

WELFARE

Expanding the Reform

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THE ISSUES

When President Lyndon Johnson launched the War on Poverty more than 30 years ago, he announced it was an investment that would repay its cost to society many times over.¹ Since that time, the United States has “invested” nearly \$7 trillion in programs that provide cash, food, housing, and medical and social services to poor and low-income Americans. But while the nation was pouring this flood of resources into the War on Poverty, most of its social problems got worse, not better. In its wake, a deluge of illegitimacy, crime, drug abuse, and welfare dependency has besieged America.

The War on Poverty failed. The bottom line is simple: In welfare, as in most things, we get what we pay for. For 30 years, the welfare system paid for non-work and non-marriage, and it has achieved massive increases in both. By undermining the work ethic and rewarding illegitimacy, the welfare system has insidiously generated its own clientele. The more money that is spent, the more people in apparent need of aid appear. The Ameri-

can taxpayer has been trapped in a cycle in which spending generates illegitimacy and dependence—which, in turn, generate demands for even greater spending.

The American welfare system has bribed individuals into courses of behavior that, in the long run, are self-defeating, harmful to children, and increasingly a threat to society. Welfare's most ominous feature is its corrosive effect on family structure—its policies have driven up illegitimacy, which in turn has been a powerful factor that contributes to almost every other current social problem. Policymakers must recover the wisdom of traditional charity, which recognizes that “one-way handouts” usually hurt those they are intended to help. True charity must begin by requiring responsible behavior from the beneficiary as a condition of receiving aid. True charity must seek to generate in the recipient the virtues and self-discipline necessary for success in society, rather than passively subsidizing ever-escalating levels of social pathology.

Notes:

1. Lyndon B. Johnson, *Special Message to the Congress Proposing a Nationwide War on the Sources of Poverty*, March 16, 1964.

By enacting welfare reform, Congress took a substantial first step toward establishing a sane welfare policy. The caseloads in the Aid to Families with Dependent Children (AFDC) program have fallen by nearly 40 percent since Republicans gained control of Congress in 1995, the first substantial decline in AFDC dependence in 40 years. Several states, including Idaho, Oregon, Wisconsin, and Wyoming, have made remarkable progress in reducing welfare dependency and promoting self-sufficiency. In Wisconsin, dependence in the AFDC program has been cut by 88.5 percent.

As real as these achievements are, a note of caution is needed. First, the recent declines in AFDC caseloads follow a very rapid growth in dependence in the early 1990s. Overall, the national AFDC caseload is only 19 percent below its level ten years ago. Second, there is great variation among the states: Although some states are making remarkable progress in promoting self-sufficiency, others have made little or no progress. Third, welfare reform has really affected only one program, AFDC. The other 75-plus federal welfare programs remain substantially unchanged. Finally, welfare reform has done little to limit the growth of overall welfare spending. Under current law, aggregate federal welfare spending will rise at 5 percent per year over the next half decade. This is well above the rate of inflation. Combined federal and state welfare spending will soar from \$407 billion in 1997 to nearly \$540 billion in 2003.

The new welfare law enacted by Congress in 1996 was the first step in a very long process of reform. New reform efforts must be based on three themes:

1. **Limit the growth of welfare spending.** Even as AFDC caseloads decline, total welfare spending continues to grow relentlessly. Steps must be taken to help policymakers and the public understand the vast size of the welfare system and to limit its future growth.
2. **Reduce illegitimacy and restore marriage.** Restoring marriage must be the paramount social goal for policymakers. The new welfare law, for the first time, makes reducing illegitimacy a formal national objective. But at present, no states have effective programs to deal with this issue. Promoting vigorous state experimentation must be a priority.
3. **Reduce dependence and require work and responsible behavior.** Currently, President Clinton is attempting to use federal regulations to make it difficult for states to require welfare recipients to work. The work and dependence reduction standards of the new welfare law must be preserved and strengthened. The principles that have resulted in falling AFDC caseloads should be applied to other programs as well, such as Food Stamps and public housing.

