

BACKGROUND

No. 2730 | SEPTEMBER 19, 2012

Obama's End Run on Welfare Reform, Part One: Understanding Workfare

Robert Rector

Abstract

In 1996, Congress enacted welfare reform legislation that included three main elements, the most important being the work requirement. As a result of this reform, welfare caseloads dropped by half and employment rates among welfare recipients soared. Nonetheless, this sparked significant liberal opposition, which has increased over the years even though the vast majority of Americans favor work requirements. Unable to roll back workfare legislatively, liberals are employing an illegal bureaucratic tactic to gut the work requirements in the original legislation. The Obama Administration has declared the work provisions null and void and has granted itself unlimited authority to re-craft the work standards in any manner it chooses.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2730>

Produced by the Domestic Policy Studies Department

The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Congress enacted welfare reform legislation in 1996. This reform replaced the Aid to Families with Dependent Children (AFDC) program with a new program entitled Temporary Assistance for Needy Families (TANF). The immediate effects of welfare reform were striking.

During the four decades preceding the 1996 welfare reform, the number of participants on welfare had never significantly decreased. By 1995, nearly one in seven children was on AFDC. Yet within just a few years of TANF's implementation, the caseload was cut in half, and employment rates and earnings among single mothers soared.¹

Rather than keeping people trapped on government welfare—for an estimated average of 13 years prior to the reform—the new law sharply reduced the number of people entering welfare and moved those who were on government assistance into work.² The child poverty rates declined significantly. Roughly 3 million fewer children lived in poverty in 2003 than in 1995, including 1.2 million fewer black children, marking the lowest level of black child poverty in the nation's history.³

Welfare reform was very popular with the public. However, in July

KEY POINTS

- The 1996 welfare reform was a success: Welfare caseloads dropped by half, and employment rates and earnings among welfare recipients surged.
- Welfare reform included three main elements, but the work requirement drove its success.
- The work requirements were quite lenient, requiring only 30 percent to 40 percent of a state's caseload to participate in work or a work-related activity and requiring individuals to work as few as 20 hours per week to fulfill the requirement.
- Yet half of TANF recipients receive a welfare check without performing any activity at all.
- Liberals have opposed the law since 1996 and have repeatedly sought to eliminate the work requirements.
- Unable to accomplish this goal legislatively, the Obama Administration is now attempting to invalidate the work requirement through an illegal bureaucratic maneuver, declaring the provision null and void and granting itself authority to recraft the work standard.

2012, the Obama Administration issued a bureaucratic edict proposing to overturn the work requirements that formed the core of the 1996 law. This action by the Obama Administration clearly violated the intent and letter of the legislation.

This paper is the first of a two-part series on work and welfare reform. This part discusses the impact of workfare programs (how workfare works) and describes the specific work requirements established by the TANF law. The second part will describe the dramatic changes in the TANF work program that are planned by the Obama Administration.

The Three Elements of Welfare Reform

The welfare reform enacted in 1996 had three main elements.

First, the reform changed the funding structure. The old AFDC program had an entitlement funding system. If caseloads went up, state governments received more federal funds. The new TANF program used a fixed funding system: If case-loads increased, state governments were forced to bear the extra cost. If caseloads fell, state governments would continue to receive their fixed amount of federal funds and could use the surplus funds for other state projects.

Second, the reform law placed a five-year time limit on receipt of TANF benefits. Although this provision of the law is widely known, it was almost entirely symbolic. The time limit contained large loopholes. In the 15 years since enactment, few recipients have been removed for reaching the five-year limit. Thus, the limit had little or no impact on the overall caseload reduction.

Third, the law imposed mandatory work requirements. It required a portion of the TANF caseload in each state to work or prepare for work as a condition of receiving aid. Although they are less well known than the symbolic time limits, the TANF work requirements were the real motor behind welfare reform. Work requirements were the main reason that the TANF caseload fell rapidly during the first five years after 1996.⁴

Public Support for Work Requirements

The vast majority of Americans favor work requirements for welfare. A Rasmussen poll taken on July 18, 2012, found that “83% of American Adults favor a work requirement as a condition for receiving welfare assistance. Just seven percent (7%) oppose such a requirement, while 10% are undecided.”⁵

A 2009 survey from The Heritage Foundation showed similar results.

