

September 23, 1987

## WELFARE REFORM THAT IS ANTI-WORK, ANTI-FAMILY, ANTI-POOR

### INTRODUCTION

Until relatively recently, the number of Americans who were poor declined steadily. In the 1920s, more than half of the nation was poor by contemporary standards; 30 years later, 30 percent were poor; by 1965, only 17 percent. Then came the "War on Poverty." It mobilized a torrent of resources to fight poverty. In constant 1986 dollars, welfare spending soared from \$33 billion in 1965 to approximately \$140 billion by 1986. Yet progress against poverty slowed and then stalled. More important, the percentage of Americans incapable of "self-sufficiency," of maintaining themselves above the poverty level without government hand-outs, rose markedly. More and more Americans, in other words, today seem to find that they can avoid poverty only by becoming dependent on the government.

Welfare is now the surrogate father and principal financial support for one American child in ten. One child in twenty will be raised in a family that is on the welfare rolls ten years or longer. Children in these families, growing up without the example of a working adult parent, clearly will have enormous difficulties assuming the personal and parental responsibilities of adult life. Not surprisingly, a recent study by the National Bureau of Economic Research finds that children from welfare families do far worse in the job market than do children from nonwelfare homes with the same social characteristics and income levels.<sup>1</sup>

**Learning Little.** Congress has begun to recognize at last that the U.S. welfare system has serious problems. Lawmakers are considering legislation to amend it. Two bills reflect the Democratic leadership in both houses. In the Senate, S. 1511

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1. Robert Lerman, "Do Welfare Programs Affect the Schooling and Work Patterns of Young Black Men?" in Richard B. Freeman and Harry J. Holzer, eds., *The Black Youth Employment Crisis* (Chicago: University of Chicago Press, 1986), pp. 403-443.

was introduced by Daniel Patrick Moynihan of New York. In the House, H.R. 1720 has been introduced by Thomas Downey, also of New York. Both bills are designed to declare "the war on poverty--phase two." These bills have learned little from past failures and thus will do little to deal with the deficiencies of today's welfare system.

Taken together, H.R. 1720 and S. 1511 replicate virtually every mistake in welfare policy of the past two decades: eligibility for welfare is expanded; benefits are raised; work requirements are effectively barred; new social services and federal programs are added; and costly training strategies, which have proved ineffectual for nearly a quarter century, are proposed as a "solution" to welfare dependence.

These "reforms" would only exacerbate the present tragedy of welfare dependence. They are anti-work, anti-family, and profoundly anti-poor.

**Chasm Between Rhetoric and Reality.** To be sure, the Downey/Moynihan proposals have been larded with thick layers of popular conservative rhetoric. Moynihan, for example, speaks of the need to replace handouts with mutual obligations between welfare recipients and society, of reaffirming the work ethic and parental responsibility, and of strengthening families and ending dependence. Yet his legislation falls far short on all of these counts.

Nowhere is the chasm between rhetoric and reality greater than on the question of work. The Moynihan bill has drawn nearly universal praise based on the false claim that, for the first time, it would require large numbers of welfare recipients to work. In reality, the Moynihan bill would require no one to work--or even to be trained for work. On the contrary, it would limit severely the authority of state governments to establish work requirements.

The Downey bill is even worse. It would prohibit state work requirements and virtually abolish required job search programs, many of which have proved successful. Were the Downey and Moynihan bills to become law, the majority of work programs created by state governments in the last six years would have to be shut down or sharply scaled back.<sup>2</sup>

**Worst Features.** While Moynihan recently has shed some of the more objectionable features of his bill in an effort to gain moderate support, committee amendments to the House bill have made it even worse. Senators enticed by Moynihan's legislation should recognize that any resulting compromise legislation will of necessity reflect many of the House bill's worst features.

A much sounder approach to reforming welfare is contained in H.R. 3200, developed by Congressman Hank Brown, the Colorado Republican, and introduced

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2. The Downey bill requires that job search must be combined with training; the very high cost of implementing this proposal would mean that the job search programs now operating in nearly all states would have to be shut down or sharply reduced. H.R. 1720 eliminates workfare under the Community Work Experience Program operating in 20 states and severely restricts workfare under WIN demonstration programs in 23 states; altogether workfare programs in 37 states would be abolished or dramatically reduced. The Moynihan bill would eliminate workfare in WIN demonstration programs operated in 23 states.

by Illinois Republican Robert Michel, the Minority Leader. An equivalent Senate bill, S. 1655, soon is to be introduced by Minority Leader Robert Dole. The Brown/Michel bill would actually do what the Moynihan legislation only claims to do, particularly on the issue of work.

