interaction with their caregivers. The study concludes, "This study did find early warning signs of a child-care problem that's going to get worse as the work requirements of the welfare laws ramp up."<sup>154</sup>

On closer inspection, however, talk of a national child care crisis for current and former welfare recipients is overblown.<sup>155</sup> In the first place, the gap between supply of and demand for licensed formal care is not nearly as large as critics would have us believe. Eligibility for government assistance with child care does not necessarily imply need or desire for licensed care. Most of the studies that posit a gap do not take account of additional sources of informal, or unlicensed, care, which low-income families tend overwhelmingly to prefer and rely on.<sup>156</sup> The heaviest use of "alternative" care (usually by friends or family) tends to be by parents needing infant, preschool, and nontraditional-hours care—the types of care that are supposedly in short supply in the licensed market.<sup>157</sup>

Even if demand for formal care in some areas were to approach the estimates in studies such as the GAO's, there exists no real

threat of a national supply shortage. As Darcy Olsen of the Cato Institute has shown, the number of child care providers has actually managed to keep pace with the swelling demand for child care, and, down the road, “there is no reason to believe that the child care market will be unable to adjust to accommodate more children.”<sup>158</sup>

Finally, if quality of care is an issue for former welfare families, it appears to be a problem that is largely confined to users of formal, subsidized care. Again, however, most low-income families choose informal care by neighbors or relatives, and, according to the Urban Institute, 96 percent of parents are satisfied with their current child care arrangements.<sup>159</sup>

Given the extensive surveying of former recipients that has taken place since enactment of welfare reform, there is little doubt that families who leave welfare for work encounter child care challenges along the way. Nevertheless, in light of Olsen’s review of findings regarding the quality and availability of child care, there is little reason to believe that the challenges families face have become any worse since enactment of the new law.

### Summary

A large proportion of families who have left and managed to stay off the rolls since 1996 possesses a distinct advantage over those who continue to collect TANF checks. That is reflected, first, in the fact that as the nation’s caseloads have taken a steep dive over the last four years, more people—particularly single-parent families and black children—have advanced out of poverty. Studies have shown that, combined, income from work at a minimum-wage job and supplemental supports such as food stamps, Medicaid, and child care and housing assistance allow families to enjoy a higher level of financial well-being than they did when on welfare. Since the new law allows former recipients to continue to receive means-tested noncash benefits for an unlimited period of time after they exit welfare, TANF leavers, in addition to having higher cash incomes

from work, experience few new problems in accessing food, health care, housing, and child care. When questioned about their new lives off welfare, most individuals have reason to be feeling more positive about the present, and hopeful about the future, than they did when receiving cash benefits.

It is clear that any talk of the “crisis” awaiting welfare recipients when they leave the rolls is overblown. A more accurate way to put it would be to say that difficulties—very occasionally severe—are in store for those who exit the rolls who do not secure employment or claim the additional benefits for which they qualify. It is here that we most profoundly witness the new law’s limited ability to rehabilitate individuals who have fallen into dependence in the first place.

## Back to the Beginning: Targeting the Roots of Dependence

This review of welfare reform’s progress to date has shown the new law’s limited impact on individuals already entrenched in the system. Most former recipients are no worse off—in fact, they are often better off—because of the new legislation, but only a small fraction no longer needs, or appears to be on the path to not needing, means-tested assistance. Welfare reform, as envisioned by the drafters of the 1996 law, appears incapable of fully freeing recipients from the grips of dependence. Nearly four years after enactment of PRWORA, we are left with a working welfare state that engenders a new form of dependence on supplemental assistance.

As Michael Tanner of the Cato Institute has suggested, the best way to end dependence is, not through curative efforts, but to prevent its onset in the first place. He warned in 1996 that

there are serious problems with expecting hard-core, long-term welfare recipients to be able to find sufficient employment to support themselves and their families. When

**The best way to end dependence is to prevent its onset in the first place.**

**Between 1993 and 1997, the percentage of all births that were to unmarried teenagers rose by as much as 28 percent in every state except Rhode Island.**

we established the incentives of the current system, we may have made a Faustian bargain with those recipients. Now it may be too late to change the rules of the game. We should do whatever we can to move those people out of the system but recognize that success may be limited. It is far more important to prevent anyone new from becoming trapped in the system.<sup>160</sup>

Welfare reformers' efforts to slow entry into the system largely involve provisions aimed at tackling teenage and out-of-wedlock births. Those attempts, however, are being diluted by the states' eagerness to spend more on welfare than they did before the new legislation. There is little reason for potential recipients to fear a rolling back of the safety net when, as of 1998, almost all states had increased spending per welfare family and nearly half were spending more than required by the new law.<sup>161</sup> Of the 35 states that had increased spending by 30 percent or more per welfare family, 16 had increased spending by 50 percent or more, and 3 had actually doubled the amount spent per family.<sup>162</sup> As the HHS has observed, "Overall, based both on the level of spending in FY 98 reported by States and on the cash assistance levels established by the States under the TANF program, there is clearly no 'race to the bottom' occurring."<sup>163</sup> The explosion in welfare spending over the last four years is a likely reason for major setbacks in efforts to reduce out-of-wedlock childbearing by young women.

#### **Reducing Out-of-Wedlock Births**

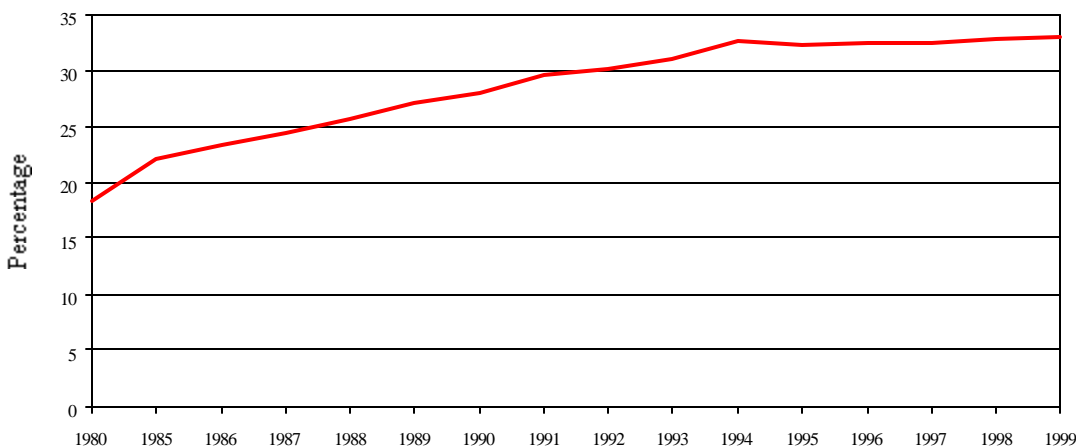
Having a child out of wedlock is often a precursor to a lifetime of poverty and dependence. Out-of-wedlock pregnancy, in fact, is the reason that one-third of welfare recipients end up on the rolls and is the cause of most long-term dependence.<sup>164</sup> Studies suggest that the availability of welfare, ironically, is largely to blame for the fact that the number of out-of-wedlock births has increased by

more than 600 percent and the rate of births to unmarried teenagers has quadrupled over the past four decades. As Tanner explains, "By removing the economic consequences of out-of-wedlock births, welfare has removed a major incentive to avoid them."<sup>165</sup> "Responsible behavior," says Ben Wattenberg of the American Enterprise Institute, "rises in reaction to a lack of viable irresponsible economic alternatives and to the cessation of messages by governments that out-of-wedlock birth is a socially acceptable lifestyle."<sup>166</sup>

