

29. Welfare

Congress should

- end the “maintenance of effort” requirement and
- prohibit new entrants to the welfare rolls.

Four years ago President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act, promising to put an end to welfare dependence through work, responsibility, and two-parent families. The conversion of the old entitlements-based Aid to Families with Dependent Children (AFDC) program into the new work-oriented Temporary Assistance for Needy Families (TANF) 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 speaking primarily of ideas for incremental add-ons to the 1996 legislation.

A closer review of the research, however, reveals that the celebration of welfare reform’s success has been premature and that the new law, in fact, merits fundamental restructuring. The key objectives of welfare reform are still far from being realized, despite states’ success in cutting welfare rolls and moving more single mothers into work.

Although caseloads declined by 47 percent between 1996 and 1999, most people who have left the rolls have been short-term recipients who have benefited from the nation’s booming economy. Policymakers, four years into reform, continue to face the critical task of tackling long-term dependence and its host of associated pathologies, including long-term joblessness, criminal behavior, and multigenerational dependence.

Furthermore, although families who do leave welfare for work are generally better off, most are achieving increased well-being through

continued dependence on the public “supplemental” safety net. Welfare reform is failing to make former recipients self-sufficient.

Finally, the new law has failed to curb out-of-wedlock births to young mothers. Poor progress on this front means that women are continuing to make the choices that are strongly linked with welfare receipt and long-term dependence.

The next Congress needs to take seriously the goal of ending welfare as we know it, rather than simply tinker with this decades-old, fundamentally flawed program. While continuing efforts to rehabilitate those who are currently dependent, Congress should embrace prevention of births to unwed young women as the critical next step in welfare reform.

The New Welfare Law

Nineteen ninety-six is viewed as a landmark year by welfare reformers on all parts of the political spectrum. Through a bipartisan effort, the Personal Responsibility and Work Opportunity Reconciliation Act (PRW-ORA) was signed into law, ending the historic federal entitlement to cash assistance. Under the new law, states receive federal welfare funding in the form of block grants and have broad flexibility in choosing how to use those funds to meet welfare reform’s aims. Consequently, the country has turned into a learning lab in which states are experimenting with methods for achieving labor-market attachment, marriage, two-parent families, and poverty reduction.

The operating expenses for this learning lab have been tremendous. As of 1998, almost all states had increased spending per welfare family since welfare reform was enacted and nearly half were spending more than required by the new law. Of the states spending more than required, 16 had increased spending by 50 percent or more, and 3 had actually doubled the amount spent per family. Moving welfare recipients into work and providing them with an array of supplemental noncash benefits have carried a particularly high price tag for taxpayers. Over the last four years, nearly \$9 billion has been spent on work-support programs for current and former recipients, and the federal government is giving nearly \$1 billion more each year to such programs than was spent by the federal and state governments together before the new law. At last count, the nation was also spending \$80 billion annually on cash income supplements through Earned Income Tax Credits (EITC) and other benefits like child care for low-income workers.

Four Years Later

With the help of a booming economy, welfare reform is proving, at best, to be a moderately effective means of shrinking welfare rolls and increasing work participation. States' experiments with work requirements and time limits, however, have produced few long-term solutions to the country's dependence problem.

The new law's most celebrated success is having cut nearly 6 million individuals from the welfare rolls. Yet, despite a 47 percent decline in the caseload between August 1996 and December 1999, most people who have exited the rolls have been the short-term, easiest-to-employ recipients. Welfare reform has been largely unsuccessful in moving long-term unemployed, difficult-to-place individuals off cash assistance. Studies show that those who remain on the rolls four years into reform have less education, fewer basic skills, less previous job experience, and a longer history of welfare receipt than people who left the rolls early on. The new law has demonstrated little potential for chipping away at long-term dependence.

Given an emerging "hard core" of dependent families and the probability that the economy will at some point begin to slow, it is unlikely that the rapid caseload declines of the last four years can be sustained. Indeed, welfare rolls in many states have been falling at a slower pace over the last two years, and in at least four states they began to increase in 1998.

As the debate over welfare reform has progressed beyond caseload numbers, disturbing information has emerged about individuals' fate after they exit the rolls. On a positive note, most people who leave welfare for work experience gains in well-being. As the nation's caseloads have plummeted over the last four years, more single parents and their children have advanced out of poverty. Studies indicate that the combined income from full-time work at a minimum wage job and supplemental supports such as federal and state EITC, food stamps, Medicaid, and child care and housing assistance should allow families to enjoy a higher level of financial well-being than when they were on welfare. Thus, warnings of an impending "crisis" for recipients when they exit the rolls have been overblown.

Although families who leave welfare for work are better off, few are attaining self-sufficiency. More former recipients are managing to secure unsubsidized work than under AFDC, but their jobs continue to be the same low-skilled, low-paying, no-benefits jobs secured by their predecessors. In addition, fewer than 25 percent of former recipients manage to keep their jobs for an entire year; few get adequate on-the-job training and

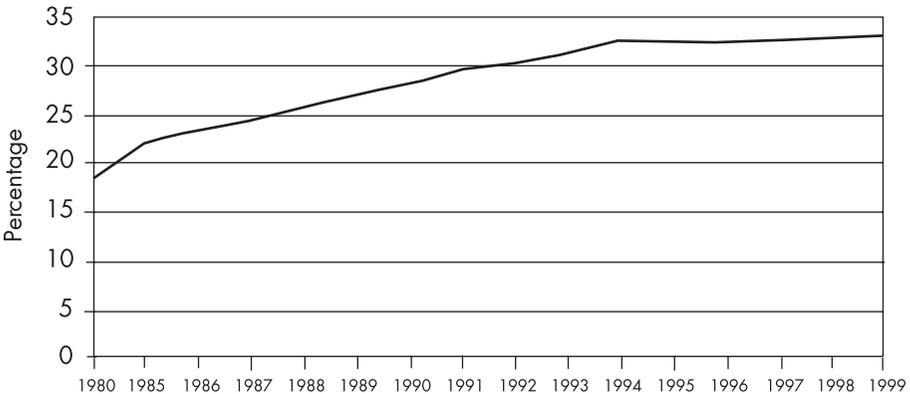
opportunities for advancement, and 30 percent end up eventually returning to the welfare rolls. Finally, higher living standards for most welfare leavers are being attained at the cost of continued dependence. Two-thirds of former recipients continue to rely on state and federal EITCs and government noncash benefits for health care, food, child care, housing, and transportation.