The contrast between the Brown/Michel approach to welfare reform and the Downey and Moynihan proposals is dramatic. In debating the strategy of welfare reform, Congress will need to address six basic issues:

- 1) **establishing general work and training requirements;**
- 2) **restructuring workfare and job search programs;**
- 3) **raising welfare benefits;**
- 4) **extending welfare to two-parent families;**
- 5) **decentralizing the welfare system; and**
- 6) **strengthening child support.**

Only on the question of child support enforcement is there general agreement between the Democratic and Republican positions. On each of the other issues Downey and Moynihan appear cemented in policies of the past, which have actually harmed the poor and increased dependence.

The present welfare system has failed society and failed the poor; it has intensified many of the problems it was intended to solve. Federal lawmakers have a responsibility to create a new system of assistance, which offers something more than a check in the mail and the prospect of dependence. The Downey/Moynihan proposals fail to meet this responsibility. Both legislators refuse to recognize the failures of traditional welfare and therefore propose a "reform" that simply enlarges the existing income maintenance system. By comparison, the Brown/Michel proposals, though offering no panacea for the problems of the poor, do provide a step forward out of the present morass. By decentralizing the welfare system and establishing, for the first time, the obligation for able-bodied welfare recipients to contribute to their own support, H.R. 3200 would provide new hope for America's poor for the first time in several decades.

## **RESTORING THE WORK ETHIC**

There is broad agreement among congressional lawmakers and social welfare scholars that one of the key goals of a welfare system must be to draw welfare recipients back into the work force. It is also widely held that the current system frustrates this goal, breeding dependence and undermining the work ethos. A majority of families currently in the Aid to Families with Dependent Children (AFDC) program, for instance, will spend a decade or longer on welfare.



Mothers on welfare are becoming the only group of women in America who do not work. While nearly two-thirds of mothers with children are in the labor force, less than 15 percent of the heads of AFDC families are employed. The low rate of work among welfare mothers was at one time explained by various "barriers" to employment: a lack of jobs; deficiencies in education and training; or a lack of such social services. These arguments are increasingly untenable. Jobs are available; surveys of welfare mothers themselves indicate that they can find jobs when they want them.<sup>3</sup> Nor does a lack of education and training impede employment. Most welfare mothers, in fact, have worked intermittently in the past. The problem is not their unemployability but their lack of serious commitment to the labor force.

One reason for this is that in most states combined welfare benefits nearly equal the income that many women can obtain through work. In high benefit states a welfare recipient can receive as much as \$13,000 per year in tax-free welfare benefits without working.<sup>4</sup> Welfare thus often provides the combined benefits of income and leisure that make a 40-hour-a-week job seem unattractive. But this makes economic sense only in the short term. In the long run most welfare mothers and their children would be better off with the steady rise in earnings that normally accompanies a long period in the work force.

### **THE SOLUTION: REQUIRE WORK**

Some 94 percent of Americans believe that welfare recipients should be required to work.<sup>5</sup> Studies by New York University political scientist Lawrence Mead find that enforcing the obligation to work is the key to increasing employment among the poor.<sup>6</sup> In fact, a serious work obligation appears to be far more important in encouraging welfare recipients to join the work force than the availability of social services, training, or financial incentives.

For nearly two decades, however, the welfare establishment has resisted work requirements fiercely. Work was denounced as "slavefare" by many liberals, and Congress prohibited states from establishing work requirements.<sup>7</sup> Instead, money and effort were diverted into training strategies, which proved largely ineffectual. Policies improved with the arrival of the Reagan Administration. Following changes in the AFDC law enacted in the 1981 Omnibus Budget Reconciliation Act, 38 states have set up new work programs. Still, the scope of these programs is limited. In

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3. See Lawrence M. Mead, "Social Programs and Social Obligations," *Public Interest*, Fall 1982, pp. 17-33.

4. For a family of four in California in 1986 combined benefits from the AFDC, food stamps, Medicaid, school lunch, and Women, Infants and Children food programs exceeded \$13,000 per annum.