WHAT TO DO IN 1999

1. **Cap the growth of welfare spending.** No matter how frequently policymakers speak of ending welfare, the costs continue to rise. Welfare absorbed around 1.2 percent of GDP when President Lyndon Johnson launched the War on Poverty in 1965; it rose to 5.2 percent by 1995. With a \$407 billion price tag, welfare spending now amounts to around \$11,100 for each poor person in the United States. To the Clinton Administration, ending welfare has meant spending even more.

Although the recently enacted welfare reform law has led to a dramatic initial decline in AFDC dependence, it failed to limit significantly the growth of overall welfare spending. CBO figures show total future welfare costs growing at roughly 5 percent per year and reaching nearly \$540 billion by 2003. After expenditures of \$7 trillion, it is time to put the War on Poverty on a diet.

The entitlement funding structure of most federal means-tested programs should be eliminated.² The future growth of aggregate

means-tested welfare spending by the federal government should be limited to the rate of inflation, or about 2.5 percent per year. The 2.5 percent annual spending growth cap would set the limit for overall federal welfare spending rather than specific programs. Congress would be free to increase funding for individual programs by more or less than 2.5 percent, as long as the welfare spending total remained within the cap. Capping the growth of welfare spending is consistent with the goal of having fewer, not more, people on welfare in the future. The spending cap would save \$120 billion in extra federal spending over the next five years.

2. **Provide greater state flexibility in the allocation of welfare funds.** The federal government runs over 75 major means-tested welfare programs. The entitlement nature of Food Stamps, Medicaid, Supplemental Security Income, and other welfare programs should be ended, and states should be given greater authority to target funds to the specific needs of their low-income populations. States should continue to be required to spend federal welfare funds to aid low-income persons, but they should be given greater flexibility to shift funds between spending categories to meet specific state needs. For example, states should be permitted to shift some funds from housing to education, or from cash to medical programs, or vice versa.
3. **Replace Food Stamps with commodities.** A major historic expansion of the welfare state occurred when the Food Stamp program replaced older aid programs that distributed food commodities directly to the poor. The current Food Stamp program gives individuals coupons to purchase food in stores. Unlike food commodities, food coupons can be sold on the black market and converted into cash. Replacing the older food commodities program with coupons was a serious mistake and further encouraged increases in welfare dependence and illegitimacy.
4. **Eliminate the option for elderly immigrants to retire on welfare.** The U.S. welfare system is fast becoming a deluxe retirement home for elderly immigrants from the Third World. Each year, tens of thousands of elderly immigrants lawfully come to America with the intention of being supported by U.S. taxpayers through the SSI and Medicaid programs. Elderly immigrants on welfare will cost Americans roughly \$150 billion over the next ten years. Most elderly non-citizens on welfare have sponsors who brought them to the United States and promised to support them. Congress has taken some steps to limit this problem: Elderly non-citizens who arrive in future years will not be eligible for SSI or Medicaid. However, elderly non-citizens who are current residents will continue to be eligible for welfare. And elderly immigrants in the future can become eligible for welfare through the simple process of naturalization. Congress should take further steps to limit this problem: Sponsors of elderly non-citizens on welfare should be required to support their relatives. Immigration law should be changed to require a certain number of years of paid employment in the United States as a precondition for naturalization. (Certain obvious exceptions to this rule should be allowed, such as veterans, spouses of citizens, and children of citizens.)

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2. The entitlement status of the earned income tax credit should be retained.

5. **Require real accountability of welfare recipients.** Federal welfare funds should no longer be used for one-way handouts. States should require work and responsible behavior as a pre-condition for receiving federally funded aid. Unfortunately, most states continue to allow welfare recipients to receive benefits even when those recipients fail to perform required job search or community service work. States should be required to set up effective sanction systems for those receiving federal AFDC/TANF funds. Individuals who fail to perform required job search or other activities should forfeit all AFDC/TANF benefits or should, at the very least, have their benefits reduced pro rata. (In a pro-rata system, recipients who perform half the required hours of work would have their welfare checks cut in half.)

