

Chapter 1

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An Overview

On August 22, 1996, President Bill Clinton signed legislation that transformed the American welfare system. Many of the new law's provisions, including Temporary Assistance for Needy Families (TANF), which replaced Aid to Families with Dependent Children (AFDC), were authorized for six years. By October 1, 2002, the 107th Congress must reauthorize the welfare reform legislation to avoid disrupting the flow of TANF funds to the states.

The 1996 legislation is one of the most closely examined pieces of social legislation in recent decades. The extensive research available on many facets of the law and its implementation has the potential to play a vital role in the reauthorization debate. But research must be synthesized, organized, and shared with policymakers in a form that they can use as a basis for considering changes. This volume of brief essays, most originally published as policy briefs by the Brookings Institution's Welfare Reform & Beyond Initiative, attempts such a synthesis.

The New Law

Enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 followed decades of complaints about the inadequacies of the existing welfare system and the many attempts to reform it. Some observers charged that the old welfare system left too many families destitute, while others believed it was anti-work and anti-family. These different views reflect an age-old tension between explanations of poverty that emphasize lack of opportunity as the primary cause and those that emphasize lack of personal responsibility. The 1996 law stressed the importance of the latter with an emphasis on encouraging work and reducing out-of-wedlock childbearing.

Although the new law revised many programs—including child care, food stamps, child support, aid for disabled children, and the eligibility of legal immigrants for means-tested benefits—its heart was the TANF program. TANF repealed the individual entitlement to welfare and replaced an open-ended federal payment to the states with a block grant. The funding level of the grant was fixed, but states were given added flexibility in deciding how funds were to be spent. TANF also contained strong work requirements (on states and individuals), sanctions for individuals who failed to comply with the new requirements, and a five-year limit on the use of federal dollars for cash assistance to individual families. Taken together, these five characteristics rendered TANF a radically different program from the AFDC program it replaced.

By the time welfare was reformed, a quiet revolution had already greatly increased the availability of benefits to low-income working families through such programs as the Earned Income Tax Credit (EITC), Medicaid, and child care. In 1999, working low- and moderate-income families were eligible for \$52 billion in assistance from such programs, compared with the \$6 billion they would have been eligible for under the 1984 law. If welfare reform was the “stick” encouraging welfare mothers to work, these work support programs were the new “carrot” (chapters 12–15).

State Responses

The first question in considering how the 1996 law has worked is how states have responded (chapters 4–6). Most states have moved not only to implement the provisions of TANF, but to put in place a rich array of both “carrots” (incentives and supports) and “sticks” (penalties) to encourage work by TANF recipients. In 36 states, a family loses their entire welfare benefit if the adult fails to comply with the work requirement (chapter 6). The precise mix of incentives, supports, and penalties chosen varies widely from state to state, however, reflecting differences both in state political environments and in financial resources (chapter 4).

Equally revealing, the spending patterns found in the budgets of state and local offices have changed dramatically. Before welfare reform, state and local offices typically spent around 80 percent of their welfare money on cash benefits, with the rest going to administration, education, training, and child care. Now states often spend 50 percent or less of their funds on cash benefits. Only a few states have reduced their cash assistance benefit levels. Spending on job search, education, training, child care, and other work-related activities has expanded and diversified. If budget is policy, important changes have taken place in the welfare program at the state and local level.

These policy shifts can also be seen in the implementation of welfare reform at the ground level. No longer are local offices simply check-writing operations; they are also agencies that help people prepare for and find jobs (chapter 5). Welfare office personnel have been retrained, and the activities inside welfare offices—which most states have renamed “Work Centers” or a similar term—have expanded to include job-related pursuits.

Results

The major consequences of this emphasis on work have been a big drop in welfare caseloads, increased employment and higher incomes among single mothers, and a decline in child poverty (chapter 2 and chapters 7–9). Some families are worse off, however, and states have only recently focused on how to move the hard-to-employ toward self-sufficiency (chapter 15). Many families have been sanctioned for their failure to comply with work requirements, and little is known about how this group is faring (chapter 6). Moreover, many families have lost the food stamp and Medicaid benefits they had been receiving and to which they remain entitled, primarily because of the difficulty that working families have accessing such benefits (chapters 19 and 20). Legal immigrants—a group that lost eligibility for many benefits in 1996—have been

especially affected as their use of TANF, food stamps, Medicaid, and Supplemental Security Income (SSI) have all declined (chapter 23).

Although the great majority of mothers leaving welfare have found jobs, their earnings are quite low, typically around \$7–8 an hour (chapter 9). Moreover, few have health insurance coverage through their employers, and many must pay for child care. In fact, despite a large increase in funding for child care since 1996, many states report waiting lists for subsidized care, and working mothers often find it difficult to navigate the child care system or to come up with the co-payments required to get the subsidies (chapter 21). Still, in the end, work pays better than welfare. A mother with no more than three children can escape poverty if she works steadily and full-time at a \$7 an hour job and receives the benefits to which she is entitled (chapter 12).