5. Results from a Sindlinger and Company poll conducted for The Heritage Foundation in July 1985.

6. Mead, *op. cit.*

7. For example, during the mid-1970s, the state of Utah attempted to establish a work program. As a result, the state was denied federal AFDC benefits for over two years.

any given month, less than 4 percent of adult AFDC recipients participate in such programs.

The new work programs generally include three different types of activities: 1) training and education; 2) job search, in which welfare recipients look for work under supervision; and 3) work experience or workfare, in which AFDC recipients are required to work in government agencies or nonprofit organizations in return for their benefits.

Because job search and workfare faced stiff political resistance in Congress, the federal government has restricted the states' ability to operate these programs.<sup>8</sup>

### **Workfare Is Essential**

Any serious effort to promote self-sufficiency must begin by eliminating the option not to work. Welfare dependence must be made a last resort, not a preference. For that purpose only workfare can be effective. The ultimate goal of any work program, of course, is to place the welfare recipient in a private sector job. But as a practical matter, it is impossible to require anyone who does not want to work to obtain and keep a private sector job. And a private firm is unlikely to hire a person who appears unenthusiastic about employment. Thus, if a private sector job cannot immediately be found, the welfare recipient should be required to undertake work experience in a government or nonprofit organization.

Controlled experimental studies show that required job search or training is far more effective if not working is prevented through a permanent workfare requirement. Example: a Manpower Demonstration Research Corporation study of the San Diego work program finds that the program became nearly twice as effective when an unsuccessful job search was followed by mandatory enrollment in work experience.<sup>9</sup> In other words, welfare recipients were more successful in obtaining jobs when it was made clear that they would have to work under any circumstance. Similarly a workfare program established by Mayor Edward Koch in

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8. States must limit job search to ten weeks. Work experience in the Work Incentive (WIN) program is subject to the same restrictions as the traditional WIN program limiting participation to 13 weeks. (See *Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy* (Washington, D.C.: General Accounting Office, 1987), p. 27.) Work experience in the Community Work Experience Program (CWEP) may be continued beyond 13 weeks, but the number of hours of work that may be required each week is determined by dividing the AFDC grant by the minimum wage. Since on average the AFDC grant will be only 50 percent of total welfare benefits received by a family, on average only about 20 hours of work per week can be required. Effective wage rates (total welfare benefits per hour of work) in CWEP equal \$6.59 per hour for the average AFDC recipient. Since this wage rate is far above what most welfare recipients would earn in the labor market, it is unlikely that such a work requirement will induce large numbers to leave welfare and obtain jobs. Still such a work requirement is better than none at all.

9. Barbara Goodman, et al., *Final Report on the San Diego Job Search and Work Experience Demonstration* (New York: Manpower Demonstration Research Corporation, 1986). See Table 3.9 for AFDC payments, total earnings, and employment in the sixth quarter among AFDC applicants with no recent employment experience.

New York City in 1984, combining training and job search with required work, has reduced the welfare rolls by 60 percent among groups required to participate.<sup>10</sup>

### **Congressional Leadership's Bills Undermine Work Requirements**

Despite deceptive claims, the Moynihan bill would not require welfare recipients to work, or even to be trained. To be sure, the bill contains plenty of rhetoric about work requirements. Yet it leaves the decision to enforce these "requirements" entirely to state governments. This is precisely the situation under current law. The Moynihan bill merely reinforces the *status quo*--it does not change it.

S. 1511 actually cuts back on existing workfare programs. The Downey bill goes further, virtually eliminating workfare and severely restricting job search.<sup>11</sup> Thus, rather than improving the workfare system and encouraging more welfare recipients to enter the work force, the two bills would scale back existing workfare.

It seems that, at heart, the liberal establishment still cannot accept that most AFDC recipients can or should be expected to work.<sup>12</sup> Instead, liberals wish to provide extensive training and services only to a small portion of recipients who actively want to leave welfare. Thus, while H.R. 1720 abolishes workfare, it requires states to pay up to \$13,000 per year in combined welfare benefits to an AFDC mother while she attends four years of college. In addition, the Downey bill requires states to give priority in training and work-related activities to recipients volunteering to participate. This channels resources to well-motivated individuals who are least likely to need help or prodding to leave the welfare rolls. Such "creaming" would lead to high placement rates, implying that the program is successful and bolstering calls for more funding.