6. **Establish stronger work requirements for the Food Stamps and housing programs.** Many states have reduced dependence on the AFDC/TANF (Temporary Assistance to Needy Families) program dramatically by requiring work and responsible recipient behavior. The lessons learned in AFDC reform should be applied to other welfare programs. For example, the Food Stamp and housing programs currently have very weak work requirements; these requirements should be strengthened. Able-bodied, non-elderly recipients should be required to perform community service work as soon as they begin receiving aid.

7. **Fight the Administration's efforts to cripple workfare and unionize welfare recipients.** In May 1997, less than a year after the passage of welfare reform, Clinton issued regulations aimed at quietly crippling reform and impeding efforts to require welfare recipients to

work.³ These regulations assert that AFDC/TANF recipients performing community service work in exchange for welfare must be treated as formal government employees, with all accompanying rights and privileges. According to these regulations, welfare recipients for the first time would be covered by the National Labor Relations Act, giving unions and welfare advocacy groups the legal right to unionize and represent them. Presumably, the terms of welfare reform in the future will have to be negotiated with the shop steward.

Under the regulations, welfare recipients are also given vacation and pension rights and are covered by the Davis-Bacon Act. State governments must pay Social Security and unemployment insurance taxes for each recipient performing community service work, and recipients will earn credit toward Social Security retirement benefits while they are on welfare. Recipients will also be subject to any state law governing public-sector employment (including wage rates, grievance procedures, and disciplinary rules) unless the state specifically exempts them. These rules clearly violate the letter and intent of the new welfare law. Thus far, the Clinton Administration has not attempted to enforce these regulations, and some states are evading the rules by calling community service work "training."⁴ In the long term, the rules will encourage states to put recipients in job search and training, rather than real workfare, and make it very difficult for states to design rational reforms. Congress should overturn these rules.

8. **Take steps to reduce illegitimacy.** The new welfare law provides bonus funding to states that reduce illegitimacy without increasing abortions. This bonus is beginning to focus

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3. Robert Rector, "Washington's Assault on Welfare Reform," Heritage Foundation Issue Bulletin No. 244, August 14, 1997.
4. The exact scope of these regulations is unclear. Arguably, the regulations cover only those welfare recipients required to "engage in work activities" in order to comply with federal performance standards for the state. Since most states have reduced AFDC/TANF caseloads more than enough to comply with performance standards, the number of recipients covered by the regulations may be limited, at least in the short term. Even under this optimistic interpretation, the rules will have a chilling effect on the development of workfare programs.

attention at the state level on the issue of illegitimacy. But only \$100 million per year has been allocated to this fund (about three cents out of every \$100 spent on welfare). The amount in the fund should be quadrupled, using money saved from reducing other counterproductive welfare spending.

9. **Expand abstinence and faithfulness education.** The new welfare reform law created an abstinence education program with a budget of \$50 million per year; this program has greatly altered the national debate on abstinence and sex education. Abstinence education can reduce early sexual activity. For example, data from the National Longitudinal Study of Adolescent Health show that students who take a formal virginity pledge have a significantly reduced risk of early sexual activity and pregnancy.⁵ Funding for this program

should be tripled, and its provisions should be tightened to ensure its resources are used where they will have the greatest effect.

10. **Foster community renewal.** Far too many Americans live in neighborhoods characterized by poverty, illegitimacy, joblessness, and juvenile crime. These communities need economic and moral renewal. To facilitate this renewal, Representatives J. C. Watts (R-OK) and James Talent (R-MO) introduced Saving Our Children: The American Community Renewal Act. This legislation would create jobs through tax relief for businesses in selected enterprise zones and foster moral renewal through education scholarships for poor children in those neighborhoods. The scholarships could be used to place a child in any school preferred by the parent, including a private religious school.

SELECTED HERITAGE FOUNDATION STUDIES

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Notes:

5. Michael D. Resnick et al., "Protecting Adolescents from Harm: Findings from the National Longitudinal Study on Adolescent Health," *JAMA*, Vol. 278, No. 10 (September 10, 1997), p. 830.