Progress in achieving the family formation goals of the 1996 law has been less evident, but even here several indicators have begun to move in the right direction. Teen pregnancies and births have declined dramatically, the share of children born out of wedlock has leveled off, and the share of children being raised in two-parent families has increased (chapters 16–18). The strong emphasis on parental responsibility in the 1996 law has been followed by large increases in paternity establishment and child support collections.

A major concern of critics of the 1996 law was that it would harm children. So far little evidence of widespread harm has materialized. According to evidence drawn largely from pre-TANF state experiments comparing children whose mothers were required to work with those whose mothers remained on welfare, no consistently significant differences exist between the two groups of children in terms of their health, education, or behavior. Indeed, where the work requirement has been accompanied by extra income for the family (through some type of earnings supplement), elementary-school-aged children appear to be better off (chapter 8). Nor have severe forms of deprivation—such as child abuse and neglect or not having enough food to eat—increased, as some had feared. The only negative findings to date are for teenagers, whose school performance appears to have been adversely affected.

In researching the effects of the 1996 law, scholars have both described the trends in such indicators as caseloads, employment, poverty, and child well-being and attempted to analyze the specific role of welfare reform in explaining these trends. It has proven especially difficult to separate the effects of welfare reform from those of the booming economy or of other policies such as a more generous EITC over this period. Most analysts believe that all three have been important. A careful synthesis of all of the research literature by the RAND Corporation generally found that welfare reform has had few negative effects overall, although problems were identified in some areas (e.g., the declining use of food stamps and Medicaid). Research by the Manpower Demonstration Research Corporation in New York City and the Urban Institute in Washington, D.C., has generally reached similar conclusions.

Although the 1996 law has been far more successful than many people expected, problems remain, and an opportunity exists to further improve the broad range of policies targeted at low-income families. In the remainder of this chapter, we distinguish between issues that Congress is likely to address in reauthorizing the 1996 law and those that will require a more sustained period of research and debate.

Reauthorization Issues

Chapter 3 discusses in some detail many of the issues that Congress is likely to debate when it rewrites the law in 2002. These issues can be grouped into six broad categories: 1) the purposes of TANF, 2) funding levels, 3) family formation and marriage, 4) work supports, 5) access to jobs during a recession, and 6) the treatment of legal immigrants.

Purposes The current TANF program has four goals: providing assistance to needy families with children; promoting work and reducing dependency; preventing non-marital pregnancies; and encouraging the formation and preservation of two-parent families. Controversy is likely to arise over efforts to incorporate two additional objectives into the law: an explicit emphasis on poverty reduction and an increased emphasis on marriage.

Funding Levels Several funding issues will spark controversy in the reauthorization debate. Because the annual TANF block grant is a fixed dollar amount that has not varied since it was established in 1996, its real value has been eroded by inflation. One issue is whether the block grant should continue at its current level, be adjusted upward to reflect inflation between 1996 and 2002 and be indexed thereafter, or be cut to reflect the dramatic drop in caseloads in recent years. Another issue is whether the grant should be adjusted to give states more money during recessions and less in economic good times or continue as a flat amount, as at present. A third concern is the very large disparities in TANF funding per poor child across states, with poorer states generally getting less money from the federal government. Some favor addressing such disparities, while others believe that doing so risks setting off a destructive “formula fight.” A final issue is whether to adjust the funding that states must contribute to receive their TANF block grant from the federal government (chapter 10).

Family Formation and Marriage Despite a heavy emphasis in the 1996 law on reducing non-marital births (including teen births) and encouraging marriage, these issues are sure to be front and center during reauthorization. Available data show states are spending less than 1 percent of TANF funds on family formation-related activities. There is considerable interest in helping fathers play a more responsible role in their children’s lives by working, paying child support, and having the child support go directly to their children rather than the government (chapter 17). The Administration has proposed dedicating funds to promoting healthy marriages and reducing non-marital births. Others want more emphasis on preventing teen pregnancy, arguing that this is a particularly effective way to reduce non-marital childbearing and increase the prospects for stable family formation (chapter 18). President Bush has called for continuing the abstinence-only grants to states established in the 1996 law and investing additional resources in

community-based abstinence programs; others argue that the jury is still out on the effectiveness of this approach and that a premium should be put on state flexibility in such a sensitive area.

In addition to encouraging or requiring states to place greater emphasis on family formation, there is support for eliminating rules that discriminate against two-parent families. Marriage penalties in the EITC were only partially remedied in 2001, and disincentives to marry remain in most means-tested programs, including TANF. Critics of proposals to encourage marriage worry about the diversion of dollars from programs for poor women and children and fear that the emphasis on marriage could lead to more domestic violence. They also question the role of government in these private matters and cite a lack of evidence about what works.