### **OTHER WORK-RELATED ISSUES**

In place of workfare and job search, Moynihan and Downey focus on financial incentives, training, transition services, and childcare for welfare recipients. These

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10. Blanche Bernstein, *Saving a Generation* (New York: Twentieth Century Fund Inc., 1986), p. 44.

11. The Moynihan bill eliminates the WIN Demonstration program, which permits full-time workfare for up to 13 weeks; remaining workfare would be part-time under the CWEP program. H.R. 1720, as amended by the Education and Labor Committee prohibits workfare entirely except as part of a larger training program, and the new "workfare" could be required for only one 12-week period during the entire course of an average 11-year stay on AFDC. H.R. 1720 states that if an AFDC recipient is required to participate in job-search and does not find a job in 10 weeks, the recipient must be provided with training. Guaranteeing welfare recipients expensive training if their job search is unsuccessful seems to be a perfect method for rendering job search programs ineffective; moreover, the high cost of added training would mean that existing large-scale job search programs would become economically infeasible.

12. Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: The Free Press, 1986), pp. 92-119. See also Bernstein, *op. cit.*, pp. 43-46.



are very expensive strategies, which have been shown to be marginal, or even counterproductive, in reducing welfare dependence.

### **Financial Incentives**

H.R. 1720 ostensibly would encourage welfare recipients to work by reestablishing "earnings disregards." Under the current system, when an AFDC recipient earns a dollar, her welfare benefits are cut by almost the same amount. H.R. 1720 would provide a permanent "earnings disregard" so that welfare benefits would be reduced by only 75 cents for each dollar earned. Such earnings disregards were part of the welfare system from the late 1960s until they were abolished in 1981.

Disregards make sense in theory. Research shows, however, that they do not promote work.<sup>13</sup> Their main effect is to encourage working mothers to go onto AFDC to obtain an income supplement. With disregards, many families may reduce their work effort. When the Reagan Administration won congressional approval for the elimination of disregards, liberals warned that the working poor would flock back onto welfare rolls and into greater dependence. This did not happen. Welfare rolls in fact shrank. Reestablishing disregards over time could raise the number of working families on AFDC and expand the welfare rolls by 5 to 10 percent.

### **Training and Education**

Training programs for AFDC recipients have been a major part of the welfare system since the mid-1960s. Yet training appears to be less effective than job search and work experience in promoting employment and reducing welfare rolls. Training, moreover, almost never has proved a cost-effective means of reducing welfare dependence.<sup>14</sup> To make matters worse, because training programs are much more costly than workfare or job search, they focus resources on only a small segment of the welfare population. And the cost of training can be considerable: the widely acclaimed supported work program of the late 1970s cost nearly \$25,000 per recipient per year, but produced no greater increases in employment than job search programs costing just a few hundred dollars.<sup>15</sup>

Today, the most highly praised training program is the Education and Training (ET) program established by Governor Michael Dukakis in Massachusetts. Yet ET is a flop. In the program's four-year existence, AFDC rolls actually have risen,

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13. Frank Levy, "The Labor Supply of Female Household Heads, or AFDC Work Incentives Don't Work Too Well," *Journal of Human Resources*, Winter 1979, pp. 76-93. Disregards raise the maximum eligibility levels for partial AFDC benefits, thus making a new group of individuals eligible for welfare. This newly eligible population is actually provided with new net disincentives to work; under H.R. 1720 such individuals would receive 75 cents in added welfare payments for every \$1 in earnings reductions.

14. Robert Rector and Peter Butterfield, "Reforming Welfare: The Promises and Limits of Workfare," Heritage Foundation *Background* No. 585, June 11, 1987, pp. 8-10.

15. *Ibid.*

despite Massachusetts's booming economy. Dukakis repeatedly refuses to permit controlled experiments to evaluate his unsupported claims of ET's "success."

Formal education may help some welfare recipients to obtain work, but the evidence on this is mixed. The Downey bill's requirement that any welfare recipient lacking a high school degree must obtain a diploma before being forced to work would prolong welfare dependence in many cases by further postponing the recipient's entry into the work force. States should be allowed to determine when education is appropriate.