Welfare reformers claim to have taken illegitimacy seriously when drafting the new law. In order to continue to receive federal TANF funding, states must (1) restrict benefits to unwed teen parents under 18 who do not live at home and attend school and (2) outline how they intend to establish goals and act to prevent and reduce the number of nonmarital pregnancies—particularly those of teenagers. To further discourage teen pregnancy, the new law also allows states to institute a "family cap" that denies additional benefits to families to which more children are born while the family is receiving assistance. Finally, the new law offers bonuses to the five states that rank highest in decreasing out-of-wedlock births while also decreasing abortion.

Unfortunately, as the *New York Times* reports, illegitimacy is "a front on which progress has been slight if at all."<sup>167</sup> The new welfare law has been particularly ineffective in curbing out-of-wedlock births to teenagers—those whom lawmakers most hoped to target. Between 1993 and 1997, when states first began experimenting with welfare reform, the percentage of all births that were to unmarried teenagers (the teenage illegitimacy ratio) rose by as much as 28 percent in every state except Rhode Island.<sup>168</sup> By 1997, in five states more than 90 percent of teen mothers were unmarried.<sup>169</sup> Over the last few years, the percentage of all births that is to unmarried teens has continued to rise, though at a slightly slower pace.<sup>170</sup> When the entire pool of single mothers is considered, welfare reform's impact on

**Figure 13**  
**Out-of-Wedlock Births as Percentage of All Births, 1980–99**



Sources: Stephanie J. Ventura et al., “Births: Final Data for 1998,” Centers for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics Reports* 48, no. 3 (March 28, 2000): 8; and Sally C. Curtin and Joyce A. Martin, “Births: Preliminary Data for 1999,” Centers for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics Reports* 48, no. 14 (August 8, 2000).

illegitimacy is even less impressive. PRWORA has had no measurable impact on the overall ratio of out-of-wedlock to married-couple births. As Figure 13 shows, after nearly doubling between 1980 and 1994, the proportion of American babies being born to unmarried women has remained relatively constant at about one-third of all births in recent years.<sup>171</sup> The actual number of out-of-wedlock births to black women has been declining, but that trend began in 1989, before the states and the federal government began enacting welfare reform measures, and the percentage of illegitimate births to black women has remained steady.<sup>172</sup>

### Reducing Teen Pregnancy

Like unwed motherhood, teenage pregnancy is strongly linked with subsequent welfare dependence. More than three-quarters of unwed teen mothers end up on welfare before their children reach school age.<sup>173</sup> In recognition of the relationship between teen pregnancy and dependence, the new welfare law, in addition to requiring unmarried teen mothers to stay at home and remain in school, contains several provisions aimed

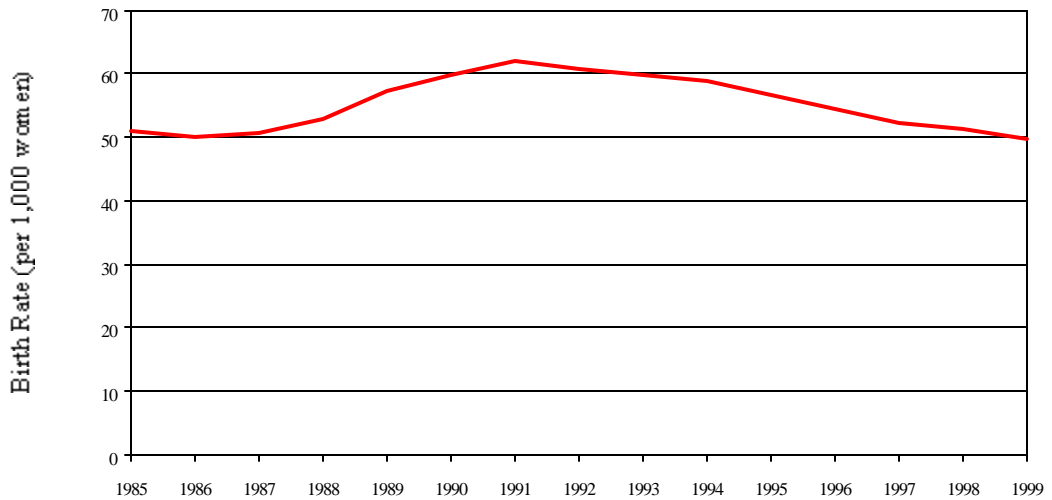
specifically at pregnancy prevention. PRWORA allocates \$50 million annually to abstinence education, requires establishment of national teen pregnancy prevention goals, and mandates that at least 25 percent of U.S. communities have teen pregnancy prevention programs in place. The HHS recently claimed, “The strategy sends the strongest possible message to all teens that postponing sexual activity, staying in school, and preparing for work are the right things to do.”<sup>174</sup>

Has this message worked its magic? Welfare reformers can hardly contain their excitement over recent dramatic declines in the teen birth rate (Figure 14), as well as in the number of second births to teenage mothers. Inspection of those figures, however, reveals more modest progress in reducing births to teenagers, a dubious connection between the downward trend and specific provisions of the new welfare law, and sobering evidence that illegitimate births to teens remain an inexorable challenge.

Progress in reducing the number of births to teens has been less impressive than national figures tend to convey. Critics note, for instance, inconsistent (and often lagging)

**Illegitimate births to teens remain an inexorable challenge.**

**Figure 14**  
**Birth Rates for Teens Aged 15–19, 1985–99**



Sources: Stephanie J. Ventura et al., “Recent Declines in Teenage Birth Rates in the United States: Variations by State, 1990–1994,” Centers for Disease Control and Prevention, National Center for Health Statistics, *Monthly Vital Statistics Report* 45, no. 5 (December 19, 1996): 7; Stephanie J. Ventura et al., “Births: Final Data for 1998,” Center for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics Reports* 48, no. 3 (March 28, 2000): 4; and Sally C. Curtin and Joyce A. Martin, “Births: Preliminary Data for 1999,” Centers for Disease Control and Prevention, National Center for Health Statistics, *National Vital Statistics Reports* 48, no. 14 (August 8, 2000).

