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Welfare Reform Turns Ten: Evidence Shows Reduced Dependence, Poverty

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The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) replaced the failed social program Aid to Families with Dependent Children (AFDC) with a block grant program, Temporary Assistance to Needy Families (TANF). The reform legislation had three goals: 1) to reduce welfare dependence and increase employment; 2) to reduce child poverty; and 3) to reduce out-of-wedlock childbearing and strengthen marriage. In the ten years since its enactment, welfare reform has succeeded in each of these areas.

President Johnson's War on Poverty had failed to reduce welfare dependence. From 1965 to 1994, AFDC caseloads rose steadily, reaching a height of 5 million families on the rolls. Because prolonged welfare dependence has negative effects on the development of children, welfare reform was intended to disrupt inter-generational dependence by moving families off the welfare rolls through increased work and marriage. Welfare caseloads began to decline in earnest after 1996 and have fallen by 56 percent since then.

This decline in welfare dependence coincided with the increase in the employment of single mothers. These trends have been particularly dramatic among those who have the greatest tendency to long-term dependence: younger never-married mothers with little education. During the late 1990s, employment of never-married mothers increased by nearly 50 percent, of single

mothers who are high school dropouts by 66 percent, and of young single mothers (ages 18 to 24) by nearly 100 percent. Welfare reform impacted the whole welfare caseload, not just the most employable.

Not surprisingly, as families left welfare and single mothers transitioned into work, the child poverty rate fell, from 20.8 percent in 1995 to 17.8 percent in 2004, lifting 1.6 million children out of poverty. The declines in poverty among black children and children from single-mother families were unprecedented. Neither poverty level had changed much between 1971 and 1995. By contrast, six years after PRWORA was enacted, these two poverty rates had fallen to their lowest levels in national history, from 41.5 percent to 30 percent for black children and from 53.1 percent to 39.8 percent for children from single-mother families.

Since welfare reform, the once explosive growth of unwed childbearing has ended. The unwed birthrate was 7.7 percent in 1965 and increased about one percentage point per year for the next thirty years. Had this rate of increase been sustained, the unwed childbearing rate would have hit

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41.6 percent by 2003, but welfare reform interrupted this process. Between 1995 and 2003, overall unwed childbearing inched upward by only 2.4 percentage points, a fourth of the pre-reform rate of increase. The black unwed childbearing rate actually fell from 69.9 percent in 1995 to 68.2 percent in 2003.

Opponents of reform would like to credit many of these positive changes to a good economy, but the evidence for this interpretation is not strong. While a healthy economy did contribute to the progress charted in welfare dependence, employment, and poverty, good economic conditions alone would not have produced the striking changes that occurred in the late 1990s.

Historically, periods of economic growth have not resulted in lower welfare dependence. Indeed, during two episodes of economic expansion, the late 1960s and the early 1970s, welfare caseloads actually grew substantially. Only during the 1990s boom did caseloads drop appreciably. While a slowed economy may have affected the rate of caseload reduction since 2001, it is important to note the vast difference in trends before and after welfare reform. In the days of AFDC, welfare rolls remained flat or rose during periods of economic growth and rose substantially during recessions. Since PRWORA, caseloads have plummeted in a robust economy and declined slowly during a recession.

Another way to disentangle the effects of welfare policies and economic factors on declining caseloads is to examine differences in state performance. A 1999 study by The Heritage Foundation showed that differences in state welfare reform policies were highly successful in explaining the rapid rates of caseload decline.¹ By contrast, the relative vigor of state economies, as measured by unem-

ployment rates, changes in unemployment, or state job growth, had no statistically significant effect on caseload decline.

Nor can the increase in single-mother employment be solely explained by a good economy. Dr. June O'Neill examined changes in welfare caseloads and employment from 1983 to 1999.² Her analysis showed that in the period after the enactment of PRWORA, policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence. Economic conditions, in contrast, explained only about one-quarter of the changes in employment and dependence.

Similarly, Dr. Rebecca Blank's paper on changes in children's family income over the 1990s showed a direct link between state welfare reform policies and rising income among poor families.³ States with welfare programs that offered "strong work incentives" showed greater increases in the income of single parents with children than did states with weak work incentives. Furthermore, Blank found that states with stricter time limits and strong sanction policies were more successful in raising the income of poor children than were states with lenient policies.

Welfare reform has been successful. However, that success has been limited by several factors. First, welfare reform in 1996 addressed only one of the more than fifty means-tested federal welfare programs, AFDC. Second, the federal work requirements that pushed the states to promote work and reduce welfare dependence have always been too lenient, resulting in lax state work programs once the minimum federal standards have been met. Third, while the law set clear goals to reduce out-of-wedlock childbearing and strengthen marriages, nearly all states' bureaucracies simply ignored these goals.

1. Robert E. Rector and Sarah E. Youssef, "Determinants of Welfare Caseload Decline," Heritage Foundation *Center for Data Analysis Report* No. 99-04, May 11, 1999.
2. June E. O'Neill and M. Anne Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," Manhattan Institute *Civic Report* No. 17, July 2001. June O'Neill is the former Director of the Congressional Budget Office.
3. Rebecca M. Blank and Robert F. Schoeni, "Changes in the Distribution of Children's Family Income over the 1990's," paper prepared for annual meetings of the American Economic Association, Washington, D.C., January 2003. Rebecca Blank is a former member of the Council of Economic Advisors in the Clinton White House.

To continue and extend the success of welfare reform, future efforts should focus on the following goals: 1) strengthen TANF work requirements; 2) establish work requirements in parallel welfare programs; and 3) fortify the Healthy Marriage Initiative.

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