

25. Welfare Reform

THE 1996 welfare reform legislation was one of the most successful social policy reforms in U.S. history. In contrast to the prior system, which rewarded idleness and dependency, reform policy made remarkable headway in helping welfare dependents move toward self-sufficiency and dramatically reduced state welfare caseloads. While the old system resulted in unwed pregnancy and a host of related social problems, welfare reforms reduced child poverty and increased employment. Because of lax enforcement and efforts to undermine the principles and goals of this reform, however, its full potential has not been realized. Reauthorization of welfare reform in February 2006 involved steps to renew a focus on promoting work among welfare recipients, but additional action and continued attention for years to come are required to safeguard the progress that has been made and fulfill the goals of welfare reform.

by *Robert Rector*

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Recommendations

1. Strengthen work requirements under the Temporary Assistance to Needy Families (TANF) program. In 1996, Congress took an important first step in changing the nature of welfare assistance by replacing the failed Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families. As a condition for receiving TANF aid, many recipients are required to work or engage in constructive activities that lead to self-sufficiency. Yet, despite overwhelming success in moving welfare recipients into work, many welfare-to-work aspects of the reform remain incomplete. For example, in many states, individuals who are neither in training nor work continue to receive TANF benefits. This loophole undermines the moral foundations and effectiveness of the law and should be closed.

2. Add work requirements to other welfare programs, such as public housing and food stamps. Public housing and food stamp programs were largely untouched by the 1996 welfare reform and continue to reward idleness and promote dependency. The successful principles of TANF should be applied to these programs as well. Able-bodied, non-elderly adult recipients should be required to perform community

service work, conduct a supervised job search, or participate in training as a condition for receiving aid.

Facts and Figures

■ In the years since welfare was reformed to incorporate work requirements, TANF caseloads have been cut in half, and increases in employment rates of disadvantaged, single mothers have ranged from 50 percent to 100 percent.

■ Contrary to critics' predictions that reform would throw a million children into poverty, 2.3 million fewer children are in poverty today than in 1996. Poverty rates of black children and children of single mothers have been cut by one-third and are now at the lowest points in U.S. history.

■ None of the eight periods of economic expansion from 1950 to the early 1990s led to a significant drop in AFDC caseloads. Only during the economic expansion of the 1990s, when welfare reform was enacted, did the caseload drop appreciably.

■ Caseload rates vary enormously among the 50 states. If economic conditions were the main factor driving down caseloads, the variation in state reduction rates would be linked to variation in state economic conditions; but differences in the vigor of state economies had no corresponding statistically significant effect on caseload decline.

■ Only one federal welfare program—AFDC—was reformed in 1996. The other 69 major means-tested programs (including food stamps, housing, and Medicaid) were left largely unchanged, with no requirements that recipients be engaged in constructive activity as a condition for receiving aid.

■ \$9.8 trillion (in constant 2000 dollars) has been spent on means-tested food, housing, medical care, and social services for poor and low-income Americans since 1964, when President Lyndon Johnson launched the War on Poverty. Welfare spending dwarfs many other government expenditures.