**It is not teenage pregnancy, per se, that presages welfare dependence but the choice by the majority of young mothers to give birth out of wedlock.**

progress among the states. Child Trends points out that whereas Vermont has reduced teen pregnancy to 11 births per 1,000 teens, states like Mississippi lag behind at 58 births per 1,000 teens.<sup>175</sup> Supporters of the new welfare law also cite the decline in the percentage of teenage mothers who have second children as evidence that the welfare law has succeeded in dissuading those women from having more children. The supporters note, for instance, that the percentage of teenage mothers going on to have a second child decreased between 1993 and 1997. What critics say they fail to point out, however, is that, two years into welfare reform, the number of teenage mothers who had second pregnancies began to level off at around 22 percent and has shown no further sign of inching downward.<sup>176</sup>

The declines in teen pregnancy that have occurred, however, certainly represent progress over the last decade. Nevertheless, several facts cast doubt on the relationship between this hopeful trend and welfare reform. First, note

critics, the impressive downward trend in the teen pregnancy rate began long before welfare reform measures were instituted. Second, while the thrust of the new law’s attack on teen pregnancy has been abstinence education, much of the decline in teen pregnancies, says Child Trends’ Jennifer Manlove, is attributable to increased use of injectible contraceptives. She points out: “There has been little rigorous research on the effectiveness of abstinence-only programs. Consequently, the jury is still out on whether abstinence programs can significantly reduce teen childbearing.”<sup>177</sup> Third, it is difficult to discern the link between programs intended to prevent teen pregnancy in general and teen birth rates, says the GAO, because, while the states are tracking changes in teen birth rates, few are actually evaluating the effects of their prevention programs on teen pregnancy.<sup>178</sup>

More important than the scale and cause of the declines, however, is the fact that fewer teenage pregnancies over the last few years do



not appear to be associated with fewer young women bearing children out of wedlock. It is not teenage pregnancy, per se, that presages welfare dependence but the choice by the majority of young mothers to give birth out of wedlock. If, as has been the case since welfare reform, the number of teenagers having children has inched downward, but the overall percentage of births that occur to unmarried mothers has remained steady or continued to climb, then the primary precursor to welfare dependence has not been tackled.<sup>179</sup>

### Increasing Diversion

For those who have already become pregnant as teenagers or out-of-wedlock, or both, how viable an alternative does welfare remain under the new law? As we have seen, once women become part of the system, it becomes very difficult to fully escape it, despite the range of work-support measures and incentives created by PRWORA. An important goal of welfare reform should thus be preventing the onset of dependence by “diverting” families from signing onto the rolls in the first place. As Professor June O’Neill of City University of New York told the Subcommittee on Human Resources of the House Committee on Ways and Means in 1999, “Although attention is usually focused on the effects of the policy changes on welfare leaver rates, the ultimate efficacy of welfare reform is going to turn on the extent to which it will have changed the incentive structures in the program, and whether that change is enough to deter young women from entering in the first place.”<sup>180</sup>

As of August 1998, 35 states were employing some form of “diversion” tactic aimed particularly at those considered “job ready” or who had another potential source of income, including

- urging applicants to ask for help from relatives instead of signing up for government assistance,
- writing one-time emergency checks or offering low-interest loans in place of monthly benefits,

- referring individuals to private charities, and
- requiring applicants to spend weeks searching for work before they receive their first welfare payment.<sup>181</sup>

The HHS identifies three specific types of diversion programs being tried throughout the country. “Lump-sum payment” programs make available a one-time payment to families with a short-term financial need; “mandatory applicant job search” programs require job searches as a condition of TANF eligibility, with the aim of encouraging individuals to secure employment before receiving the first welfare check; and “alternative resources exploration” encourages families to consider other forms of support from family and community as a substitute for cash assistance from the state.<sup>182</sup> As of 1997, the HHS reports 20 states were employing the “lump-sum payment” tactic, 16 states were requiring “mandatory applicant job search,” and only 7 states were using an aggressive “alternative resources” approach. Only three states had implemented all three types of diversion strategies.<sup>183</sup>

To what extent do decreasing TANF claims reflect the success of diversion policies in causing fewer people to enter the system in the first place? The *Washington Post* suggests that “the combination of these and similar [diversion tactics] explains a significant portion of the decline in welfare caseloads. . . . One noted researcher believes the policies are responsible for one-third of the . . . drop in caseloads since the nation’s welfare system was overhauled in 1996. . . . The new tactic is critical to understanding the remarkable decline in the number of Americans receiving welfare over the past two years. While many poor families have moved off public assistance and into jobs, many others simply have never gone on the rolls.”<sup>184</sup> In 1999 the GAO agreed that “states’ diverting eligible families from receiving cash assistance may have contributed to the large decline,”<sup>185</sup> and the Committee for Economic Development

**As of August 1998, 35 states were employing some form of “diversion” tactic aimed particularly at women considered “job ready” or who had another potential source of income.**

**Pregnancy prevention, in practice, has not been the resounding message of welfare reform.**

remarked earlier this year that “the overall rate at which new welfare cases join the rolls has fallen sharply.”<sup>186</sup> In states aggressively pursuing diversion strategies, such as Florida and Kentucky, the percentage of applicants who end up on the rolls has decreased by as much as 20 percent.<sup>187</sup>

In general, it appears that welfare reform, through diversion, has made important strides in preventing individuals from becoming first-time recipients of cash assistance. Nevertheless, the gates to TANF remain open for individuals who are incapable of working, have no alternative source of income or support, or require more than a one-time check to bridge the time between jobs. This is where prevention of out-of-wedlock births to young women becomes particularly important. Once an unmarried young woman decides to have children, she usually becomes a valid candidate for TANF receipt—someone unlikely to be turned away during the diversion phase, or, as they call it in the United Kingdom, the “Gateway” to welfare. Diversion is instrumental mainly in weeding out individuals who are in transition and show potential for becoming self-supporting or have access to alternative means of support. It can do little for those who have chosen poorly and consequently condemned themselves and their families to a lifetime of dependence.

**Summary**

Pulling dependent families out of the “poverty trap” has proven a formidable task for welfare reformers. Many recipients have little education or work experience and are trying to raise families without the help of a spouse. A fast-food job and food stamps, plus short-term counseling and training classes, usually can’t do much in the long term for families that, until now, have gotten by with the help of a welfare check. The real solution involves stopping such dependence before it is given a chance, with the help of cash assistance, to flourish.

Welfare reformers know that prevention is important. Measures to decrease out-of-wed-

lock births, teen pregnancy, and first-time welfare claims constitute an important portion of the 1996 welfare law. Unfortunately, the results associated with those measures do not, on the whole, make up a significant portion of welfare reform’s success story. Illegitimate births remain a significant problem, particularly among young mothers, and have not shown any recent signs of inching downward. In addition, it is difficult to establish a link between advances in reducing out-of-wedlock and teenage births and measures enacted under the new law.

Diversion strategies applied as a result of welfare reform have shown some success in turning new applicants toward alternative means of support. Though that represents a positive development in and of itself, there is no evidence that diversion strategies are effective as a disincentive for those, such as unwed teens or high-school dropouts, thinking of choosing life-long dependence. Women who have no other means of support or who are unable to work remain, even under diversion policies, key candidates for welfare receipt. Increased spending on recipients under the new law, moreover, makes welfare seem that much more viable an alternative for at-risk women. Prevention, in practice, has not been the resounding message of welfare reform.

