

# ISSUE BRIEF

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## An Overview of Obama's End Run on Welfare Reform

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In July of this year, the Department of Health and Human Services (HHS) granted itself authority to “waive compliance” with all of the work provisions in the Temporary Assistance to Needy Families (TANF) program.

HHS has declared that the work requirements written in the law are no longer legally binding on state governments and that they can and will be replaced by alternative rules devised unilaterally by the HHS bureaucracy. This action grossly violates the intent and letter of the welfare reform law.

### **1996 Reform Was Successful.**

In 1996, Congress enacted welfare reform legislation that replaced the old Aid to Families with Dependent Children (AFDC) program with TANF. The immediate effects of welfare reform were striking. During the four decades prior to the 1996

welfare reform, the welfare caseload had never significantly decreased.

By 1995, nearly one in seven children was on AFDC. Within just a few years of TANF's implementation, however, the caseload was cut in half, and employment rates and earnings among single mothers soared.<sup>1</sup> 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.<sup>2</sup>

Federal work requirements in the TANF program form the foundation of the popular welfare reform law of 1996. These work standards have three parts: They require (1) 30–40 percent of able-bodied TANF recipients (2) to engage in any of 12 different work activities (3) for 20–30 hours per week.

**What HHS Wants to Do.** In its guidance memorandum and related documents, HHS outlined the types of changes it was seeking in the TANF program. HHS stated that it would:

- Lower the already lenient work participation rates in TANF by exempting substantial and loosely

defined groups of recipients from the work rates;

- Likely broaden the definition of “work activities”;
- Replace the requirement that recipients engage in work activities for 20–30 hours per week with looser standards, perhaps as little as one hour per week; and
- Replace the TANF work participation requirements entirely with alternative standards based on “employment exits.”

All of these changes are likely to substantially increase the number of TANF recipients who receive a check without working.

**The “Employment Exits” Red Herring.** Stung by criticism that it was weakening the work requirements in welfare, the Obama Administration released a subsequent letter stating that some or all of the states receiving future waivers would be required to increase the number of recipients who left welfare due to employment by 20 percent or at least to make progress toward that target. In reality, this is a miniscule change. To meet this standard, the

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typical state would merely need to increase the number of monthly “employment exits” from 1.5 percent of caseload to 1.8 percent.

States have kept statistics on employment exits for decades, but they have always been meaningless as a measure of success. Why? Because welfare caseloads always have routine turnover. The larger the caseload, the greater the number of exits—simply because there are more people in the system.

Historically, the number of employment exits rises as welfare caseloads rise and falls when welfare caseloads fall; increases in employment exits are negatively correlated to reductions in caseloads and dependence. For this reason, Congress deliberately excluded “employment exits” as a performance measure when crafting the 1996 welfare reform law.

Now the Obama Administration seeks to make “employment exits” the central performance standard of a radically revised TANF program.

Paradoxically, by this standard, the old pre-reform AFDC program was a stunning success: Employment exits nearly doubled in the decade before reform, and caseloads increased by a third. By contrast, the post-reform TANF program has been a decided failure: Both exits and caseloads have fallen. The Obama Administration is not merely gutting welfare reform; it is standing it on its head.

**Restore and Expand Work Requirements.** Some 95 percent of the public believe that able-bodied recipients of government aid should be required to work or prepare for work as a condition of receiving assistance.<sup>3</sup> By that standard, the existing TANF work rules are already too lenient. Half of able-bodied TANF recipients receive a welfare check but perform no activity at all.

In addition, the federal government runs over 80 means-tested welfare programs providing cash, food, housing, medical care, and social services to low-income individuals. In 2011, the cost of these programs

was \$927 billion. Over 100 million Americans received benefits from these programs at an average cost of \$9,000 per recipient. At the beginning of the year, only three of these 80 programs had a significant work requirement: the earned income refundable credit, the additional child refundable credit, and TANF. Now, in many states, the TANF work requirements will be weakened or eliminated.

Government should take the opposite course. The work participation rates in TANF should be increased to cover more recipients. In the long term, strong work participation standards should be established in other programs such as food stamps, public housing, unemployment insurance, and Medicaid. Regrettably, the Obama Administration is marching briskly in the opposite direction.

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1. See Robert Rector and Patrick 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. *Ibid.*

3. See Robert Rector, “Obama’s End Run on Welfare Reform, Part One: Understanding Workfare,” Heritage Foundation *Backgrounder* No. 2730, September 19, 2012, footnote 6, [http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-one-understanding-workfare#\\_ftn6](http://www.heritage.org/research/reports/2012/09/obamas-end-run-on-welfare-reform-part-one-understanding-workfare#_ftn6).