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What About The Poor: The Hope of a New Approach

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"I want to be a concert pianist," Carol said as her 2-year-old squirmed on her lap. "Do you have a piano?" I asked. "No." "Do you know how to play a piano?" I ventured. "No, but it is something I have always wanted to do," said this 20-year-old mother from Denver who had been on welfare for the two years since giving birth to a premature, drug-exposed baby. Then her social worker interrupted, "It's all right to aim high."

Sure. But not when it blinds a young person to the reality of her situation, and her actual opportunities for a better life. If Carol does not become more realistic about her future, she will likely be on welfare until her children grow up—and they will likely do no better. Don't blame her, though. Like the hundreds of thousands of others in similarly dismal circumstances, Carol is a victim of 30 years of wishful thinking about the potential earnings capacities of poorly educated young people and of government policies that have unintentionally made welfare more attractive than work.

Starting tomorrow, congressional Republicans begin a week-long effort to persuade the nation that their approach will fix the mess. If all goes as they plan, both houses of Congress will pass a final bill by Friday.

That will put the issue back in Bill Clinton's court. He is expected to veto the current bill—no surprise there, given the last few weeks of interplay between Congress and the president. The big question is whether he will insist on such sub changes that no compromise is possible. That would be a real setback because the bill is a lot less mean than many people think—and because it gives states the tools they need to work with single mothers like Carol.

The Republican bill would end the federal entitlement to welfare for women like Carol and substitute a time-limited, work-based system. By 2002, states would be required to place 50 percent of all eligible recipients in work-related activities, and federal benefits—though not necessarily state benefits—would be cut off after five years. According to the House Ways and Means Committee, the bill would also slow by half the spending increases projected for the next seven years—from about 8 percent to 4.5 percent. In return, it would give each state enormous leeway in running its welfare program, Aid to Families with Dependent Children (AFDC), as well as its food stamp, Medicaid, job training and child care programs. The theory is that once

they're free from federal constraints, states will be better able to reduce welfare dependency.

Until the last few weeks, the president seemed poised to sign a slightly modified version of the bill. His promise to "end welfare as we know it," after all, included putting all mothers who are on welfare for more than two years into public service jobs. And a majority of Senate Democrats did vote for their house's version of the bill. But opposition from Clinton's liberal supporters -- and the possible political gain from standing firm against the Republicans on yet another issue -- have given him pause. The Children's Defense Fund says the president would be "guilty of abandoning millions of America's children." Sen. Daniel Patrick Moynihan (D-N.Y.), has raised the specter of hundreds of thousands of children "sleeping on grates . . . being picked up in the morning frozen."

In signaling that Clinton is poised to veto the Republican effort, White House staff cite a well-publicized study by the Office of Management and Budget and the Department of Health and Human Services that claims the bill would plunge more than 1.2 million children into poverty. The report, however, is cleverly designed to maximize the bill's possible negative impact. For example, since many of the children likely to be affected are already living below the poverty line, the report adopts a "broader definition of poverty." This boosts many of the children now counted as poor above the poverty line—only to throw them below it by the cuts in the bill.

More importantly, the report does not take into account the probable effect of welfare reform on the behavior of recipients, even though the same folks at HHS who wrote the report included such behavioral effects in their analysis of Bill Clinton's welfare reform bill. Ignoring this is like saying that lowering the speed limit will fill the traffic courts—because no one will drive slower.

The key question is how states will respond to the greater flexibility that block grants provide. Critics point out that the Republican bill gives substantially less money than current, open-ended federal entitlements—and no federal matching for additional state expenditures—thus increasing the incentive for states to cut benefits. However, it also guarantees states a set payment even if caseloads decline, giving them a potential windfall in federal funds, and thus increasing the incentive for states to reduce long-term dependency.

The best evidence of how the states might respond comes from the states themselves. Since 1992, the federal government has allowed states almost total freedom to reshape their welfare systems through the waiver process. According to the Center for Law and Social Policy (CLASP), as of last week, 42 states had requested waivers and well over half had already been granted. [For a look at the experience of one of the most ambitious states, Wisconsin, see story above.]

The track record shows that the states can be reasonably responsible guardians of welfare reform, not mean-spirited benefit cutters. And even the sharpest critics of the block grant approach have been impressed. The liberal advocacy group CLASP said: "Contrary to common impressions, much of what states have sought has not involved reducing or eliminating

assistance. Rather, it has involved shifting toward a system more strongly focused on work and work preparation and on requiring reciprocal obligations by families receiving aid."