Consider the particular provisions of the 1996 welfare law in light of Wattenberg’s comment that putting an end to the country’s unwed teenage pregnancy problem requires the dismantling of “viable irresponsible economic alternatives” and “the cessation of messages by governments” that such choices lead to a “socially acceptable lifestyle.” As we have seen, lack of progress in tackling out-of-wedlock pregnancy may indicate that welfare reform has not gone far enough in making welfare a less appealing and viable alternative. Far from eliminating welfare, the new law may be sending contradictory messages by continuing to spend generously on current recipients. Potential young single mothers, despite the changed rules, may continue to get pregnant, believing that in no way has the safety net actually been

dismantled. And, in a very important sense, they are correct. As we have seen, the new federal TANF block grant created by welfare reform enables states that reduce their caseloads to provide a more generous array of support to each remaining welfare family, including continued cash benefits, intensive counseling, subsidized work, and transportation assistance. The problem, aside from the fact that the extra support does not appear to have been very effective in assisting those who face multiple obstacles to becoming independent, is that such spending may convey to potential young recipients the message that a fortified and ever-present safety net awaits them if they should choose to become pregnant out of wedlock.

The logical way to eliminate dependence and its various causes, which Tanner proposed before the new law was enacted, is to adopt a prohibition against new, single mothers' signing onto the rolls.<sup>188</sup> If welfare were eliminated for those women, Tanner predicts, out-of-wedlock births as a percentage of all births would likely decline by between 15 and 50 percent.<sup>189</sup>

## **Conclusion: Making the Grade?**

Four years after passage of the new welfare law, the country's cash assistance system has undergone modest improvement. More individuals are having to work for their benefits, fewer remain on the rolls, a greater number are finding employment after they exit the system, and fewer are losing out in the transition from welfare to work.

According to an overwhelming number of measures, however, welfare as we once knew it remains firmly intact. Those who leave for work continue to be short-term, transitional cases; individuals who remain on the rolls are still supported by a generous array of cash and in-kind benefits; life after welfare continues to be characterized by low-wage employment, heavy reliance on supplemental benefits, and frequent returns to the rolls; and the system continues to encourage dependence

by providing generously for young women who give birth out of wedlock.

What such results indicate, not surprisingly, is that work requirements, time limits, and efforts to make work pay are only moderately effective approaches to ending long-term dependence. Few people would deny that both recipients and taxpayers are better served if individuals are required to do something in return for help from the state instead of being given something for nothing. Although the new law is a "better way" in some respects, it does not appear to offer a remedy for dependence. Policymakers can cite little more than anecdotal evidence that welfare reform has helped to dislodge deeply entrenched individuals from the safety net and has made once-dependent families self-reliant.

The solution to the country's dependence problem requires more than efforts to pull families off the welfare rolls. The ultimate solution lies in prevention. Most families end up on welfare because of out-of-wedlock births and, once in this precarious situation, rarely are able to free themselves and future generations from reliance on the state. Welfare reformers need to turn their efforts to encouraging young women, as Tanner had suggested, to (1) finish school; (2) not get pregnant outside marriage; and (3) get a job, any job, and stick with it.<sup>190</sup> The most effective way to communicate this message would be to remove welfare as an alternative for young women who fail to make smart choices.

Until welfare is no longer available or an attractive option for women considering making untenable life decisions, the country will continue to spend endless amounts of energy and taxpayer money trying to clean up its dependence problem. This nation can never know the extent to which self-reliance and mutual aid are achievable until legislators decide, once and for all, to put the nanny state to rest.

## **Notes**

1. "President Clinton's Remarks, Townhall Discussion Forum," Welfare-to-Work Partnership,

**The logical way to eliminate dependence and its various causes is to adopt a prohibition against new, single mothers' signing onto the rolls.**

- August 2-4, 1999, <http://www.welfaretowork.org>.
2. U.S. Department of Health and Human Services, "Change in TANF Caseloads," <http://www.acf.dhhs.gov/news/stats/caseload.htm>; and Stephen Moore and Michael New, "Next Step to Welfare Reform," *Washington Times*, April 7, 2000.
  3. Barbara Vobejda and Judith Haveman, "Welfare Clients Already Work, Off the Books," *Washington Post*, November 3, 1997.
  4. U.S. General Accounting Office, "Welfare Reform: States' Implementation and Effects on the Workforce Development System," Statement of Cynthia M. Fagnoni, director, education, workforce and income security issues, Health, Education, and Human Services Division, GAO, before the Subcommittee on Postsecondary Education, Training, and Life-Long Learning of the House Committee on Education and the Workforce, September 9, 1999, GAO/T-HEHS-99-190, p. 12.
  5. U.S. Department of Health and Human Services, "National Emergency TANF Datafile," May 1999, [http://www.acf.dhhs.gov/programs/opre/characteristics/fy1998/tab31\\_98.htm](http://www.acf.dhhs.gov/programs/opre/characteristics/fy1998/tab31_98.htm).
  6. Pamela Loprest, "Families Who Left Welfare: Who Are They and How Are They Doing?" Urban Institute, Assessing the New Federalism program, Discussion Paper, February 1999, p. 8.
  7. U.S. Department of Health and Human Services, "National Emergency TANF Datafile." In striking contrast, before enactment of welfare reform, marriage was one of the most common reasons individuals gave for leaving the rolls. See Michael Tanner, *The End of Welfare: Fighting Poverty in the Civil Society* (Washington: Cato Institute, 1996), p. 65; and U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book: Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means* (Washington: Government Printing Office, 1996), p. 504. Presumably, the lower percentage of exits for this reason under the new law is the result, not of fewer marriages, but of the increase in exits due to work requirements and tougher sanctions policies.
  8. U.S. Department of Health and Human Services, "Characteristics and Financial Circumstances of TANF Recipients: Fiscal Year 1998," <http://www.acf.dhhs.gov/programs/opre/characteristics/fy1998.sum.htm>.
  9. Robert E. Rector and Sarah E. Youssef, *The Determinants of Welfare Caseload Decline* (Washington: Heritage Foundation, 1999), p. 6. The study finds, specifically, that initial full-check sanctions and delayed full-check sanctions have a strong and statistically significant effect on states' caseload decline. States that have the option of sanctioning the entire TANF check at the first instance of nonperformance of or noncompliance with requirements for work or other activities are using "initial full-check sanctions"; states that generally have a sequence of progressively more severe sanctions and will sanction the full TANF check only after a number of months of noncompliance or repeated performance infractions are using "delayed full-check sanctions"; states with "moderate sanctions" or "weak sanctions" either sanction a third of the TANF check and rarely the full check or tend to sanction only the adult portion of the TANF check.
  10. U.S. Department of Health and Human Services, "Characteristics."
  11. Jason DeParle, "As Welfare Benefits Expire, Second Thoughts," *New York Times*, October 10, 1999.
  12. Several facts suggest that time limits have had, and will continue to have, a relatively limited impact on caseload decline. First, only a small percentage of the caseload consists of long-term recipients who are likely to be affected by the time limits. The added influences of a good economy and tough work rules makes it even less likely that recipients will stay on the rolls long enough to see their deadlines expire. Regarding the more prominent impact of work requirements than time limits on caseload decline, the Manpower Demonstration Research Corporation points out that "while the presence of a time limit probably spurs some recipients to work or leave welfare more quickly in the pre-time limit period, such impacts are probably fairly modest. . . . When asked about welfare reform measures, recipients discussed policies such as work requirements that affect them immediately. Some expressed general concern about time limits, but had not translated this into a specific strategy for moving to self-sufficiency." Dan Bloom, "The Cross-State Study of Time-Limited Welfare, Welfare Time Limits: An Interim Report Card," Manpower Demonstration Research Corporation, New York, April 1999, executive summary, <http://www.mdrc.org/Reports99/CrossState/CrossStateExSum.htm>.  
A second reason time limits are likely to have