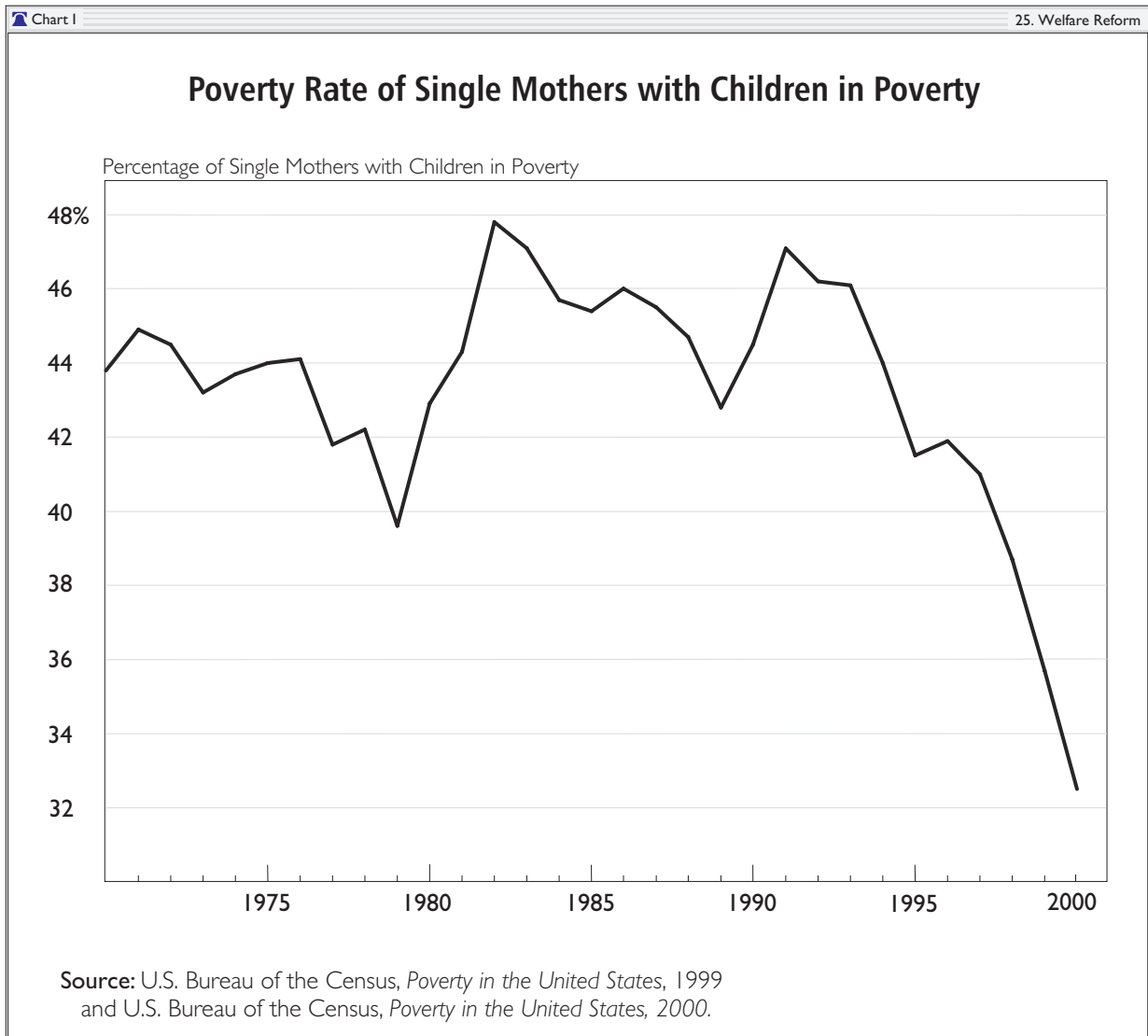
■ A federally funded, tightly controlled scientific evaluation called the Seattle–Denver Income Maintenance Experiment (SIME–DIME) found that each dollar of extra welfare given to low-income persons reduced labor and earnings by an average of 80 cents. While the conventional welfare system was relatively ineffective in increasing income, it was quite effective in reducing work effort, engendering long-term depen-