### **Transition Benefits**

When an individual on AFDC begins working, AFDC benefits are cut incrementally as earnings rise. When earnings rise enough to put a family above the AFDC eligibility threshold, the family loses full Medicaid coverage, which is worth up to \$2,500 per annum for a family of four. Thus, if \$1 in added earnings were to take the family above the AFDC eligibility thresholds, it can result in a loss of \$2,500 in net income.

There is little evidence to suggest that loss of Medicaid benefits plays much role in discouraging welfare recipients to remain out of the work force. But to many, the policy still seems unfair. Current law allows Medicaid coverage to continue for four months after an individual leaves AFDC. The Moynihan and Downey bills would continue Medicaid coverage for six to nine months after AFDC eligibility ended. A reasonable alternative might be to extend Medicaid coverage from four months to one year after an individual leaves AFDC with the former recipient paying a graduated premium for this extended coverage. As with any expansion of overall benefits, however, this policy probably would draw as many people into welfare as it would help remove from the rolls. Perhaps the best solution would be to permit states to experiment with a variety of approaches to the Medicaid transition problem.

### **THE ISSUE OF CHILD CARE**

The rising number of female-headed households on welfare makes the availability of day care services more pressing if women on welfare are to enter the work force. Yet the Downey/Moynihan reforms would not make day care more readily available to AFDC mothers. On the contrary, by inflating the cost of day care services and erecting new bureaucratic obstacles to informal day care, the bills would restrict the availability of day care in poor communities.

The Downey bill states that AFDC recipients cannot be required to work unless day care is available in an "appropriate" facility in compliance with state and local regulations. The federal government currently provides up to \$160 per month per child in day care expenses for AFDC recipients. But Downey's H.R. 1720 would provide nothing toward day care costs care unless the child were in an "appropriate" facility. Today only one working mother in ten uses formal, state-



regulated day care organizations. Most leave their children with neighbors or other informal local providers. Some 90 percent of these facilities are unlicensed.<sup>16</sup>

**Parents' Preference.** Informal day care is far less expensive than formal day care, and there is no evidence that it is less safe or less desirable. Headline-grabbing cases of child abuse, in fact, almost always involve licensed centers far away from the parents' place of residence. Not surprisingly, most parents prefer informal care available within the neighborhood, where they have greater familiarity with and access to the care provider.

By limiting government day care support to state-regulated organizations, the Downey bill would raise significantly the cost of day care for AFDC recipients; the number of AFDC recipients who could receive day care funding would be reduced, and the scope of any training or work requirement, restricted. Thus the effect of H.R. 1720 and S. 1511 would be to subsidize formal day care facilities, not to promote employment among AFDC mothers. Indeed, the fingerprints of day care industry lobbyists can be seen on the H.R. 1720 provision that allows an unspecified portion of "work opportunities" funding to be given as direct grants to formal day care centers. The Downey proposal also requires states to provide training for day care workers. It would put the federal bureaucracy into the business of writing day care regulations for states by mandating that no state could "lower" its day care standards without losing AFDC funds.

## **RAISING BENEFIT LEVELS WOULD BE A MISTAKE**

A central feature of the original Moynihan and Downey welfare reform bills was to raise benefit levels for families on welfare. This has been dropped from the Senate version to attract the support of moderates. H.R. 1720 continues to provide strong financial incentives for states to raise benefit levels by raising the federal matching rate by 25 percent for benefit increases authorized by any state. This would mean that the federal government would pay between 65 percent and 85 percent of the extra costs of raising benefit levels. In addition, H.R. 1720 would prohibit states from lowering welfare benefit levels.

To many Americans, raising benefit levels may seem a simple and obvious way of combating poverty. Quite the opposite result is almost certain. The reasons:

**Increasing Dependence:** There long has been a direct correlation between welfare benefits levels and the number of single mothers who leave the workforce and enter the AFDC program. An average increase of 20 percent in combined welfare benefits nationwide almost certainly would add one million extra families to the welfare rolls.<sup>17</sup>

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16. Karen Lehrman and Jana Pace, "Day-Care Regulation: Serving Children or Bureaucrats?" *Cato Policy Analysis*, No. 59, September 25, 1985. Even among single mothers with children under age five who work full-time, formal day-care is used by only one in three.

17. June O'Neill, "Transfers and Poverty: Cause and/or Effect?" *The Cato Journal*, Spring/Summer 1986, p. 66. This issue will be discussed fully in a forthcoming *Heritage Background*.