little impact on caseload decline is states' willingness to bend the rules when push comes to shove. As the GAO notes, although a number of states have adopted more stringent time limits than those required by the 1996 law, many of those states have also adopted policies to extend assistance beyond the time limits in certain circumstances. In general, states "have not used their flexibility under TANF to reduce cash assistance levels or deny eligibility to specific groups of people, except for convicted drug felons." U.S. General Accounting Office, "Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence," GAO/HEHS-98-109, June 1998, p. 5. The *Washington Post* noted in 1998 that, in the nearly 800,000 cases in the 12 states where time limits either had expired or were set to expire, nearly half of the recipients had been exempted from the rules because they had small children, disabilities, or faced other serious obstacles to work. Judith Havemann and Barbara Vobejda, "The Welfare Alarm That Didn't Go Off," *Washington Post*, October 1, 1998.

A third reason time limits are not likely to affect welfare recipients down the road is that a growing portion of the caseload will be formally exempt from the deadlines. The new welfare law exempts from time limits a significant percentage of recipients, including minor children who are receiving assistance (around 17 percent of the 1996 caseload) and an additional 20 percent of recipients who face unusual "hardships." The exit of many of the "easy" cases from the rolls in the early days of welfare reform has left behind a large portion of recipients with unusual "hardships" to whom it may be difficult to apply time limits.

A final reason we can expect time limits to have little impact is the fact that they apply only to 4 of the nearly 80 federal welfare programs. As a consequence of numerous exclusions, in combination with the large percentage of the caseload that consists of short-term cases, time limits are unlikely to prove to be a powerful weapon in the government's arsenal against dependence.

13. U.S. Department of Health and Human Services, "Characteristics."

14. Reasons for exit under the category "other" are not specified because of disparities in states' reporting.

15. Loprest, "Families Who Left Welfare."

16. State of Wisconsin, Department of Workforce Development, "Survey of Those Leaving AFDC or W-2, January to March 1998, Preliminary Report," January 13, 1999, p. ii.

17. Council of Economic Advisers, "The Effects

of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update," Washington, August 3, 1999, executive summary, p. 1.

18. Committee for Economic Development, "Welfare Reform and Beyond: Making Work Work," Washington, 2000, p. 21.

19. See Michael Tanner, Stephen Moore, and David Hartman, "The Work versus Welfare Trade-Off: An Analysis of the Total Level of Welfare Benefits by State," Cato Institute Policy Analysis no. 240, September 19, 1995. The study shows that the dollar value of states' benefits packages often exceeds the after-tax income of low-wage workers and thus provides a strong disincentive to leave welfare for work.

20. June O'Neill, professor of economics at City University of New York, Testimony, in *Effects of Welfare Reform: Hearing before Subcommittee on Human Resources of the House Committee on Ways and Means*, 106th Cong., 1st sess., May 27, 1999, Serial 106-9 (Washington: Government Printing Office, 1999), p. 23.

21. Rector and Youssef, p. 1; Curtis J. Simon of the Strom Thurmond Institute, a proponent of the "economic" explanation, offers several reasons why shrinking caseloads in areas of high unemployment do not necessarily support the case for welfare reform. He notes, first, that economic prosperity operates with a lag. Part of the decline in the welfare caseloads in 1997 and 1998, he contends, was due to improvements in the economy as far back as 1995 and 1996. Simon also points out that even the smallest—often unobserved—changes in an otherwise lagging local economy can have tremendous effects on the percentage change in the caseload, as the population of welfare recipients is small, to begin with, in most states. Finally, he questions the validity of correlations drawn from observations of the caseload over less than a two-year period (January 1997 to June 1998), noting that "welfare caseloads have strong seasonal components in many states that are not necessarily identical." What Simon's defense fails to explain, however, is why a larger percentage of welfare recipients, if the economy is really drawing them off the caseload, is not leaving the rolls for the reason of "employment." His explanation is a more convincing answer to the question of what happens to individuals after they exit welfare. For more details, see Curtis J. Simon, "Welfare Reform in South Carolina: A Preliminary Analysis," Strom Thurmond Institute, Clemson University, October 1999.