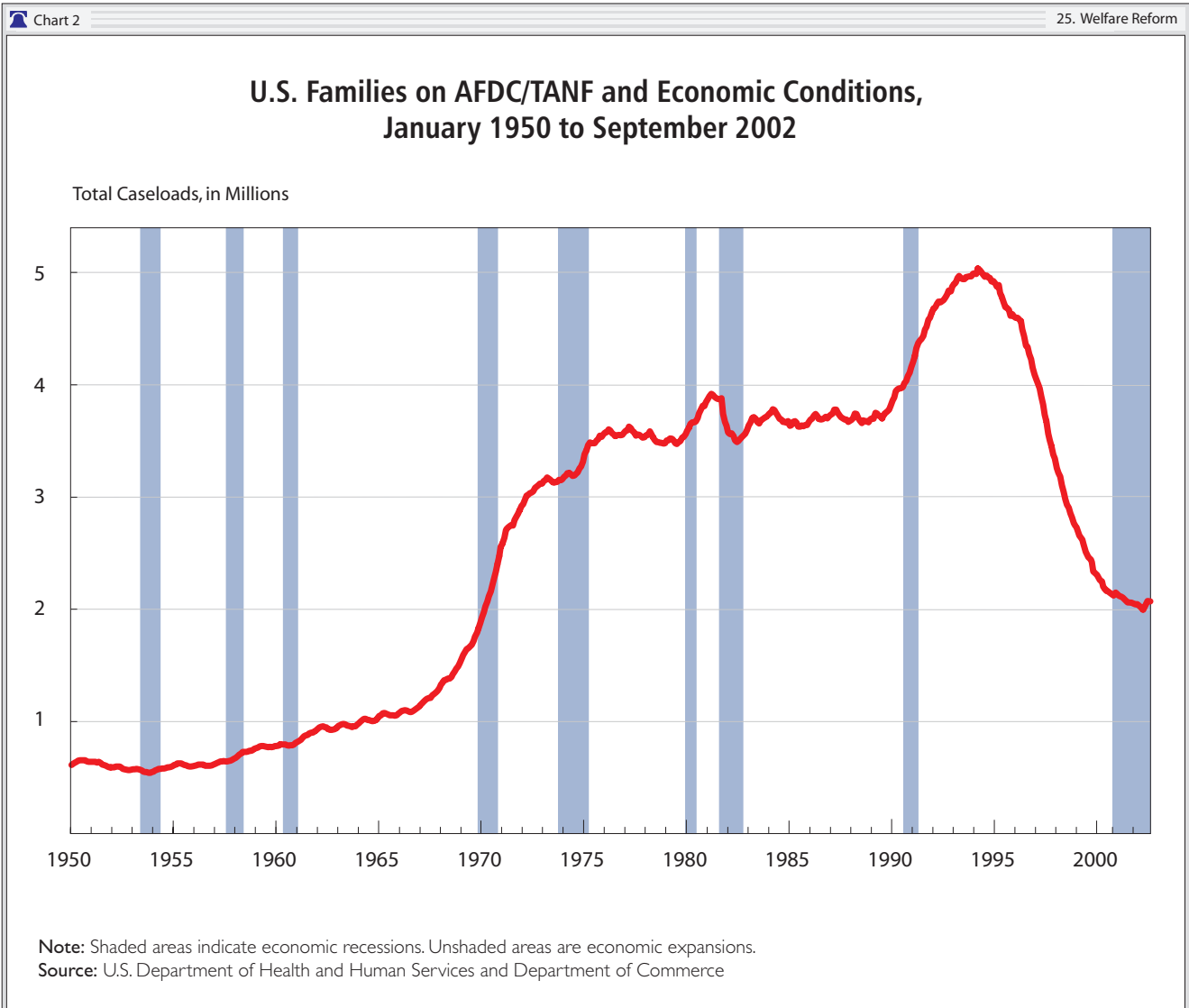
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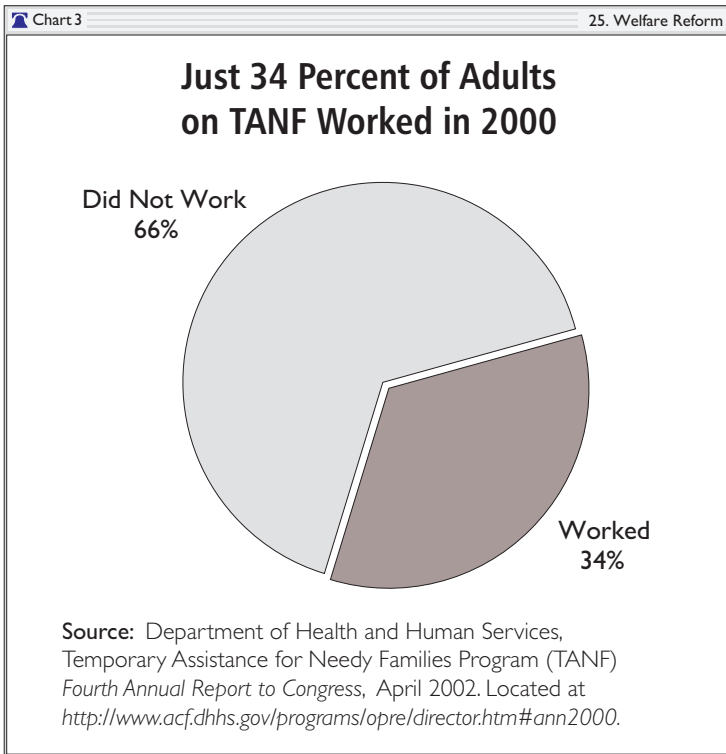
dence in which millions of single mothers remained on the rolls for a decade or longer.