TABLE 1

“Able-bodied adults that receive cash, food, housing, and medical assistance should be required to work or prepare for work as a condition of receiving those government benefits.”

	% AGREE
Liberal	92%
Conservative	97%
Democrat	96%
Republican	97%

Source: See footnote 6.

B 2730  heritage.org

Nearly all respondents agreed that “able-bodied adults that receive cash, food, housing, and medical assistance should be required to work or prepare for work as a condition of receiving those government benefits.” The outcomes were nearly identical across party lines, with 96 percent of Democrats and 97 percent of Republicans agreeing with this statement.⁶

The Three Core Elements of Workfare

Nearly all Americans agree that able-bodied adults receiving welfare should be required to work or prepare for work. To implement this

1. Robert Rector and Patrick F. Fagan, “The Continuing Good News About Welfare Reform,” Heritage Foundation *Backgrounder* No. 1620, February 6, 2003, <http://www.heritage.org/research/reports/2003/02/the-continuing-good-news>.

2. Robert Rector, “Why Congress Must Reform Welfare,” Heritage Foundation *Backgrounder* No. 1063, December 4, 1995, <http://www.heritage.org/research/reports/1995/12/bg1063nbsp-why-congress-must-reform-welfare>.

3. Ibid.

4. Robert Rector and Sarah E. Youssef, “The Determinants of Caseload Decline,” Heritage Foundation *Center for Data Analysis Report* No. 99-04, May 11, 1999, <http://www.heritage.org/research/reports/1999/05/the-determinants-of-welfare-caseload-decline>.

5. Rasmussen Reports, “83% Favor Work Requirement for Welfare Recipients,” July 18, 2012, http://www.rasmussenreports.com/public_content/business/jobs_employment/july_2012/83_favor_work_requirement_for_welfare_recipients (accessed September 17, 2012).

6. The Heritage Foundation, Family & Religion Benchmark Study, Survey of 10,000 Nationally Representative Americans, June 2009. This online survey was conducted between March 26 and April 9, 2009, by Survey Sampling Inc., an independent surveying company that maintains 1.6 million national members in its SurveySpot Online Communication Panel. The data represent a nationally representative sample of 10,000 Americans.

principle, welfare programs must contain a workfare system. Any work requirement or workfare system must answer three questions:

- Who is required to participate? (This is usually defined as a percentage of caseload.)
- In which activities will recipients be required to participate?
- How much activity will be required and over what time frame?

The answer to these questions provides the basic three-part core to any meaningful workfare system. If any of these three elements is eliminated or significantly weakened, then a workfare system becomes ineffective.

Some might believe that a work requirement should just require individuals to work in a wage-paying job; however, the issue is not that simple. Private employers will not hire welfare recipients who appear unenthusiastic about work, and jobs may not be available. A good workfare system takes a broader approach. When a job is not immediately available, recipients are required to prepare or search for work. If this requirement is sincerely enforced, the number of recipients obtaining jobs will go up and caseloads will go down.

TANF Work Requirements

In 1996, Congress enacted welfare reform through the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA). This law replaced AFDC with TANF. At the core of the TANF program were the work participation requirements in Section 407 of the act.

The current controversy springs from the Obama Administration's plan to waive all of Section 407, which establishes a workfare system with three core elements:

1. Around 30 percent to 40 percent of the "work-eligible" adult TANF caseload is required to engage in work activities.
2. Work activities are defined very broadly and include unsubsidized employment; subsidized employment; on-the-job training; up to 12 months of vocational education; community service work; job search (for up to six weeks) and job readiness training; high school or GED education for recipients under age 20; and high school or GED education for those 20 or over 20 if combined with other listed activities.
3. Individuals are required to engage in activities for 20 hours per week if a parent has a child under age six in the home and for 30 hours per week if all children are over six.