22. Michael New, Unpublished study, Cato Institute, August 3, 1999.

23. Rector and Youssef, p. 10.

24. Committee for Economic Development, p. 21; Michael New contends that an economic turnaround would not necessarily cause caseloads to soar if states maintained low benefits levels and strict sanctions policies. He notes that Colorado managed a 40 percent reduction in its caseload between 1997 and 1998, despite increasing unemployment, largely because of that state's commitment to strict sanctioning procedures. New.
25. Janet Schrader, "Lost on the Road to Reform," *Washington Post*, May 11, 1997.
26. Vobejda and Havemann, "Welfare Clients Already Work, Off the Books."
27. Charles Murray, *The Underclass Revisited* (Washington: American Enterprise Institute, 1999).
28. Frank J. Bennici, "Final Report: Managing Expectations for Welfare to Work: The Realities of Serving the Hardest to Serve," National Center on Education and the Economy, Rochester, N.Y., August 1999, p. 1. See also Loprest, "Families Who Left Welfare."
29. U.S. Department of Health and Human Services, "TANF Report to Congress," 1998, introduction, p. 2, <http://www.acf.dhhs.gov/news/welfare/congress/tanfintr.htm>.
30. *Ibid.*, p. 5.
31. A snapshot of the welfare caseload in the early 1990s showed that 64 percent of recipients were white, 31 percent were African American, and 14 percent were Hispanic. Michael Tanner, "Ending Welfare As We Know It," Cato Institute Policy Analysis no. 212, July 7, 1994, p. 4. In 1998, by contrast, black claimants outnumbered white claimants, and Hispanics were the fastest-growing part of the caseload. Jason DeParle, "Welfare Rolls Show Growing Racial and Urban Imbalance," *New York Times*, July 27, 1998.
32. Katherine Allen and Maria Kirby, "Unfinished Business: Why Cities Matter to Welfare Reform," Brookings Institution, July 2000.
33. U.S. Department of Health and Human Services, "Characteristics."
34. "Barriers to work," as defined by the HHS, generally include problems with child care, disabilities, domestic violence, emergency financial needs, housing instability, lack of health insurance, mental health, substance abuse, and transportation. Amy Johnson and Alicia Meckstroth, "Ancillary Services to Support Welfare to Work: Multiple Barriers," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, June 22, 1998, p. 1.
35. Sheila R. Zedlewski, "Work-Related Activities and Limitations of Current Welfare Recipients," Urban Institute, Assessing the New Federalism program, Discussion Paper, November 1999, pp. 11-12.
36. States' distribution of current and former recipients among various work activities, notes the Urban Institute, is largely a function of which "Work First" model states have chosen to implement. Those with a "Work First, Work Mandate" model require participation in employment (unsubsidized, subsidized, or community work experience) in return for cash assistance and have generally low levels of participation in stand-alone education and training by current and former recipients. States with a "Work First, Participation Mandate" model, the more common of the two models, allow job search, education, and training to count as work participation and consequently have a higher proportion of current and former recipients engaged in such activities. Pamela A. Holcomb et al., "Building an Employment-Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States," Urban Institute, June 1998, p. 2.
37. Zedlewski, p. 5.
38. Rebecca Schwartz et al., *W-2: Converting to Wisconsin Works: Where Did Families Go When AFDC Ended in Milwaukee?* (Indianapolis: Hudson Institute and Mathematica Policy Research, 1999), p. 5.
39. Sandra Danziger et al., "Work, Income, and Material Hardship after Welfare Reform," *Journal of Consumer Affairs* 34, no.1 (Summer 2000): 7. Around half of former recipients under AFDC/JOBS secured unsubsidized employment.
40. See U.S. General Accounting Office, "Welfare Reform: States' Implementation and Effects"; Maria Cancian et al., "Work, Earnings, and Well-Being after Welfare: What Do We Know?" Institute for Research on Poverty, University of Wisconsin, Madison, January 1999; Committee for Economic Development; and U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Leavers' and Diversion Studies: Summary of Research on Welfare Outcomes Funded by ASPE," 1999, <http://aspe.hhs.gov/hsp/leavers99/ombsum.htm>.
41. See Cancian et al.; and State of Wisconsin, Department of Workforce Development, "Survey of Those Leaving AFDC or W-2, January to March 1998, Preliminary Report," January 13, 1999.

42. NETWORK, "Poverty Amid Plenty: The Unfinished Business of Welfare Reform," National Welfare Reform Watch Project, Washington, 1999, p. 6.
43. Danziger et al., p. 7
44. Cancian et al., p. 24.
45. Mary D. Janney, "Off Welfare, On to College," *Washington Post*, July 15, 1998.
46. See Schwartz et al.; Loprest, "Families Who Left Welfare"; and Committee for Economic Development.
47. The 2000 federal poverty level for a family of three in 48 states and the District of Columbia is \$14,150.
48. See National Governors' Association, National Conference of State Legislatures, and American Public Human Services Association, "Summaries of State Followup Studies," April 1998, <http://www.nga.org/Welfare/StateFollowUp.htm>; Judith Havemann, "Welfare Reform Success Cited in L.A.," *Washington Post*, August 20, 1998; and Ellen Nakashima, "Welfare-to-Work May Fall Short for Most in Va.," *Washington Post*, November 22, 1997.
49. Loprest, "Families Who Left Welfare," p. 12.
50. U.S. General Accounting Office, "Welfare Reform: States' Implementation Progress and Information on Former Recipients," Statement of Cynthia M. Fagnoni before the Subcommittee on Human Resources of the House Committee on Ways and Means, May 27, 1999, GAO/T-HEHS-99-116, p. 7.
51. Committee for Economic Development, p. 5.
52. State of Wisconsin, Department of Workforce Development, p.18; Other reports place that number as high as half of all former recipients in Wisconsin. See Schwarz et al. It appears that the number might be much higher here because of the population studied—leavers in unsubsidized jobs one year after W-2's implementation—in other words, the cream of the crop.
53. Robert Pear, "Companies Find Former Recipients Stay on Job Longer Than Other Workers," *New York Times*, May 27, 1998.
54. Loprest, "Families Who Left Welfare," p. 10.
55. Committee for Economic Development, p. 5.
56. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, "Leavers," p. 24.
57. Steve Mayes, "Poverty Trails Welfare Clients to Work," *Oregonian*, January 31, 2000.
58. The Committee for Economic Development reports that after one year off welfare 25 percent (up from an initial 23 percent) of TANF leavers receive employer-sponsored health care. After three years, the proportion of leavers with employer coverage rises to only 38 percent. Committee for Economic Development, p. 5; and Johnson and Meckstroth, "Ancillary Services to Support Welfare to Work: Lack of Health Insurance," p. 2.
59. Committee for Economic Development, p. 5.
60. *Ibid.*, p. 15.
61. Demetra Smith Nightingale and Kathleen Brennan, "The Welfare-to-Work Grants Program: A New Link in the Welfare Reform Chain," Urban Institute, Assessing the New Federalism program, Issues and Options for States no. A-26, September 1998, p. 3.
62. Martha Zaslow et al., "Welfare Reform and Children: Potential Implications," Urban Institute, Assessing the New Federalism program, Issues and Options for States no. A-23, June 1998, pp. 1-2.
63. *Ibid.*
64. Judith M. Gueron and Amy Brown, "Work after Welfare," *Washington Post*, August 13, 1998.
65. Pamela Friedman, "Community Work Experience and Publicly-Funded Jobs—Helping the Hard-to-Serve Meet Work Requirements," Welfare Information Network *Issue Notes* 3, no. 5 (July 1999).
66. Alan Finder, "Training Programs Provide an Alternative to Workfare Jobs," *New York Times*, June 16, 1998.
67. Vadim Mahmoudov, "Are Workfare Participants 'Employees'? Legal Issues Presented by a Two-Tiered Labor Force," *Annual Survey of American Law*, no. 3 (1998): 352.
68. Holcomb et al., p. 7.
69. *Ibid.*
70. Paul Leonard, "Welfare-to-Work Block Grants: Are They Working?" Brookings Institution, September 1999, p. 22.
71. A modified version of this program has now been implemented statewide.
72. DeParle, "Welfare Rolls Show Growing Racial

and Urban Imbalance.” In fact, in the Manpower Demonstration Research Corporation’s recently released evaluation of Minnesota’s Family Investment Program, it was discovered that increased work activity came at the expense of increased welfare dependence. See Manpower Demonstration Research Corporation, “Minnesota’s Welfare Reform Brings Dramatic Results for Long-Term Recipients and Their Children,” June 1999.

73. Deborah Weinstein, director, Family Income Division, Children’s Defense Fund, and Robert C. Granger, senior vice president, Manpower Demonstration Research Corporation, Statements, in *Effects of Welfare Reform*, pp. 126, 106.

