



HOT TOPIC: WELFARE REFORM

The 1996 Welfare Law and the Plight of the Poor

The Facts

- ▶ Congress created the welfare system in 1935 to help widows stay home and raise their children. From 1936 to 1994, the number of families on welfare increased to five million from 147,000. Currently, about 1.9 million families receive welfare.
- ▶ Last year there were an average of 25.7 million people on food stamps in any given month, down from the peak of about 27.4 million in 1994. The average monthly benefit was about \$93 a person.
- ▶ African-Americans receive about 39% of all welfare, according to the Department of Health and Human Services. About 37% goes to whites, 19% to Hispanics and 2% each to Asians and Native-Americans.
- ▶ About a third of welfare recipients have a serious mental-health problem, according to the Center on Budget and Policy Priorities. As many as a fifth have physical impairments.
- ▶ The median income for a family on welfare is about \$11,800, up from about \$7,200 in 1997. The median wage of a person who shifts from welfare to work is about \$8 an hour.
- ▶ Welfare benefits vary by state. The monthly welfare benefit for a single parent with two children in Alabama is about \$164—the nation's lowest, according to the Urban Institute. It is \$923 a month in Alaska.

The Issue

It has now been 10 years since President Clinton signed sweeping legislation to overhaul the nation's welfare system.

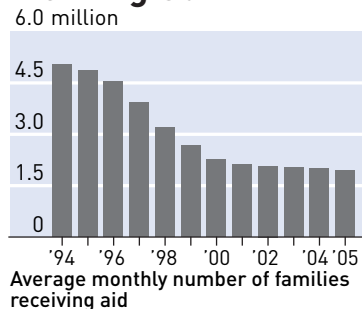
The 1996 bill ended "entitlement" welfare, under which low-income parents with children could receive federal aid fairly easily. Now welfare recipients have a time limit for how long they can remain on the rolls, and they must show they are actively seeking work.

Critics panned the 1996 bill at the time. Sen. Frank Lautenberg (D., N.J.) said U.S. streets would "look like the streets of the cities in Brazil." But the dire predictions proved wrong. Today, the reforms are widely heralded as a success. The percentage of Americans on welfare is at historic lows, and employment among single mothers is up from a decade ago.

Was welfare reform a success? In many ways, yes. The number of families receiving welfare was 1.9 million last year, down 60% from a peak of about five million in 1994.

Some of the drop reflects the booming economy of the late 1990s. Douglas Besharov of the American Enterprise Institute estimates that 35% of the reduction in welfare is due to the reform bill, 45% to a strong economy and about 20% to factors such as an expansion of the Earned Income Tax Credit and greater access to Medicaid. Ron Haskins of the Brookings Institution gives more credit to welfare reform, noting that the caseload never declined consistently until after the 1996

Working Out



reforms, even during boom times.

About 69% of single mothers are employed today, up from about 62% in 1995, according to the Center on Budget and Policy Priorities. That's down, though, from a peak of 73% in 2000. Analysts say greater employment

among single mothers is critical, since they make up the bulk of welfare rolls.

Another positive sign is the poverty rate among children. Last year, about 18% of children lived below the government-set poverty line. That was down from about 22% in 1994, though up from 16% in 2000.

Has welfare reform worked for everyone? No. One thorny problem is the plight of the poorest of the poor. Last year, 15.9 million people lived at or below half of the poverty level, and more than one-third of them were children.

Some experts are concerned that a segment of the population has just been moved from welfare to low-paying jobs.

Another problem: Fewer people eligible for welfare are signing up for it. In 2002, about 48% of people who were eligible for welfare signed up, according to the Urban Institute, down from 79% in 1996.

Analysts say the decline is tied to a greater stigma in obtaining welfare, more paperwork required to receive aid and a culture of work instilled in people by welfare officers. One fear is this new framework could end up discouraging needy people from seeking help for themselves and their children.

—Lauren Etter

Points of View

- ▶ 'While far from perfect, this legislation provides a historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family.'

—President Clinton, upon signing the 1996 Personal Responsibility and Work Opportunity Reconciliation Act

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- ▶ 'This [welfare reform] bill is the most cruel and shortsighted view in public policy I have seen in 25 years.'

—Rep. Jim McDermott (D., Wash.), House floor debate, March 21, 1995

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- ▶ 'Democrats—for all their love for the poor people—they didn't think the poor could do this. [Welfare reform] is a triumph for low-income mothers. They went to work just like the American public expected them to do.'

—Ron Haskins, author of "Work Over Welfare: The Inside Story of the 1996 Welfare Reform Law"

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- ▶ 'From the caseload-reduction view, it [welfare reform] is a tremendous success, but a large segment of the population has moved from being on welfare to now being working poor, and a portion of them are significantly worse off than before.'

—Evelyn Ganzglass, Center for Law and Social Policy

OUR VIEW

Welfare reform turned 10 this year, and more remarkable than its near-total success is the near-total amnesia that seems to have gripped its former opponents. The results and the history are both worth revisiting today because they offer some useful political and policy lessons for the future.

When Bill Clinton signed the bill ending a federal entitlement to welfare, a leading liberal newspaper called it "nasty," "atrocious" and "odious"—adding that "the children will suffer the most." Georgia Rep. John Lewis not too subtly raised the specter of fascism as he literally screamed on the House floor: "They're coming for the children. They're coming for the poor. They're coming for the sick, the elderly and the disabled." Even as sensible a social scientist as Sen. Daniel Patrick Moynihan lost his head and called it "something approaching an apocalypse."

The real story has been apocalypse not. Welfare rolls are down to about two million today from a peak of five million in 1995. The last time welfare caseloads were this low was 1970, when America had 100 million fewer citizens. But what about the children? The rate of black children living in poverty in America was more than 40% in 1996 and stands at 32% today, according to the U.S. Census Bureau.

That leaves an excuse often heard that the secret to reform's success has been the booming economy. Didn't welfare reform benefit from being passed during the longest economic expansion in modern times? Yes, but consider that the welfare rolls actually shrank during the severe recession of the early 1980s, then stayed fairly constant

through the boom of the later years of that decade. The rolls also continued to soar well after the 1990s' expansion was under way. The recession that began in 2000 did no more than slow the downward trend in welfare caseloads that began in 1995.

Mr. Clinton declared recently that the bill he signed was a "bipartisan" triumph, and in a narrow sense it was. But 98 Democrats opposed him on the House floor. Mr. Clinton also vetoed reform twice before signing it in 1996 after an adviser told him it was the one issue that could cost him re-election. Make no mistake: This was a conservative reform opposed every step of the way by the political left and its allies.

Reform takes time and persistence in the American system. Too many Republicans think the lesson of last year's Social Security failure is that reform is impossible. But it's rare in American history for a major policy change to pass the first time it is proposed. Big ideas take time for a wary public to understand. Personal retirement accounts will eventually become law in some form, if Republicans have the tenacity to keep promoting them and don't flinch at the first round of opposition demagoguery.

Welfare reform was not a utopian project that promised to radically change human nature. It sought to make Americans more responsible by altering the incentives to remain dependent on the state. If only government were always so modest.

This is the opinion of The Wall Street Journal Editorial Board. What's your opinion? Write to letters.classroom@wsj.com.