Among the most common features of the various states' programs, based on numbers compiled by CLASP, are these:

Requiring recipients to look for work. It turns out that simply asking mothers to look for a job, especially before they begin to receive benefits, can reduce caseloads by 5 percent to 15 percent. At least 10 states have expanded their "job search" requirements. Sometimes, mothers apply for welfare because of temporary circumstances that prevent them from continuing to work. To help in such situations, seven states have adopted "diversion programs" that provide several months of benefits in a lump payment for such employment-related costs as child care and medical assistance.

Allowing recipients to keep more of their earnings. Welfare recipients face the highest marginal tax rates of all Americans: Their welfare grant goes down dollar-for-dollar as their earnings rise. Current law contains a small "earnings disregard" that allows recipients to keep one-third of their earnings for eight months plus an additional \$ 30 during the first four months. To encourage more recipients to work, about 30 states have increased either the amount of the disregard or the length of time it lasts. As CLASP notes, these waivers "are likely to increase program costs, at least in the short run." In fact, many welfare experts think they cause a permanent rise in welfare rolls, as more mothers find that they can combine work with welfare.

Making it easier for married couples to receive benefits. The main reason most welfare families are headed by single mothers is that AFDC is largely unavailable to two-parent families. Many people believe that this puts pressure on couples to break up when the father loses his job and that it discourages women on welfare from marrying. Over 30 states have adopted one or more provisions to limit this so-called "marriage penalty," by, for example, allowing couples to receive benefits even though the husband is working more than 100 hours a month.

Mandating work for welfare. Bill Clinton's promise to put recipients to work was immensely popular with voters. About 12 states have expanded their "workfare" programs, sometimes using "pay for performance" models in which recipients are paid only for the hours they work. Another 11 states have adopted "supported work" programs in which the AFDC grant is diverted to an employer who uses it to subsidize a private-sector job. Given the likely prospect of a food stamp block grant, an important innovation combines food stamp and AFDC benefits to create a larger pool of money for workfare and supported work programs.

Requiring welfare mothers to take better care of their children. Experience has shown that many mothers on welfare need firm guidance on how to raise their children. Hence, one of the most common new features of welfare programs, in 25 states and rising, has been "learnfare programs," which reduce welfare payments when parents do not send their children to school or when teen parents do not attend themselves. Seventeen more states require AFDC mothers to get their children immunized or take them for health check-ups. And two states would require

welfare mothers to attend parenting classes.

Discouraging additional out-of-wedlock births. Each child makes it more difficult for a mother to work her way off welfare. To discourage such births, about 20 states would deny a benefit increase to women who have more children while on the rolls. Whether or not these "family caps" work—the evidence so far is inconclusive—these provisions resonate with voters who are simply fed up with subsidizing "illegitimacy." If experience is any guide, whatever else, family caps will make welfare agencies more willing to provide family planning services.

Establishing special rules for teen mothers. After years of collective denial, most politicians (and welfare policy makers) have finally acknowledged the link between unwed teen parenthood and long-term welfare dependency, as well as a host of other social problems. Unfortunately, there are few ideas about how to reduce these births. About eight waivers require unmarried teen parents and pregnant teens to live with their parents, legal guardians, other caretaker relatives or in other supervised settings. Few, however, think this will make a real dent in the problem, especially since so many teen mothers already live with their relatives.

Expanding Medicaid eligibility for former welfare recipients and the working poor. The loss of health care coverage deters some mothers from leaving welfare for work, and pushes others onto the rolls. Under current law, those who take a job are entitled to transitional Medicaid coverage for six months, with another six-month extension of modified coverage for those with incomes below a specified threshold. Believing this coverage is insufficient, 19 states have waivers that would expand the availability or duration of transitional benefits.

The Republican welfare reform bill is far from perfect. If the president wants, he can find ample reason to veto it—and any other bill that this Republican Congress would be willing to send him. That would again make welfare reform a presidential campaign issue, something that Clinton's political handlers may relish.

No one can guarantee what the states will do under the Republican plan. Substituting a capped block grant for an open-ended entitlement, for example, creates an incentive to reduce welfare rolls by either making it tougher to get on welfare (or to stay on) or by making it easier to get a job.

But looking at what the states have done up over the last four years is reason enough for cautious optimism, and reason enough to sign the bill. For, at its core, is one gem of an idea: The states are far more likely than the feds to figure out how to tell Carol that she'll never make it to Carnegie Hall, and that it's time for her to get a job that will put her on the ladder toward self-sufficiency.

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