74. Loprest, “Families Who Left Welfare,” p. 14.

75. See *ibid.*; and State of Wisconsin, Department of Workforce Development.

76. See Loprest, “Families Who Left Welfare”; State of Wisconsin, Department of Workforce Development; U.S. Department of Agriculture, Office of Analysis, Nutrition, and Evaluation, Food and Nutrition Service; and David Kocieniewski, “Study Finds Mixed Results in Reducing Welfare Rolls,” *New York Times*, October 22, 1999.

77. Loprest, “Families Who Left Welfare,” p. 16.

78. State of Wisconsin, Department of Workforce Development, p. 10.

79. Schrader.

80. Loprest, “Families Who Left Welfare,” p. 7.

81. Nancy L. Johnson, “The Results Are In: Welfare Reform Works,” *Wall Street Journal*, August 24, 1999.

82. Loprest, “Families Who Left Welfare,” p. 18.

83. Cancian et al., p. 24; Proponents of self-sufficiency champion the provision of supplemental benefits because they believe that those supports enable former recipients to gradually work their way out of dependence. In fact, positive signs have emerged that former recipients’ reliance on supplemental assistance does tend to diminish over time. Nine states’ studies reviewed by the University of Wisconsin indicate that, while two-thirds of TANF leavers reported receipt of supplemental benefits within the first year off welfare, only 35 to 45 percent of those who managed to stay off the rolls were receiving supplements several years later. *Ibid.*, pp. 19-23. The Urban Institute reports similar results in its study of early AFDC/TANF leavers, noting that recent

leavers claimed transitional benefits at a consistently higher rate than those who had been off the rolls for some time. Loprest, “Families Who Left Welfare,” p. 19.

The Urban Institute adds the cautionary note, however, that the individuals whom such studies take into account are those who have succeeded in staying off the rolls and, often, have managed to stay employed. Those with the greatest dependence problems, who would have continued to rely on supplemental help, are likely to have returned to the rolls. Thus, it notes, studies may overwhelmingly reflect the decreasing dependence over time of the cream of the crop of welfare leavers. What is needed is longitudinal data on the same group of former recipients at several different points after leaving welfare. *Ibid.*, p. 19. Consequently, since no such studies have been performed, it is fruitless to speculate about the exact extent to which supplemental support helps dependent individuals work their way into self-sufficiency and is not merely a different form of “open-ended” welfare.

84. “The New Welfare Trap,” *Detroit News*, January 13, 2000.

85. U.S. General Accounting Office, “Medicaid Enrollment: Amid Declines, State Efforts to Ensure Coverage after Welfare Reform Vary,” GAO/HEHS-99-163, September 1999, p. 3.

86. *Ibid.*, p. 9.

87. Families USA, “One Step Forward, One Step Back: Children’s Health Coverage after CHIP and Welfare Reform,” October 1999, p. 2.

88. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “Leavers,” p. 4. Although the number of children claiming Medicaid has fallen since enactment of welfare reform, the number of children enrolled under the Children’s Health Insurance Program (CHIP) since its inception in 1997 has increased significantly. Nevertheless, the increases have not been enough to offset the declines in coverage by Medicaid. Families USA, p. 1.

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91. See *ibid.*; and Johnson and Mecksworth, "Ancillary Services to Support Welfare to Work: Lack of Health Insurance."
92. *Ibid.*, p. 2.
93. See U.S. General Accounting Office, "Welfare Reform: States' Implementation Progress"; Cancian et al.; Loprest, "Families Who Left Welfare"; and State of Wisconsin, Department of Workforce Development.
94. U.S. General Accounting Office, "Food Stamp Program: Various Factors Have Led to Declining Participation," GAO/RCED-99-185, July 1999, pp. 1-2.
95. Sheila R. Zedlewski and Sarah Brauner, "Declines in Food Stamp and Welfare Participation: Is There a Connection?" Urban Institute, Assessing the New Federalism program, Discussion Paper, October 1999, pp. 24-26.
96. Cheryl Wetzstein, "Economy Credited for Food-Stamp Dip; Glickman Says Too Many Going Hungry," *Washington Post*, July 10, 2000.
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98. Zedlewski and Brauner, abstract, p. 3.
99. See U.S. General Accounting Office, "Food Stamp Program."
100. See Victoria Wegener, "Food Stamp Education and Outreach: Working to Provide Nutrition Benefits to Eligible Households," Welfare Information Network *Issue Note* 3, no. 11 (December 1999); and Lissa Bell and Carson Stregre-Flora, "Access Denied: Federal Neglect Gives Rise to State Lawlessness; Families Denied Access to Medicaid, Food Stamps, CHIP, and Child Care," Northwest Federation of Community Organizations, Seattle, Washington, May 2000.
101. State of Wisconsin, Department of Workforce Development, pp. 1-2.
102. Tamar Lewin, "Study Finds Welfare Changes Lead a Million into Child Care," *New York Times*, February 4, 2000.
103. Amy Johnson and Alicia Meckstroth, "Ancillary Services to Support Welfare to Work: Specialized Child Care," U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, June 22, 1998, p. 3, <http://www.aspe.os.dhhs.gov/hsp/isp/ancillary/CHCARE.htm>.
104. Norma B. Coe et al., "Does Work Pay? A Summary of the Work Incentives under TANF," Urban Institute, Assessing the New Federalism program, Issues and Options for States no. A-28, December 1998, p. 2.
105. U.S. General Accounting Office, "Welfare Reform: States' Implementation Progress," p. 15.
106. Coe et al., p. 4.
107. Nicholas Johnson, "A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty: 1999 Edition," Center on Budget and Policy Priorities, Washington, December 20, 1999, p. 1.
108. Sheldon Danziger, ed., *Economic Conditions and Welfare Reform* (Kalamazoo: Michigan University, W. E. Upjohn Institute for Employment Research, 1999), p. 7.
109. Nancy L. Johnson, U.S. representative from Connecticut, Opening statement, in *Effects of Welfare Reform*, p. 5.
110. "First Results of Welfare Overhaul Emerge in 1999," Stateline.org, <http://www.stateline.org/historyreport.cfm?HistoryID=201>.
111. Committee for Economic Development, p. 23.
112. Rector and Youssef, p. 1.
113. Nancy L. Johnson, Opening Statement, p. 5.
114. Committee for Economic Development, p. 23.
115. Nancy L. Johnson, Opening Statement, p. 2.
116. U.S. General Accounting Office, "Welfare Reform: States' Implementation and Effects," pp. 12-13.
117. See Tanner, Moore, and Hartman.
118. Pamela Loprest, "Long Ride from Welfare to Work," *Washington Post*, August 30, 1999. It should be noted that state policy can be pivotal in determining exactly how much better off individuals are when they exit welfare. States vary in the generosity of their TANF benefits packages, have different rules about earnings "disregards" for continued receipt of benefits, and have different levels of supplemental benefits for TANF leavers

