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Ending Work for Welfare: Bogus Measures of Success

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Last month, President Obama's Department of Health and Human Services (HHS) illegally overturned the work requirements that were the core of the welfare reform law of 1996, which required that a portion of the able-bodied recipients in the Temporary Assistance for Needy Families (TANF) program—the successor to the Aid to Families with Dependent Children (AFDC) program—be required to work or prepare for work as a condition of receiving aid.

The Obama Administration abolished this standard, declaring that in the future all state welfare bureaucracies and all TANF recipients could be exempted from the federal work requirements. Obama's HHS has set forth several dramatic changes that will permit state welfare bureaucracies to ignore the TANF "workfare" standards. These changes will demolish the work-based core of welfare reform. Here is the first lesson why.

Sham Work Standards. In order to be exempt from federal work participation standards, HHS Secretary Kathleen Sebelius stated that a state would have to "move at least 20% more people from welfare to work compared to the state's past performance." This standard is vague, since states do not actually need to fulfill it but merely "demonstrate clear progress toward that goal no later than one year" after they are exempted from the old TANF work standards. Nonetheless, at first glance, this goal looks fairly impressive.

President Obama's HHS will exempt states from the federal work requirements if they increase by 20 percent the number of TANF cases that lose eligibility due to increases in earnings, a measure called "employment exits." There are four reasons why a 20 percent increase in the number of employment exits, although it sounds impressive, is a very weak or counterproductive measure of success in welfare reform.

1. Employment Exits Will Increase Automatically When the Economy Recovers. During the current recession, the number of employment exits from TANF has dropped by about one-fourth from its normal level. Historical data show that the number of exits will almost certainly rebound automatically by a similar amount as the economy revives. Thus, virtually every state in the U.S. will experience an increase in its employment exits by 20 percent "compared to the state's past performance" as the economy moves from recession toward higher employment. This will occur automatically without any particular action on the part of the state welfare bureaucracy. Thus many states will become permanently exempt from the TANF work standards for doing nothing at all.

2. States Could Meet the Target Simply with Better Record Keeping. About 1.5 percent of the monthly TANF caseload leaves the program because of increased employment each month, but an even larger number leave the caseload for unknown or unspecified reasons. To be exempt from the TANF work requirements, the average state would need to raise its monthly employment exits from 1.5 percent of caseload to 1.8 percent. It seems likely that many states could meet this target simply by collecting or reporting more accurate data on their current exits from caseload. In other words, many states may obtain

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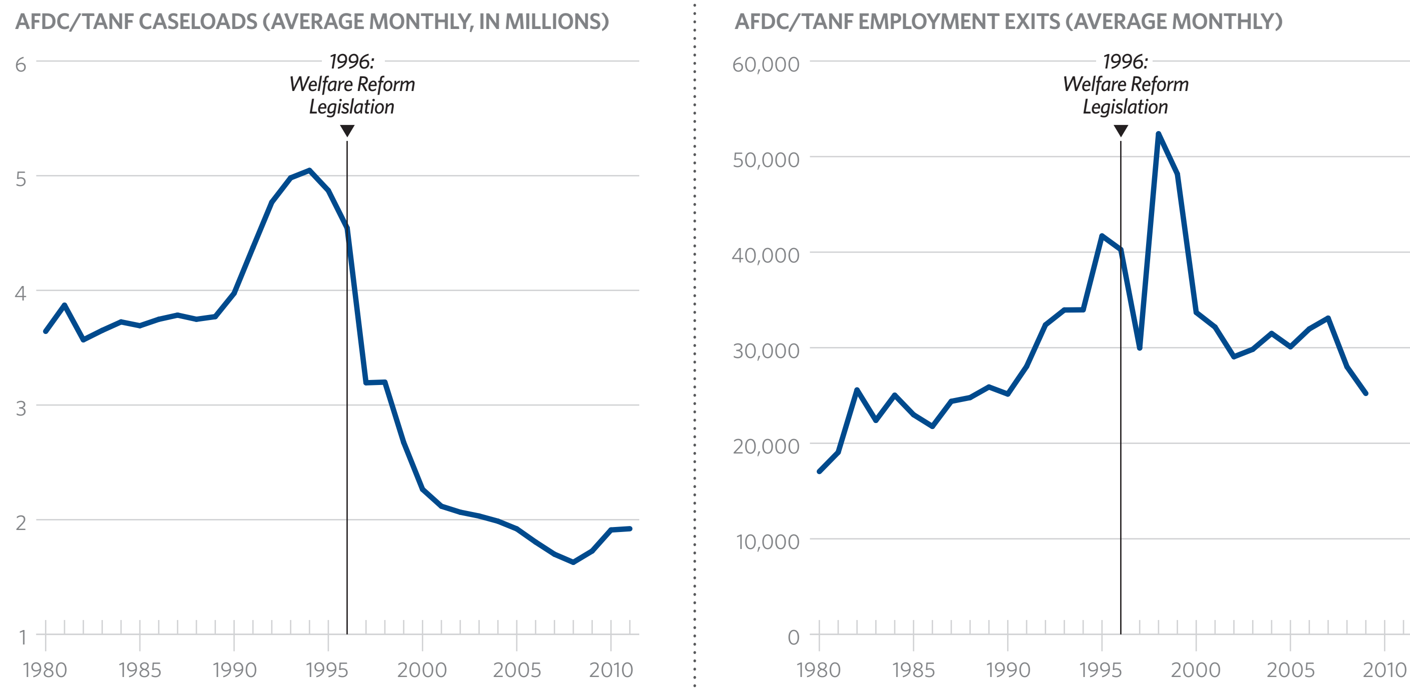
CHART 1

