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Answering Critics of the Welfare Reform Act

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ends the 61-year-old entitlement program known as Aid to Families with Dependent Children (AFDC). Among other provisions, the legislation limits to five years the time most people can receive welfare benefits and requires most welfare recipients to work.

Critics say the bill goes too far, cutting too much from welfare spending and harming poor children and legal immigrants. They also contend that the unemployed poor need training in order to get a job and that a welfare-to-work program that includes training will cost more money, not less. To ease the strain, President Clinton is proposing to restore at least $16 billion in welfare spending over the next six years.

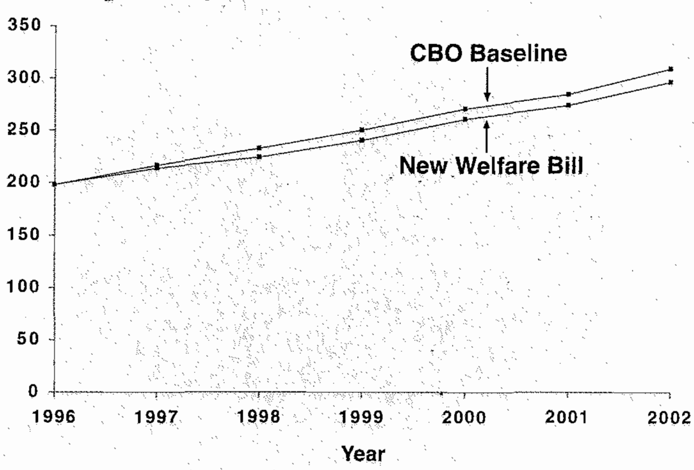
Are the criticisms accurate? Let's take a closer look.

Q: Does the welfare reform law really cut welfare spending?

A: No. It simply slows the welfare budget's rate of growth. As Figure I shows, welfare spending affected by the legislation will grow from $198 billion in 1996 to $296.6 billion by 2002, an increase of about 50 percent. Total welfare spending will be $1.509 trillion over six years, rather than the $1.563 trillion originally projected by the Congressional Budget Office (CBO).

FIGURE I

Spending Under the New Welfare Bill



Source: Congressional Budget Office.

Q: Why do critics of reform say the government needs to spend more money?

A: Their position is grounded in a philosophical stance on worker training and education. They hold that low-income people need years of training and education to get and keep a job. Others believe that the best training is gained on the job. Of course some types of employment — law, medicine, engineering and teaching, for example — do require years of training. But most welfare recipients can learn on the job in basic, entry-level positions. Even people with low literacy skills can operate machinery, drive delivery trucks, move freight and perform other marketable functions with on-the-job training.

Q: What if there are not enough jobs to go around?

A: Then states should do as Oregon did. Under a pilot program, Oregon transferred federal and state money from food stamps and AFDC to job subsidies in six counties. Able-bodied welfare recipients there are required to work — preferably in an unsubsidized job, but in a subsidized job if necessary — within a relatively short period of time. Faced with this requirement, a number of welfare recipients take an unsubsidized job.

- Of the approximately 2,200 people who have taken jobs in the six pilot counties, *about 80 percent did not need the government subsidy, saving the system millions of dollars in welfare spending.*
- Of those who did take subsidized jobs, four out of five moved on to unsubsidized jobs during the first 14 months.

Because of the work requirements, welfare recipients are leaving the system and fewer are signing up for benefits. This too is saving the state money.

- Within three months after the program was implemented in 1994, the number of families on welfare began falling. The caseload is down about 30 percent since the beginning of 1994, from 44,000 to 31,000, and officials think it could drop to about 20,000 within four years.
- Total welfare spending for the state has declined about 10 percent.

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Experiences of several other states are similar. For example, Virginia's welfare caseload dropped by 14 percent after only one year, and Wisconsin cut its number of welfare cases by about 35 percent. This is why welfare reform that moves recipients to jobs quickly doesn't need more money.

Q: Isn't the federal government already trying to move welfare recipients into work through the Job Opportunities and Basic Skills Training (JOBS) program?

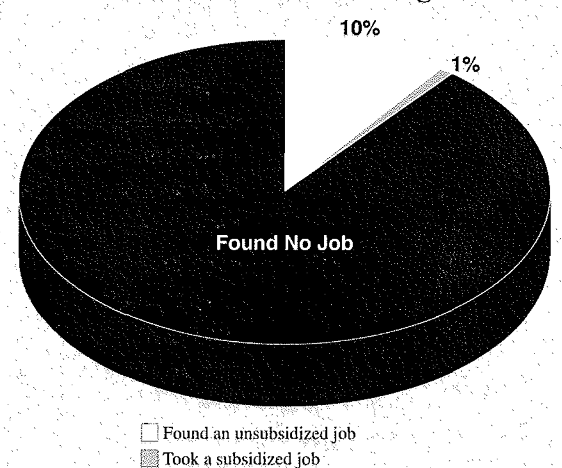
The JOBS program, created in 1988, requires states to provide education, training and support services for welfare recipients. Because the goals of the legislation were broadly defined, states have had some flexibility in creating programs to meet their residents' needs. But a recent report by the General Accounting Office (GAO) indicates that the JOBS program has failed.

According to the GAO, about $8 billion was spent on JOBS between 1989 and 1994. To perform a rudimentary cost-benefit analysis of JOBS, the GAO visited five different welfare-to-work programs with reputations for emphasizing job placement activities. The GAO's analysis showed that:

- At one location, training programs cost between $6,000 and $7,000 per person over a six-month period, while another program spent an average of $6,600 per participant — not including their welfare benefits.
- Nationwide in mid-1994, about 10 percent of JOBS participants were placed in work-experience positions and about 1 percent were in subsidized jobs. [See Figure II.]

FIGURE II

Welfare Recipients Who Found Work Under the JOBS Program



Source: General Accounting Office.

Experience proves that JOBS participants often put forth the minimum effort necessary to stay in the program and continue collecting benefits. Thus they make little progress toward getting — or getting back — into the workforce.

Q: Won't the cuts in food stamps harm millions of poor children?

A: No. The states have a great deal of flexibility to direct their funds and some federal monies to those most in need. For example, the bill's five-year time limit on receiving benefits applies to only 80 percent of the federal caseload. The other 20 percent can go beyond the five-year limit. And states can use money from their social services block grant to help children dropped by the five-year limitation. In addition, states can use their own funds for children. Thus the bill allows the states to meet the needs of any children who might otherwise fall through the cracks.

Q: Aren't legal immigrants being unfairly denied benefits under the legislation?

A: The legislation permits noncitizens who were living in the U.S. at the time the bill was signed (August 22, 1996) and who are welfare recipients to remain eligible for benefits for one year. States have the option of continuing cash payments or services with their block grant money. Noncitizens who become citizens, those who have worked here for 10 years and veterans remain eligible for longer periods.

The legislation denies newly arriving legal immigrants immediate access to most federal welfare programs. Yet here too there is some flexibility. For example, new immigrants cannot qualify for Medicaid, but states may waive that restriction after they have lived here five years. New arrivals retain access to emergency medical care.

Restricting new arrivals' access to programs such as Medicaid is fair because they have paid little or nothing into the system. And new immigrants are free to purchase a health insurance policy or pay for health care out-of-pocket — just like the millions of American citizens who do not qualify for government-provided health insurance or obtain it through an employer.

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