- under different eligibility criteria. As both the Cato Institute and the Urban Institute have shown, disparities in financial well-being (relative to welfare) after people exit the rolls reflect both differences in states' levels of TANF payments and differences in how states' TANF grants decline as families' earned incomes rise. See Coe et al.; and Tanner et al. A University of Michigan study points out, "The payoff to earnings relative to welfare . . . would be lower in states with shorter time limits, quicker and more aggressive sanctioning policies, or ones that make it more difficult to combine welfare and work." Danziger et al., p. 22.
119. Although overall poverty has been declining since enactment of the new welfare law, the number of people living in extreme poverty has grown, as has the extent to which people in this category fall below the poverty line. Between 1995 and 1997, for instance, the number of children living below one-half the poverty line grew by 400,000. Children's Defense Fund and National Coalition for the Homeless, "Welfare to What? Early Findings on Family Hardship and Well-Being," November 1998, p. 3. The average amount by which children fall below the poverty line (the "child poverty gap") increased between 1995 and 1998 to reach the highest level recorded in nearly 20 years. Center on Budget and Policy Priorities, "Progress in Reducing Child Poverty Slows. Study Finds; Children Remaining Poor Have Become Somewhat Poorer," December 23, 1999, p. 1.
120. Judith Havemann and Barbara Vobejda, "Children of Welfare Parents Feel Reform's Help, Hurt," *Washington Post*, December 27, 1998.
121. Judith Havemann, "Most Find Jobs after Leaving Welfare," *Washington Post*, May 27, 1999.
122. State of Wisconsin, Department of Workforce Development, p. 1.
123. Danziger et al., pp. 24-25.
124. U.S. General Accounting Office, "Welfare Reform: States' Implementation Progress," p. 11.
125. Zaslow et al., p. 5.
126. Havemann and Vobejda, "Children of Welfare Parents Feel Reform's Help, Hurt."
127. Jane Knitzer et al., "Enhancing the Well-Being of Young Children and Families in the Context of Welfare Reform: Lessons from Early Childhood, TANF, and Family Support Programs," U.S. Department of Health and Human Services, June 1999, p. 38.
128. Zaslow et al., p. 3.
129. *Ibid.*, p. 5.
130. Jan Kaplan, "The Use of Sanctions under TANF," Welfare Information Network, April 1999, p. 7.
131. Havemann and Vobejda, "Children of Welfare Parents Feel Reform's Help, Hurt."
132. The Committee for Economic Development reports that after one year off welfare 25 percent (up from an initial 23 percent) of TANF leavers rely on employer-provided coverage. After three years, that number purportedly rises to 38 percent. Johnson and Meckstroth, "Ancillary Services to Support Welfare to Work: Lack of Health Insurance," p. 2. While a positive development in and of itself, a 66 percent increase in employer-sponsored health insurance is hardly enough to offset former recipients' loss of Medicaid coverage.
133. See Committee for Economic Development; Kaplan; and Loprest, "Families Who Left Welfare."
134. Throughout the first year, as the Urban Institute has found, the percentage of former recipients without health insurance increases, and presumably as many needlessly lose coverage when their benefits expire. Garrett and Holahan, p. 3. As the HHS finds, the trend over time is toward even more uninsured individuals, whose numbers increase from 23 percent after the first year off welfare to 45 percent after three years off the rolls. Johnson and Meckstroth, "Ancillary Services to Support Welfare to Work: Lack of Health Insurance," p. 2. That is, between one and three years after exiting welfare, the number of leavers with no health insurance nearly doubles.
135. John C. Goodman and Gerald L. Musgrave, *Patient Power: Solving America's Health Care Crisis* (Washington: Cato Institute, 1992), p. 231. A 1984 report by the RAND Corporation, titled "The Effect of Coinsurance on the Health of Adults," found that people with free care were much more likely to use medical services than were people who had to pay their bills out of pocket, but there existed no apparent differences between the two groups in terms of health outcomes as a result. See Goodman and Musgrave, pp. 231-32, for more details.
136. U.S. General Accounting Office, "Welfare Reform: States' Implementation Progress," p. 12.
137. U.S. General Accounting Office, "Food Stamp Program," p. 12.
138. *Ibid.*

139. In the case of at least one group, there exists a supposed case for welfare reform's detrimental impact on satisfaction of food needs. Between 1994 and 1998, food stamp receipt by legal immigrants fell 72 percent, accounting for roughly 13 percent of the total decline in claims for this time period. Douglas J. Besharor, American Enterprise Institute and University of Maryland School of Public Affairs, Statement, in *Effects of Welfare Reform*, p. 20. These individuals did not become ineligible—they were made ineligible by a new provision excluding the majority of legal immigrants from receipt of food stamps. We have no evidence, however, that this group of people who have left food stamps are worse off in terms of hunger. It is certainly plausible that the majority of those individuals are finding alternate ways to meet their food needs. In any case, it would be premature to conclude that drops in food stamp claims and cuts in eligibility have stimulated a hunger crisis.
140. Most notably, under the "charitable choice" clause of the Welfare Reform Act, faith-based organizations are permitted to compete for government contracts to deliver various welfare services. In addition, under the new law, states have increasingly invited the private and voluntary sectors to join the government in social service "partnerships" to more effectively meet the goals of welfare reform.
141. See Alexandra Marks, "Hot Economy, But More Homeless," *Christian Science Monitor*, February 2, 2000; National Coalition for the Homeless, "Homeless Families with Children," Fact Sheet no. 7, June 1999; and United States Conference of Mayors, "A Status Report on Hunger and Homelessness in America's Cities 1999: A 26-City Survey," December 1999.
142. National Coalition for the Homeless, p. 1.
143. Ibid.
144. Marks.
145. It is highly likely, given that surveyed homeless TANF leavers often indicate that their benefits have been "terminated," that sanctioned former recipients constitute a large percentage of the former recipients who visit shelters. Those individuals tend to find jobs at much lower rates than do other welfare leavers and, given their tendency to be faced with more obstacles to work, do not generally obtain full-time, year-round employment
146. Defined by the government as consuming less than one-third of a household's income. Irvin Molotsky, "Robust Economy Is Contributing to a Loss of Affordable Housing," *New York Times*, March 28, 2000.
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148. "The Housing Gap," Editorial, *Washington Post*, March 31, 2000.
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150. U.S. Department of Health and Human Services, "Access to Child Care for Low-Income Working Families," 1999, p. 4, <http://www.acf.dhhs.gov/news/press.1999.ccreport.htm>.
151. U.S. General Accounting Office, "Welfare Reform: Implications of Increased Work Participation for Child Care," p. 3.
152. See Schumacher and Greenberg; and Committee for Economic Development.
153. See Waller; Johnson and Meckstroth, "Ancillary Services to Support Welfare to Work: Specialized Child Care"; U.S. General Accounting Office, "Welfare Reform: Implications"; and Committee for Economic Development.
154. Quoted in "Study Finds Welfare Changes Lead a Million into Child Care," *New York Times*, February 4, 2000.
155. See Darcy Olsen, "The Advancing Nanny State: Why the Government Should Stay Out of Child Care," Cato Institute Policy Analysis no. 285, October 23, 1997.
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