This TANF workfare framework is simple and quite flexible. It allows states a wide range of choices in fulfilling their participation standards. The TANF work requirements are a compassionate aspect of welfare reform. For example, work requirements are more lenient than time limits. With a work requirement, the recipient continues to receive aid as long as he behaves in a constructive manner.

Section 407 also contains a second performance measure called "caseload reduction," which is used in conjunction with the three-part mandatory work requirements.

Caseload reduction performance standards will be discussed below.

The Leniency of TANF Work Requirements

The TANF work participation standards are quite lenient. For example, in March 2011, 1.9 million families were receiving TANF cash benefits. As Chart 1 shows, some 42 percent were headed by adults who themselves did not receive TANF benefits and were therefore exempt from federal work requirements. These families are most commonly headed by the child's grandmother or aunt. In other cases, the adult may have been a disabled Social Security recipient or a legal or illegal immigrant parent who does not personally receive TANF aid.

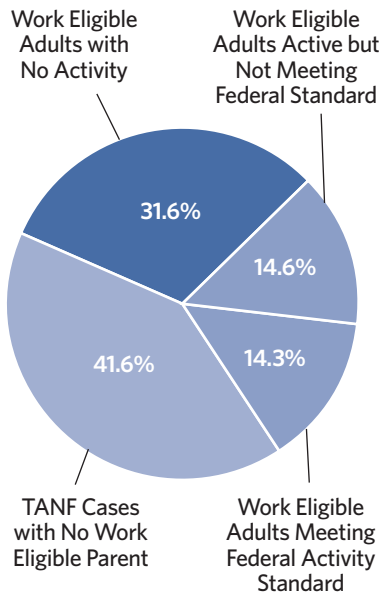
The remaining 58 percent of TANF families contained one or more work-eligible adults. However, half of these work-eligible adults were completely idle. They performed no "work activity" at all, either activities that are "countable" under federal law or those that are not. As Chart 1 shows, cases with work-eligible adult recipients who were completely idle represented roughly one-third of the total caseload. These individuals received a welfare check while sitting at home doing nothing.

Another 14 percent of TANF families had a work-eligible adult who performed some activity that did not fully meet the federal standards because the number of hours of activity was insufficient or the activity was not included in the federal standards. A final 14 percent of cases (31 percent of work-eligible adults) performed enough work activity to meet federal standards.

In reality, too little work is performed in the TANF program. This

CHART 1

Work Activity in TANF Caseload: March 2011



Sources: U.S. Department of Health and Human Services, Administration for Children and Families, Caseload Data 2011, http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm (accessed September 17, 2012), and U.S. Department of Health and Human Services, "Engagement in Additional Work Activities and Expenditures for Other Benefits and Services," March 2011, http://www.acf.hhs.gov/programs/ofa/data-reports/cra/2011/march2011/cra_report-to-congress.html (accessed September 17, 2012).

B 2730 heritage.org

is not a byproduct of the recession; it has been a constant feature of TANF for many years. It is difficult to understand why anyone would want to weaken these already overly lenient work standards.⁷

Eight Positive Impacts of Work Requirements

Workfare is a simple concept, but a good workfare program will affect the welfare system in a wide variety of ways. Overall, workfare has eight different positive impacts on welfare recipients and society:

- **Workfare establishes fairness by requiring recipients to engage in constructive activity in exchange for benefits.** As noted, the public overwhelmingly believes that able-bodied adult welfare recipients should be required to work, prepare for work, or at least seriously look for work as a condition of receiving aid. Taxpayers resent the idea that they must work while able-bodied welfare recipients receive something for nothing. Workfare transforms welfare from a one-way handout into a system of reciprocal obligation. Aid is given, but positive behavior is required in exchange.
- **Workfare serves as a gatekeeping mechanism that targets aid to the truly needy.** Workfare can serve as a rational gatekeeping device that monitors and controls entry into welfare programs. By definition, able-bodied applicants for welfare claim that they cannot find employment and therefore need aid from the taxpayer. In many cases, this is true, but large numbers of people will take a free handout if the government offers it, even if they do not really need it. A work test applied at the point of entry into a welfare program can help the government to separate these two groups. If the government requires recipients to begin serious efforts toward self-reliance at the time of enrollment, many of those who do not really need the aid will simply choose not to enter the welfare rolls. Those who really cannot find employment or other support will receive aid but will immediately be put on a path toward leaving welfare.
- **Workfare reduces unnecessary entries into welfare and shrinks the rolls.** One important consequence of workfare as a gatekeeping device is that it sharply decreases new applications and enrollments in welfare. This in turn leads to substantial declines in caseloads. Few people realize that the sharp drop in the TANF welfare caseload after 1996 was caused as much by a drop in new enrollments as by an increase in departures from welfare. This fact is very important to understanding President Barack Obama's planned changes in the TANF program.
- **By deterring unnecessary entries into the welfare system, workfare increases long-term earnings potential.** Time spent on welfare never looks good on a job resume. Welfare dependence erodes work habits and job skills and reduces contacts with other employed persons that can lead to future job opportunities. Unnecessary enrollment in welfare therefore undermines

7. Many states meet their participation rate by increasing their income disregards, the amount of money that a recipient can earn and still receive benefits. This increases the number of persons who are employed while receiving TANF but does nothing to really reduce dependence.

an individual's long-term earnings potential and increases the prospects for future poverty. Conversely, by deterring unnecessary enrollments and spells of welfare dependence, workfare tends to increase long-term earnings among potential recipients.

■ **Workfare reduces fraud.**

Workfare reduces fraud by decreasing the opportunity of individuals to receive a welfare check while maintaining an unreported job. In TANF and other welfare programs, monthly benefits are reduced as earnings increase. A prevalent type of fraud involves recipients who fail to report employment to the welfare office or who work off the books. By hiding their employment, these individuals illegally receive full welfare benefits and a wage. A rigorous workfare program that, for example, requires a recipient to be at a supervised job search or training site each day can eliminate this type of fraud because the recipient cannot be in two places at once. He cannot be at the welfare office and his hidden job simultaneously. Faced with a rigorous workfare requirement, most recipients with hidden jobs simply drop off the welfare rolls.

■ **Workfare decreases the economic utility or attractiveness of welfare and therefore shortens the time that recipients remain on the rolls.** Workfare reduces the anti-work incentives inherent in conventional welfare programs. Traditional welfare programs, which include most means-tested aid programs in

the U.S., offer recipients income without work. These programs reward idleness and discourage employment. Workfare reduces the relative economic utility or attractiveness of remaining idle on welfare. For example, a welfare program that provides aid but requires a recipient to leave home and participate in supervised job search at the welfare office four days per week is substantially less appealing than a program that allows recipients simply to sit at home and collect checks. Workfare reduces the rewards for idleness and increases the incentives to find a job. This results in fewer enrollments, shorter spells of welfare dependence, and smaller caseloads.

■ **Workfare programs provide job training, job search, job readiness skills, and employment search services, all of which help recipients to move from welfare into work.** Workfare programs provide training, job readiness preparation, and employment search services that help to connect recipients to jobs. These services help recipients to increase their skills and to find and obtain employment, thereby speeding the transition from welfare to work.

■ **Workfare reduces welfare caseloads and thereby produces savings for taxpayers.** By reducing unnecessary welfare enrollments and shortening the time spent on welfare, workfare substantially shrinks caseloads, thereby generating substantial savings for taxpayers.

Caseload Reduction

Some have criticized the TANF participation rate requirements as mere “process” measures. Instead, they argue, TANF should focus on outcomes such as employment exits. Yet the TANF work participation standards fulfill one of the most important goals of welfare reform: establishing some fairness between taxpayers and welfare recipients by requiring at least a few able-bodied recipients to work or prepare for work as a condition of receiving aid. Both recipients and taxpayers benefit from this.

