



Welfare Reform, Success or Failure?

It Worked

It has been 10 years since the welfare reform law was signed by President Clinton amid predictions of disaster from the left. Information reported by states, by the U.S. Census Bureau, and by researchers yields a coherent picture of the broad effects of the 1996 reforms.

Observational research conducted by Irene Lurie and her colleagues at the State University of New York shows that welfare case workers now consistently implement state policies designed to discourage families from relying on welfare by mandating employment-related activities and then by ensuring that clients participate in these activities. These changes constitute a revolution in social policy.

With Mixed

The 10th anniversary of the 1996 welfare law occurs in the same year that states must re-examine their programs in light of new reauthorization legislation. The experience of the last 10 years provides important guidance for next steps. It underscores the need to make welfare reform part of a larger effort to promote sustainable employment and reduce poverty, and to ensure that Temporary Assistance for Needy Families (TANF) programs work with, rather than drive away, families with serious employment barriers.

TANF was enacted among a set of policies in the 1990s that expanded help to low-earning working families. During this period, the nation increased the earned income tax credit

What has been the effect of these major changes? Welfare caseloads began declining in the spring of 1994 and picked up steam after the federal legislation was enacted in 1996. Between 1994 and 2004, the caseload declined about 60 percent, a decline that is without precedent. The percentage of U.S. children on welfare is now lower than it has been since at least 1970.

But are the mothers who leave (or avoid) welfare able to find work? More than 40 studies conducted by

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states since 1996 show that about 60 percent of the adults leaving welfare are employed at any given moment and that, over a period of several months, about 80 percent hold at least one job. Even more impressive, national data from the Census Bureau show that between 1993 and 2000, the percentage of low-income, single mothers with a job grew from 58 percent to nearly 75 percent, an increase of almost 30 percent. Moreover, employment among never-married mothers, the most disadvantaged and least-educated subgroup of single mothers, grew from 44 percent to 66 percent, an increase of 50 percent, over the same period. Again, these sweeping changes are unprecedented.

What about income? Census Bureau data show that in 1993, earnings accounted for about 30 percent of the income of low-income mother-headed families while welfare payments accounted for nearly 55 percent. By 2000, this pattern had reversed: earnings had leaped by an astounding 136 percent to constitute almost 57 percent of income while welfare income had plummeted by nearly half to constitute only about 23 percent of income. Equally important, with earnings leading the way, the total income of these low-income families increased by more



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Results

and minimum wage, expanded low-income child care, broadened health care for low-income children, strengthened child support enforcement, and improved access to food stamps for working families.

TANF involved a combination of “work first” policies to promote rapid job entry, policies to restrict assistance for those who were not working or did not meet program rules, and a block grant structure in which billions of dollars became available for redirection when welfare caseloads fell.

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The results of this combination of policies were dramatic but mixed. When the economy was strong, there was unprecedented growth in employment and earnings among single-parent families, and poverty fell. Employment retention was uneven, advancement was limited, and most families remained in or near poverty, although with more income than when receiving welfare. At the same time, the caseload and the share of eligible families receiving TANF assistance plummeted, and many families with serious employment barriers were left without assistance or jobs. When the economy slowed, the most favorable indicators slowed or reversed. The declines were not enough to overcome earlier gains, but over the last four

years, single-parent employment has fallen, poverty has grown, the caseload has flattened and today, less than half of eligible families and only one-third of poor children receive assistance.

The freed-up TANF funds provided opportunities to increase supports for working families, address employment retention and advancement for low-earning parents, expand services for fathers, and develop initiatives to promote better outcomes for youth. At first, states redirected billions of dollars to child care and initiated small but noteworthy efforts to address labor



than 25 percent over the period (in constant dollars).


Not surprisingly, between 1994 and 2000, child poverty fell every year and reached levels not seen since 1978. In addition, by 2000, the poverty rate of black children was the lowest it had ever been.

Critics point out that unemployment by single mothers has risen since the mild recession of 2001 and that child poverty has now increased for four consecutive years. Although unemployment has increased, there were 1.3 million more never-married mothers employed in 2002 than in 1993 before the economic expansion and the exodus from welfare reform. Moreover, even after four years of increases, the

child poverty rate in 2004 was still 20 percent lower than in 1993.

Although welfare reform is a major cause of these felicitous outcomes, at least two additional factors are important. First, the economy of the 1990s was exceptionally strong and produced a net increase of 16 million jobs. Second, in the decade leading up to the welfare reform law and in the welfare reform law itself, Congress enacted a series of expansions in social programs—including child care, the child tax credit, Medicaid, the standard deduction and the personal exemption in the tax code, and the Earned Income Tax Credit—that were designed to help low-income families that work.

Clearly, federal social policy requiring work backed by sanctions and time

limits while granting states the flexibility to design their own work programs produced better results than the previous policy of providing welfare benefits while expecting little in return. It is better to cajole mothers to take low-wage jobs and supplement their income than to allow them to languish on welfare. Above all, experience with welfare reform since 1996 shows conclusively that most low-income families are capable of finding and holding jobs while, with government support, increasing the financial well-being of their children. Welfare reform has been a triumph for the federal government and states—and even more for single mothers. 

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market progress. But over time, these funds became increasingly directed at financing state child welfare systems and filling state budget holes. The TANF “participation rate” was never a good measure of state efforts to help families get and keep jobs; far more telling is that the share of TANF funds used for child care declined each year after 2000, and that in 2004, only 8 percent of TANF and state maintenance-of-effort funds were spent on work-related activities.

As states consider their next steps, 10 years of research and experience underscore the need for more balanced approaches that focus on skill building, job quality, and helping families increase their incomes. The research makes clear that:

- the most effective programs do not simply focus on job search or basic education, but blend a mix of individualized employment, training and other services with attention to local labor markets;
- retention and advancement are affected by wages and other aspects of the quality of initial job placements, the premise that any job is as good a starting point as any other job is not true; and
- to see improvements in child well-being, it’s important to connect families with stable quality child care and ensure that employment translates to increased family income.

Unfortunately, the reauthorization bill enacted by Congress reflects almost none of those key lessons. After nearly four years of debate narrowly focused

on the mechanics of TANF participation rates, the resulting law provides few new resources, restricts state flexibility to design effective programs, and offers a strong incentive to simply cut caseloads.

While states will need to develop strategies to meet federal requirements, the challenge is to ensure that compliance and penalty avoidance do not become the central goals of welfare reform. It is crucial to have strategies that address the needs of TANF recipients and other low-income families, and to be guided by goals of promoting sustainable employment, supporting labor market progress, and reducing poverty. After 10 years, much more is known, and it is crucial to build on that knowledge to do better. 