

The Margaret Chase Smith Essay Welfare Reform: Unresolved Issues

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In 1993, President Clinton made a campaign promise to “end welfare as we know it,” thus he opened the floodgates of change and prompted legislative initiatives to reform a welfare system in which the majority of Americans have lost faith. With the recent Senate and House bills on welfare reform, which now await reconciliation in conference committee, Republicans have gone much further in dismantling the welfare system than the President could ever have anticipated.

Until now, welfare reform has been elusive largely because of paralysis in the face of two seemingly irreconcilable policy goals--alleviating poverty and reducing dependency. Now Congress, spurred by the electoral revolution of 1994, new federalism, and the muscle to deliver on the Contract with America, has approved bills that would fundamentally restructure federal antipoverty policy and end a 60 year guarantee of assistance to the poor. The old system would be replaced by block grants to states, a requirement that recipients work after two years, and, in the harsher House bill, a prohibition on aid to teenage mothers, and family caps which would deny additional aid to mothers who have more children while on welfare.

Although final details remain to be decided, it is now almost certain that Congress will make a great leap into the dark--gambling on measures which are unproven and, in some instances, more informed by rhetoric than reason. Even a cursory glance at actual data raises serious questions. For example, Senator Gramm and others claim that welfare is responsible for increasing levels of illegitimacy. Policy research provides a different conclusion. Regarding teenage nonmarital births, the evidence is clear that the generosity of state welfare benefits has no appreciable effect on the probability of a teenager becoming a mother. Further, the American teenage birthrate is two to ten times higher than in European nations with much more generous and comprehensive benefits. In contrast, labor market opportunities do play a role. Teenagers in neighborhoods with higher unemployment rates are more likely to give birth than those who have some prospect of earnings. Policies concerned with reducing teenage pregnancy, therefore, should be more concerned with enhancing education and employment opportunities.

What of the evidence from state initiatives? Unfortunately, none of the demonstrations from recent state efforts has come to fruition, so we do not yet know if experimental policies will reduce costs or have positive long term effects. In Wisconsin, for example, the AFDC caseload has decreased dramatically, particularly when compared to the increasing national figures. However, research from the University's Institute of Public Affairs reveals that most of the Wisconsin waiver-based initiatives were introduced after the major caseload decline and, therefore, had little immediate effect.

Shifting welfare responsibility to states before the evidence is in means that the state will bear all the risks involved in innovation. Faced with a 10-year devolution of fiscal responsibility across policy areas, it can be expected that many states will make "welfare reform" synonymous with cutting benefits, especially during economic recessions. The Senate bill requires states to spend at least 80 percent of what they spent this year for the next five years, but this fails to address the current inequities in payments. Wealthier states usually invest more, whereas poorer states need more. Certainly, a block grant system will change the cost of supporting a low-income household. Until now, state reductions in AFDC payments were partially offset by an increase in Food Stamp benefits--a shifting of the burden to the Federal government. Under the proposed system in which states are responsible for both, the cost of additional welfare recipients will be increased.

The biggest uncertainty concerns the requirement that recipients work after two years. Many welfare recipients are severely disadvantaged. They are poorly educated, and lack self confidence, work habits, and job related skills. Further, the segment of the labor market that is most accessible to former welfare recipients is presently characterized by low and falling wages, and high and rising unemployment. These are the facts of life in a global economy. It will continue to cost money to move people successfully from the welfare rolls to employment. President Clinton recognized this in his proposals for job training, childcare, and federally subsidized jobs. The current legislation ignores this. So, what will happen to recipients who lose their benefits? It is estimated that some 10-15 percent might obtain jobs and become self sufficient, albeit at a low level.

"Another 70 percent or so would 'cope'--they and their children would be severely disadvantaged, but they would adjust by combining households or moving in with relatives, or working in intermittent and informal jobs. They would be poorer and even less capable of nurturing their children, but we would see the effects a decade or two down the road. The remainder--say, 10-15 percent--would become visibly destitute" (Haveman, 1995).

The Congressional debate has not addressed how to make jobs available and attractive. Congress has failed to deal with the considerable problem of the collapse of the bottom end of the labor market, or to recognize that effective anti-poverty policy must address the issues of education and healthcare reform. Policy tools are available in these areas, but legislators have failed to grasp the nettle. Instead, they have taken the short-term course of least resistance-- eradicating an unpopular program and absolving themselves of responsibility. The issue is not whether welfare reform is appropriate, it is whether we can devise well-thought-out proposals which promise long-term effectiveness. The problem is that poverty is a complex issue which affects our entire society. In the long term the cure may prove more costly than the complaint.

Reference:

Haverman, Robert H. 1995. "The Low-wage Market." *Focus*, 17(1).

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