Work requirements are also pivotal to one of the four main legislative purposes of the TANF program: reducing dependence on government.⁸ The 1996 law insists that all state TANF programs must be designed to “end dependence of needy families on government benefits by promoting job preparation, work, and marriage.” As noted above, workfare promotes work and reduces dependence by decreasing unnecessary welfare enrollments and by providing training and services to welfare recipients.

Section 407 of the welfare reform law is designed to implement the primary legislative purpose of dependency reduction not only through its participation requirements, but also by establishing an accompanying goal of caseload reduction. When the 1996 welfare reform law was being drafted, reform efforts in Wisconsin demonstrated that strong workfare programs could cause the AFDC rolls to drop very quickly, often by 3 percent to 4 percent per month. Because strong workfare programs were characterized by high work participation rates and rapid caseload

8. The four main goals of TANF are to provide assistance to needy families; to end dependence by parents on government benefits by promoting job preparation, work, and marriage; to reduce out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.

reduction, the TANF law encouraged both.

States were given credit for caseload reduction that they could use to partially offset their work participation requirements. If a state had a required work participation rate of 40 percent but reduced its caseload by 10 percent, a “caseload reduction credit” of 10 percent could be subtracted from the state’s required participation rate. Overall, that state would have a residual work participation requirement of 30 percent (40 percent minus 10 percent). If the state had no caseload reduction, it would face the full work participation requirement of 40 percent. The combination of work participation rates and the caseload reduction goal led to a 50 percent drop in the national TANF caseload in the first five years after welfare reform was enacted.

The Left, Work Requirements, and the Welfare State

To follow the political debate about work requirements and welfare reform, it is important to recognize that the left largely rejects the goal of caseload reduction. In addition, liberals reject seven of the eight above-listed impacts of workfare as “punitive.” The one exception is increasing employment through training and services. Liberals have always enthusiastically accepted this goal, particularly if recipients’ participation in training or job placement is voluntary. Because the left

rejects seven of the eight impacts of workfare, it has always been hostile to workfare and has sought to curtail or displace it whenever possible.

Work requirements are designed to strongly nudge behavior. Their underlying motor is the implicit threat to remove benefits if an individual fails to perform required activities. While this sounds harsh, it produces quick and positive changes in behavior in most cases.

However, the ideological left sees welfare recipients as victims of social injustice, not as people needing a nudge to change behavior. Most aspects of workfare are perceived as “punishing the victim.” Workfare’s potential to remove benefits from those who refuse to work or prepare for work is seen as jeopardizing the poor.⁹ While the left no longer denounces workfare as “slavefare,”¹⁰ it has never fully abandoned the idea behind the slogan.

The U.S. means-tested welfare system provides cash, food, housing, medical care, and services to the poor and near poor through more than 80 federal programs. In 2011, approximately 100 million Americans—one-third of the U.S. population—received benefits from one or more of these programs. The total cost, not including Social Security and Medicare, came to \$927 billion, or roughly \$9,000 per recipient.

Year after year, the left has sought to expand welfare entitlements by increasing enrollments and raising

benefits in these programs. Serious workfare programs that could sharply reduce caseloads in programs such as TANF, food stamps, and public housing are incompatible with this vision of the welfare state.

Historic Opposition to Workfare

President Obama has created a firestorm by overturning the work requirements in the welfare reform law, but this is just the latest step in a long history of liberal opposition to work requirements in welfare. For example, welfare reform under President Richard Nixon was blocked by left-wing opposition to work requirements. Throughout the 1980s, liberals in Congress blocked President Ronald Reagan’s efforts to require AFDC recipients to work.

Although Bill Clinton campaigned on work in welfare, his actual legislation contained extremely weak work requirements. In 1996, a Republican Congress crafted a new welfare reform law with work requirements as its centerpiece. Although this bill ultimately received bipartisan support, half of the Democrats in the House and Senate voted against it. The liberal opposition was so strong that President Clinton vetoed welfare reform twice before finally signing it.