■ From the standpoint of children’s development, research has shown that, compared with peers from identical socioeconomic backgrounds who were not on welfare, children whose families had been on welfare had lower cognitive abilities and were more likely to drop out of school. In addition, the higher the welfare income received by the family, the lower the earnings obtained by boys when they reach adulthood.

Notes







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Table 1 25. Welfare Reform

Breakdown of all TANF and CCDF Child Care Spending from 1992-2002

Year	Federal			State			Federal			State	TOTAL
	CCDBG Child Care	AFDC & Ex-AFDC Child Care	At-Risk Child Care	AFDC & Ex-AFDC Child Care	At-Risk Child Care	CCDF- Discretionary	CCDF- Entitlement	TANF Transfer to CCDF	Federal TANF Direct Spending	State TANF & Maintenance-of-Effort	
1992	\$825	\$438	\$321	\$317	\$259						\$2,160
1993	893	583	258	420	197						2,351
1994	893	752	302	553	245						2,745
1995	935	950	286	725	224						3,120
1996	933	981	299	758	237						3,208
1997						\$909	\$1,398	\$193	\$15	\$1,500	4,015
1998						1,094	2,028	378	247	1,548	5,295
1999						1,032	2,254	1,314	747	2,000	7,347
2000						1,070	2,237	1,793	1,460	2,600	9,160
2001*						1,376	2,341	2,003	1,720	2,860	10,300
2002*						1,917	2,535	1,988	1,700	2,860	11,000

Note: All amounts in millions of dollars. Child Care Development Fund (CCDF) spending totals are defined as federal outlays. It is assumed that states spent the vast majority of these federal funds the same year they received them. *Totals for 2001–2001 are Heritage Foundation estimates based on prior year trends

Source: Office of Management and Budget, Congressional Research Service, and the Center for Law and Social Policy.

Additional Reading

Robert Rector and Patrick F. Fagan, "The Continuing Good News About Welfare Reform," Heritage Foundation *Backgrounder* No. 1620, February 6, 2003, at www.heritage.org/Research/Welfare/bg1620.cfm.

Robert Rector, "The Size and Scope of Means-Tested Welfare Spending," testimony before the Committee on

the Budget, U.S. House of Representatives, 107th Congress, 1st Session, August 1, 2001.

Robert E. Rector and Sarah E. Youssef, "The Determinants of Welfare Caseload Decline," Heritage Foundation *Center for Data Analysis Report* No. 99-04, May 11, 1999, at www.heritage.org/Research/Welfare/CDA99-04.cfm.