Welfare Caseloads and Welfare Employment Exits



Source: Overview of the AFDC Program, fiscal year 1994; Temporary Assistance for Needy Families (TANF) Program, annual report to Congress, various years.

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permanent exemptions from TANF work standards simply by marginal improvements in record keeping.

3. A 20 Percent Increase in Exits Is Insignificant. An increase in employment exits of 20 percent is actually a very small change. The average state has a monthly TANF caseload of around 40,000 families and an annual caseload of perhaps 80,000. Each state has around 600 employment exits from TANF each month, or 1.5 percent of monthly caseload. According to Obama's new welfare system, the state can be fully exempt from the work standards written in the TANF law if it raises its employment exits from 600 per month to 720.

Why is it reasonable, fair, or wise to exempt the remaining 39,000 welfare households from workfare participation just because an extra 120 have left the rolls? What are the remaining 39,000 households supposed to do? No one really knows. But it is certain that, under Obama's new welfare plan, the federal government would no longer require any of those recipients to work or prepare for work. Why is that good policy? Why is that fair to the taxpayers?

4. More Employment Exits Indicate Larger Caseload. An increase in employment exits is almost always a reverse indicator of reducing welfare dependence. There is actually a strong positive correlation between an increase in employment exits and an increase in caseloads. In other words, the number of the employment exits generally rises when the size of the welfare caseload rises, and it falls when the caseload falls.

How can this be? The answer lies in routine caseload turnover. Even before the 1996 welfare reform, a modest number of households would regularly exit the AFDC rolls each month while a similar number would enter the rolls. Because of routine turnover, increased caseloads were generally accompanied by higher numbers of employment exits.

This pattern can be seen in chart 1. In the pre-reform period, the AFDC caseload rose and the number of employment exits rose in parallel. After welfare reform, the opposite occurred: Except for a single year shortly after reform (1998), the number of employment exits fell (or at least remained static) while the caseload declined.

In the 10 years prior to welfare reform (1986–1995), the AFDC caseload increased by almost 30 percent, and the number of employment exits nearly doubled. In the 10 years after welfare reform (1997–2006), the TANF caseload fell by 50 percent while the number of caseload exits fell by 7 percent.

Perverse Measures of Success. Employment exits are a poor predictor of changes in welfare caseloads, because change in caseload size is determined not by exits alone but by the number of exits compared to the number of entrances. After welfare reform, TANF caseloads fell in a manner never seen under AFDC, because the number of exits remained fairly high while the number of new enrollments in the program fell sharply. New enrollments, in turn, declined because individuals who did not really need welfare aid, when confronted by a work requirement, simply chose not to enroll in welfare in the first place.

The number of employment exits is thus meaningless as a method for assessing the TANF program. Employment exits is a sham measure of success that creates the impression that welfare dependence is being reduced when, in reality, the number of persons on welfare is constant or rising. (This was common practice prior to welfare reform. Governors routinely issued deceptive press releases trumpeting, "Last year, Governor X helped 10,000 families leave AFDC!" The press release would fail to mention that during the same period, 15,000 other families enrolled in the program.)

According to the Obama Administration's preferred measure of welfare performance, the pre-reform AFDC system was a stunning success: Employment exits nearly doubled. By contrast, the post-reform TANF program was a failure because employment exits declined.

Returning to AFDC. It should be no surprise that President Obama, who opposed welfare reform in 1996, now effectively ends it by eliminating the law's core work requirements. By his Administration's standards, AFDC was far better. The federal government required almost no one to work or prepare for work under the old AFDC program. It will now require no one to work or prepare for work under Obama's post-reform system.

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