**Reducing Work:** The Seattle/Denver Income Maintenance Experiments (SIME/DIME) of the early 1970s found that among welfare recipients an increase in benefits of \$1 produced a decrease in labor and earnings of 80 cents.<sup>18</sup> If the goal is restoring self-sufficiency and the work ethic, then no policy can be more counterproductive than raising welfare benefits.

**Destroying Families:** Comparing high benefit states to low benefit states, researchers David Ellwood and Mary Jo Bane of Harvard University found that an increase as modest as 15 percent in combined welfare benefits per family would increase by 10 percent the number of divorced and separated mothers nationwide and by 50 percent the number of divorced and separated mothers under age 24.<sup>19</sup> The same increase would expand the number of female-headed households by 15 percent and could double the number of households headed by young women.

### THE ERROR IN TWO-PARENT WELFARE BENEFITS

One widely advocated solution to the anti-family impact of the welfare system is to extend AFDC to two-parent families when the male parent is unemployed. Currently, 28 states have two-parent AFDC programs, known as Aid to Families with Dependent Children-Unemployed Parent (AFDC-UP). The Downey and Moynihan proposals would require all states to establish such two-parent welfare programs.

The theory behind this proposal is that restricting the welfare system to single parent households promotes family breakup. Because the family of an unemployed father cannot receive AFDC as long as he remains with his family, the system allegedly encourages the father to leave in order to entitle the family to benefits. There is no study, however, that actually shows that AFDC-UP increases marital stability. States with AFDC-UP programs do not have fewer marital break-ups than those without the program.

The SIME/DIME studies, in fact, show that two-parent welfare boosts the rate of divorce and marital separation by up to 68 percent among families enrolled in the program (when compared with divorce and separation rates among control group families who remained ineligible for two-parent welfare).<sup>20</sup> It would seem that two-

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18. Gregory B. Christiansen and Walter E. Williams, "Welfare, Family Cohesiveness and Out-of-Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

19. David Ellwood and Mary Jo Bane, *The Impact of AFDC on Family Living Arrangement and Structure*, unpublished report (Washington, D.C.: Department of Health and Human Services, March 1984). This study estimates the impact of interstate variation in AFDC benefit levels. Figure 1 on page 4-5 shows the effects of a \$100 per month increase in AFDC payments for a family of four in 1975. After taking into account the offsetting reduction in food stamp benefits, a \$100 monthly increase in AFDC would have equalled a 15 percent increase in combined welfare benefits (AFDC, food stamps, and Medicaid) for an average family of four in the U.S. in 1975. This issue will be discussed more fully in a forthcoming Heritage *Backgrounder*.

20. John H. Bishop, "Jobs, Cash Transfers and Marital Stability: A Review and Synthesis of the Evidence," *Journal of Human Resources*, Summer 1980, pp. 301-334.

parent welfare decreases marital stability because it accustoms two-parent families to the culture of welfare dependence. It thereby undermines the father's social role as "provider."

Two-parent welfare thus is not a solution to the anti-family consequences of AFDC. The fact is single-parent welfare and two-parent welfare both undermine the family. Extending the welfare system to cover more families by requiring all states to institute AFDC-UP will only add to existing problems.

## **THE DIVIDENDS OF DECENTRALIZATION**

The Reagan Administration recently proposed legislation to decentralize the welfare system. Its plan would pool the federal funds currently given to the states in 59 separate anti-poverty programs. If they desired, states could continue to receive funds through the 59 existing programs, or they could apply for a waiver that would allow them to shift funds between programs or to combine and alter programs. Total funds received by each state would remain the same as under current law. Each state, however, would be free to design its own simplified welfare system from the bottom up. While safeguards would be provided to ensure that the funds continued to serve the needs of the poor, states would be given broad discretion to experiment with new approaches to tackling the poverty problem.

The White House has begun to partially implement this strategy. In July a new Interagency Low Income Opportunity Advisory Board was created to coordinate waiver authority between federal departments and agencies. States wishing to redesign welfare systems now can apply for a waiver from a single board, instead of submitting waiver proposals to five or six separate departments.