Last, and most important, while the new law has made progress in deterring some potential new recipients from signing onto the rolls, it has been largely ineffective in decreasing out-of-wedlock childbearing by young women—the primary precursor to long-term dependence. Giving birth out of wedlock is the reason one-third of welfare recipients end up on the rolls and is the cause of most long-term dependence. Despite provisions built into the new law to curb out-of-wedlock births, three-quarters of teenage mothers continue to give birth outside of marriage, and the proportion of all births that occur out of wedlock, as seen in Figure 29.1, has risen consistently over the last four years. At present, one of three children in this country is born out of wedlock, and most of those births are to women between the ages of 18 and 24.

Next Steps

Given states’ explosion of spending on welfare since the new law took effect, it is hardly surprising that efforts to curb illegitimate births to

Figure 29.1
Out-of-Wedlock Births as Percentage of All Births, 1980–99



SOURCES: 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,” *National Vital Statistics Reports* 48, no. 14 (August 8, 2000).

teenagers through new pregnancy prevention initiatives have failed. When young women bear children out of wedlock, the welfare system, having increased spending on current recipients and left the doors open to new entrants, still suggests to those young mothers that they have chosen a socially acceptable and economically viable lifestyle. Continued generous funding of welfare programs is not only generating substantial waste; it is perpetuating the country's welfare dependence problem.

Regardless of caseload declines, states, under the new law, must continue to spend a predetermined amount of federal and state dollars on current recipients to qualify for federal TANF dollars. This so-called maintenance of effort requirement, based on states' spending levels in 1994, means that states are frequently left searching for new ways to spend leftover money on welfare. Consequently, states often end up channeling money into ineffective and expensive programs and subsidizing the pathologies they wish to eliminate.

If Congress continues federal funding of welfare based on historical spending levels, it should allow states to divert leftover TANF dollars to initiatives outside of welfare or, preferably, back to taxpayers. States should be encouraged to save rather than spend welfare dollars. The maintenance of effort requirement was included in the new law to prevent competitive states from withdrawing support from the most needy individuals. Given current excessive spending levels, Congress has little reason to fear that eliminating this provision would lead to a "race to the bottom." A more likely outcome would be savings for taxpayers, investment of those dollars in more effective private initiatives, and deterrence of single young women from making choices inextricably linked to welfare dependence.

Perhaps the most important step that Congress could take to end welfare dependence would be to prohibit new entrants to the system. Despite increased efforts at diversion under welfare reform, states continue to allow new and returning entrants into the cash assistance system. Consequently, caseloads have recently begun to level off or even grow in some states. This trend testifies to the fact that women will continue to drop out of school and have children out of wedlock so long as going on welfare remains an option.

Welfare reformers need to turn their efforts to encouraging young women to (1) finish high school; (2) not get pregnant outside marriage; and (3) get a job, any job, and stick with it. The most effective way Congress can communicate this message is to remove welfare as an alternative for young women who fail to make smart choices. While

continuing to support and encourage work among those already receiving welfare, Congress should enact a prohibition against new, single mothers' signing onto the rolls.

This cutoff will have the effect of encouraging young women to think twice before entering into an unsustainable situation. Those who continue to have children they are unable to support will have to turn to their families and the community for assistance. Already, a rich variety of private-sector, voluntary, and faith-based initiatives is available to families attempting to surmount obstacles on the path from welfare to work. Such efforts would likely proliferate in the absence of the public cash assistance alternative.

Conclusion

Four years after passage of the new welfare law, the country's cash assistance system shows 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.

On an overwhelming number of measures, however, welfare as we once knew it remains firmly intact. The people who leave welfare 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 allowing new entrants and providing generously for young women who give birth out of wedlock.

Congress needs to recognize that the solution to the country's dependence problem involves more than efforts to simply wean families off the welfare rolls. A more preventive approach is required, which involves making welfare no longer an attractive or viable alternative for single young women considering getting pregnant. Congress should encourage states to scale back bloated and ineffective welfare programs by eliminating the maintenance of effort spending requirement attached to receipt of federal TANF grants. Rather than require states to meet historic spending levels associated with much larger, prereform caseload numbers, Congress should permit states to divert saved welfare dollars to alternative efforts or, ideally, back to taxpayers. Ultimately, to dramatically reduce out-of-wedlock childbearing and life-long dependence, Congress should enact a

prohibition against new entrants into the cash assistance system. Until welfare is no longer available to young women making crucial choices for themselves and their families, the country will continue to spend endless amounts of energy and taxpayer money trying to solve its dependence problem.

Suggested Readings

Kelley, David. *A Life of One's Own: Individual Rights and the Welfare State*. Washington: Cato Institute, 1998.

Murray, Charles. *The Underclass Revisited*. Washington: American Enterprise Institute, 1999.

Oliphant, Lisa. "Four Years of Welfare Reform: A Progress Report." Cato Institute Policy Analysis no. 378, August 22, 2000.

Tanner, Michael. *The End of Welfare: Fighting Poverty in the Civil Society*. Washington: Cato Institute, 1996.

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