Work Supports With so many former welfare recipients working, but often at very low-wage jobs, a major concern is how to ensure that these families are able to support themselves and move up the economic ladder. One debate will center on how much emphasis to give to education and training and whether to limit states in the amount of education and training they can count toward meeting TANF's work participation goals (chapter 13). Another issue is whether the five-year time limit should apply to welfare recipients who are combining work and welfare. Concerns about the availability, affordability, and quality of existing child care are widespread, and efforts to greatly expand funding for child care have already emerged. Finally, access to food stamps and subsidized health insurance through Medicaid for those who have left welfare are also proving to be major issues.

Access to Jobs Although most welfare recipients were able to find jobs in the fast-growing economy of the late 1990s, finding and retaining jobs during a recession or a period of slower growth may prove more difficult. For this reason, debate may arise about relaxing time limits or work requirements during periods of higher unemployment. Measures to improve access to unemployment insurance benefits or community service jobs for those unable to find work in the private sector may also be debated (chapter 11).

Treatment of Legal Immigrants One of the most controversial aspects of the 1996 law was the denial of most welfare benefits to many immigrants, especially those coming to the United States after 1996 (chapter 23). The Bush administration has now proposed to restore food stamp benefits to legal immigrants who have lived in the country for more than five years, regardless of when they arrived, a proposal that will almost certainly spark a new debate about which groups of immigrants should be eligible for various income-tested benefits.

Longer-term Challenges

Regardless of how the 1996 law is revised, many issues will remain. One piece of legislation, no matter how well crafted, cannot address all the challenges facing policymakers as they seek to improve the lives of lower-income families. Four challenges seem to us to be especially important: 1) how to give more children the opportunity to

grow up in a two-parent family, 2) how to make jobs available and make work pay, 3) how to ensure that states and communities adopt the most effective policies and practices for helping low-income families, and 4) how to break the cycle of poverty for young children by family or societal investments in their early care or education.

Making progress on these longer-term challenges seems more possible now than at any time in recent decades. The enactment of welfare reform in 1996 broke a political logjam created by the unwillingness of taxpayers to subsidize people who were not working and who were raising children outside marriage. But the return of federal and state budget deficits will complicate efforts to fund new initiatives in the near term. And many potential next steps in policy toward low-income families involve issues on which public consensus is far less certain than it is on the importance of work.

At present, the debate about what, if anything, the government should do to encourage individuals to bear and raise their children within marriage is especially fierce. The debate revolves around whether the government should intervene in such traditionally personal decisions, whether public policies can accomplish this objective, and which strategies are most promising. Some observers want to focus on preventing unwed births to young women, others on promoting responsible father involvement and encouraging marriage among cohabiting couples who have already had a child, and still others on supporting existing marriages and preventing divorce.

On the employment front, many people believe that much of the good news associated with welfare reform is largely the result of the extraordinarily low unemployment rates that prevailed during the late 1990s. They question whether similar successes can be achieved if the economy should return to the higher unemployment rates of the 1980s and early 1990s. If they are right, more attention may need to be given to strategies that offer community service jobs or some other type of safety net for those unable to find work in the private sector (chapter 15). Equally important is the whole issue of workforce training, job retention, and advancement (chapters 13 and 14). We have few good models for helping low-skilled workers move up the job ladder. And if their earnings remain too low to support a family at some reasonable level—and that level itself will be part of the debate—then the question is how the tax or benefits system can be revised to make work pay (chapter 12) and make child care and health insurance affordable (chapters 20 and 21). Another fundamental issue that needs to be addressed is the role of such non-cash benefits as food stamps and housing assistance and how to make these programs work better for those who are employed (chapters 19 and 22). Despite widespread recognition of the problems posed by multiple systems that are uncoordinated, duplicative, and administratively cumbersome, fundamental structural reform of these systems has always proven difficult.

Because the 1996 welfare law gave substantial flexibility to the states, the effectiveness of any revised law will depend on the policy and spending choices made by states and on implementation practices at the local level. State policy choices have varied widely to date. It remains to be seen, however, whether state choices will remain diverse as state budgets face continuing pressure, or whether competitive pressures to cut either cash or

work support benefits such as child care will force a “race to the bottom.” The financial capacity of some states to pursue more generous time-limit extension and exemption policies as more recipients hit federal time limits also bears monitoring. In addition, welfare agencies need to develop effective programs and practices to reduce repeat pregnancies among TANF recipients and to encourage job retention and advancement—two areas where local practices have not changed very much (chapter 5).

A final issue that is likely to be debated, and possibly addressed, over the next decade is the early care and education of children. Now that most mothers, including low-income mothers, are working, questions about the availability, affordability, and quality of existing care have been raised. To some, improving the quality of early care and education is a good way to promote school readiness and break the cycle of poverty. To others, such an agenda seems to go beyond what they view as an appropriate role for government. They prefer children to be cared for within their own families. And they question the existing evidence about the effects of child care quality on child development.

These longer-term challenges and debates will not end in 2002. They suggest the need for continuing research, experimentation, and debate as the nation attempts to forge a better policy environment for the future.