States are responding enthusiastically to the White House decentralization plan by submitting waiver requests. Examples:

◆◆ A Wisconsin waiver proposal would require teenage AFDC mothers without a high school diploma to return to school. Work and training requirements would be expanded for AFDC mothers with children six or older. Wisconsin would cut basic AFDC benefits by 6 percent and divert the saved funds to anti-dependence strategies, including training, childcare, extended earnings disregards, and Medicaid extension.

◆◆ New Jersey proposes to reduce welfare rolls through extensive work, job search, and training programs. The resulting savings would pay for greater services and transition benefits. Specifically, New Jersey is seeking waivers to: establish work and training requirements for mothers with children aged three and up, raise temporary earnings disregards to 50 percent in some cases, extend job search beyond the present ten-week limit, and provide Medicaid coverage for one year after a family leaves AFDC.

The key point about such proposals is not that they are guaranteed to bring success--no doubt many would fail. It is that America is more likely to find answers to poverty and dependency with 50 states experimenting with new ideas



than with the federal government pursuing a one-size-must-fit-all strategy. Small-scale experimentation is the driving force behind innovation in the American economy. It should also be leading welfare reform.

**Waiver Authority.** But legislation providing far broader waiver authority is now needed. All 59 major federal welfare programs should be included in the waiver authority: states should be permitted to shift funds between these programs, raise or lower various benefit levels, and expand or constrict eligibility to programs. This would provide states with the flexibility to depart from traditional income maintenance schemes and to focus resources on promoting self-sufficiency.

Downey's H.R. 1720, however, contains no decentralization provisions. On the contrary, it places more restrictions and requirements on states. While the Moynihan plan refers to decentralization, it would restrict the waiver authority to just a handful of programs and would permit only ten state experiments.

## **THE ENFORCEMENT OF CHILD SUPPORT PAYMENTS**

The only bright light in either the Moynihan or the Downey bill is found in the provisions to strengthen the child support system, which requires divorced or separated fathers and fathers of illegitimate children to pay part of their earnings to support their children.

Under the Moynihan bill, states would be required to set up legislative guidelines for child support awards that would be binding on judges in most cases. Child support payments would be revised continually, rising with the father's salary. States also would be required by the year 2000 to achieve at least a 40 percent rate of paternity establishment in cases of illegitimate birth or face losses in federal AFDC funds. Currently, many states fall well below this figure. Texas, for example, establishes paternity for only 1.7 percent of illegitimate births. The Moynihan bill would require states to garnish wages to collect child support awards established in future years.

These changes follow through on welcome reforms initiated by Reagan in 1984. Still, legislators should be wary of Senator Moynihan's misleading claim that his reforms would replace the existing welfare system with a new system that would put the primary responsibility on the parent to support the child and rely on taxpayer funds only as a second resort as a "child support supplement." Under the bill, about \$1 billion in child support payments would be collected each year from absent male parents for families on AFDC, yet combined welfare payments for these families still would exceed \$35 billion per annum. In addition, the Congressional Budget Office estimates that over the next five years the Moynihan plan would provide for \$14 in new welfare spending for every \$1 in welfare savings generated by its child support provisions.

## **THE PRICE TAG FOR "REFORM"**

According to the Congressional Research Service, the federal, state, and local governments in the U.S. spent \$145 billion on low-income/means-tested assistance programs in 1984. That is equivalent to nearly \$5,000 for each poor American or \$20,000 for a poor family of four. Measured in constant dollars, spending on these programs has climbed since 1981. The Moynihan/Downey "reforms" would pile still another layer of spending onto the current unwieldy system. The Moynihan bill would spend over \$2.3 billion extra in five years, according to the Congressional Budget Office. The Downey bill would increase welfare spending by \$5.2 billion over five years and by \$2 billion per annum thereafter. This estimate conservatively assumes that few states would raise benefit levels in response to the federal financial incentives. If average benefits were increased by as little as 10 percent, the resulting expansion in AFDC rolls could raise welfare costs by an extra \$4 billion each year.

## **THE FOUNDATIONS FOR WELFARE REFORM**

There is nearly universal recognition that the existing welfare system is in need of serious reform. True reform will seek to end the growing pattern of dependence generated by the current welfare system and to reintegrate welfare recipients into mainstream society. Such reform should be based on five principles.

### **1) There should be no increase in benefits.**

The federal government should not raise welfare benefit levels. States should be encouraged to lower benefits for those who do not strictly need them and channel the savings into dependence reduction programs.