Yet the polls were clear. Workfare was extremely popular, with upwards of 80 percent of the public supporting it. Clinton eventually bowed to public pressure and

9. Opponents of welfare reform express concern about “disconnected” single-parent families: families that have neither TANF benefits nor earnings. Each year around one-tenth of single parents will go through a period of four months or more during which they receive neither wages nor TANF aid. However, these families will receive other types of aid, such as food stamps, the earned income tax credit, public housing, and Medicaid. Moreover, these single parents generally reside in households with other adults with income. The average annual household income for disconnected parents is \$26,000. In addition, nearly all disconnected mothers are free to enroll in TANF if they feel the need to do so. Finally, some disconnected parents are illegal immigrants who are not eligible for TANF. Pamela J. Loprest and Austin Nichols, “Dynamics of Being Disconnected from Work and TANF,” Urban Institute, May 2011, <http://www.urban.org/publications/412393.html> (accessed September 17, 2012).

10. Michael Novak, “Will Welfare Bill Break the Cycle of Poverty?: Liberty Means Self-Reliance—and Work,” *Los Angeles Times*, October 9, 1988, http://articles.latimes.com/1988-10-09/opinion/op-5211_1_welfare-reform-bill (accessed September 15, 2012).

signed the bill after he was warned that he would lose his reelection bid if he vetoed welfare reform a third time. However, he could not convince diehards in his own Administration. Most of his Cabinet opposed the bill, and Peter Edelman quit his post in the Department of Health and Human Services (HHS) when Clinton signed it.

As the Democratic Party shifted leftward after 1996, opposition to work requirements intensified. When TANF faced reauthorization in 2002, liberals aggressively sought to repeal the federal work standards. In 2006, they repeated the attack. For the most part, liberals lost those battles.

Unable to roll back workfare legislatively, the left has now used an illegal bureaucratic maneuver to annul the core of the welfare reform legislation. The Obama Administration has declared the TANF work provisions null and void and has granted itself unlimited authority to recraft the work standards in any manner it chooses.

Conclusion

The TANF work requirements were the main driving force behind the success of welfare reform. These rules require 30 percent to 40

percent of the able-bodied TANF caseload to engage in any of 12 different work activities for 20 hours to 30 hours per week.

Although the TANF work requirements are often described as moving people “from welfare to work,” this term is somewhat misleading. Vigorous work requirements substantially reduce unnecessary new entrances into the welfare system and promote exits from the rolls. The decline in unnecessary new enrollments was critical to the success of welfare reform.

Work requirements are a compassionate aspect of welfare reform. For example, work requirements are more lenient than time limits. With a work requirement, aid continues as long as the recipient behaves in a constructive manner. Regrettably, the current TANF work requirements are far too lenient. At present, half of the work-eligible TANF recipients receive checks while doing nothing. They are completely idle on the rolls. This is not a byproduct of the recession; it has been a constant feature of TANF for many years.

The left wing of the Democratic Party opposed welfare reform in 1996. In the years since then, it has repeatedly sought to eliminate federal work requirements. What

the left was unable to accomplish through legislation, the Obama Administration is now attempting to implement through backdoor bureaucratic action.

The second part of this paper series will explain the substantial changes that the Obama Administration plans for the TANF work requirements. The Administration has clearly stated that it will weaken the law’s work rules by lowering the participation rates, exempting more TANF recipients from work, and broadening the law’s definitions of work.

Moreover, HHS plans to allow states to waive compliance with the legislative work rules entirely, replacing them with alternative systems based on “universal engagement,” “employment outcomes,” or other unspecified designs. This will almost certainly mean eliminating meaningful federal work participation requirements for many TANF recipients. The result will be a massive setback for the successful welfare reform of 1996.

—*Robert Rector is Senior Research Fellow in the Domestic Policy Studies Department at The Heritage Foundation.*