### **2) The AFDC program should be converted from an income maintenance program into a program based on mutual obligation between recipients and society.**

Recipients should be expected to perform service to society in return for benefits. The federal government should mandate that states require welfare recipients to participate in work, training, education, or job search, leaving it to the states to design the programs. Special emphasis should be placed on women with children over age five and young mothers prone to long-term welfare dependence.

### **3) Federal restrictions on workfare and required job search should be abolished.**

There should be a recognition that job search, training, and education will be more effective when reinforced by a permanent workfare requirement.<sup>21</sup>

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21. If the requirement of the CWEP program that a recipient should not work for less than the minimum wage is retained, then not just AFDC but all welfare benefits (AFDC, food stamps, Medicaid, housing subsidies, and so on) should be used in determining the number of hours of required work.

**4) The child support system should be strengthened.**

States receiving federal AFDC funds should be required to set up binding support award guidelines, to raise rates of paternity establishment, and to garnish wages for child support except when both parents agree otherwise. The federal government and the Internal Revenue Service should work with states to ensure that payments are made.

**5) The welfare system should be decentralized.**

Funds from all 59 major welfare programs should be pooled and broad waiver authority should be extended to states to design their own welfare systems.

Except in the area of child support, the Downey and Moynihan proposals will solve no welfare problems. The Brown/Michel bill, on the other hand, offers real reform in each of these five vital areas. Under H.R. 3200, states would be required by 1998 to raise the number of adult AFDC recipients participating in workfare, job search, education, or training to 70 percent. Restrictions on workfare would be eased, and the bill's waiver provisions, though less than perfect, would permit significant state experimentation. Moreover, while the Brown/Michel bill would cost \$1.6 billion over five years, it funds mainly activities to reduce dependence. By contrast, two-thirds or more of the increased spending in the Moynihan/Downey bills would go to expanded benefits. One regrettable drawback in the Brown/Michel bill is that it contains many of the same restrictions on informal day care as the Downey bill. But overall the bill provides powerful, positive reform.

## **CONCLUSION**

Today, welfare spending in the United States (excluding Social Security and Medicare) nearly equals the gross national product of India. But tragically, America seems to be losing the war on poverty. According to official poverty statistics, the number of poor Americans is greater today than when the war on poverty began. Even worse, it has created a new subculture of welfare dependence that stunts the aspirations of millions of Americans. Large segments of the U.S. population are losing the capacity for self-sufficiency and are in danger of slipping into a permanent economic underclass.

Legislators debating the issue of welfare reform have a heavy responsibility. Changes in welfare enacted by Congress this year will shape welfare policy for a decade or longer and will influence the lives of poor Americans for a generation. It is critical not to repeat the mistakes of the past that have spawned the present welfare problems.

**Closing the Slogans Gap.** The rhetoric of Senator Moynihan offers the promise of genuine improvement in the welfare system and provides the guidelines for real reform: restoring the work ethic, enforcing parental responsibility through child support, and decentralization of an overly complex system. The trouble is that many of Moynihan's proposed reforms directly contradict his rhetoric. It is time to close the gap between slogans and policies.



The focus of welfare reform must be on reducing welfare dependence. But reducing dependence means more than offering new training services and benefits to welfare recipients. The cycle of dependence can be broken only by restoring the work ethic: by establishing a clear obligation for able-bodied welfare recipients to contribute to their own support. Large-scale obligatory workfare, supplemented by training and required job search, is the only realistic way to achieve this goal.

**Freedom for the States.** While the federal government should firmly establish the principle that welfare is no longer a one-way handout, it should give states as much freedom as possible in designing work education and training programs. There are few easy solutions to the problems of poverty and dependence. Federal lawmakers must recognize that the present overly centralized welfare system imposes a bureaucratic straitjacket on the states and stifles the very experimentation so necessary to finding new approaches to aiding the poor. State governments should be given far more authority to shape their own welfare policies. Federal restrictions should be eased and states should be encouraged to shift federal funds from antiquated programs into new anti-poverty efforts designed at the state level.

The original war on poverty was launched with the best of intentions. But it is time to accept that traditional welfare strategies have failed. True welfare reform does not mean an expansion of the existing welfare behemoth, but a rebuilding of welfare on the new foundations of work, parental responsibility, and decentralization.

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