

## TANF AT AGE 20: WORK STILL WORKS

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In August 1996, after a two-year struggle and two vetoes, President Clinton signed a sweeping welfare reform law. The centerpiece of the law was the replacement of the New Deal program Aid to Families with Dependent Children (AFDC) by the Temporary Assistance for Needy Families program (TANF). Although TANF has received most of the scholarly and popular attention since 1996, the legislation contained other major reforms, some of them almost as fundamental as TANF, notably the reforms of Supplemental Security Income (SSI), welfare for noncitizens, child care, child support enforcement, and food stamps (now called the Supplemental Nutrition Assistance Program or SNAP).

### REQUIREMENTS IN THE 1996 TANF LAW

The theme that united these reforms was reducing welfare by encouraging more people to be self-reliant through work and marriage. This goal reflects the view of Republicans that welfare discourages work. A huge literature supports this view (Danziger, Haveman, & Plotnick, 1981). Since at least the English Poor Laws of the 16th Century, there has been general recognition that free benefits interfere with work effort (Himmelfarb, 1983). Both in England and the United States—and more recently in many European nations (Lodemel & Trickey, 2001)—welfare has attempted to offset these unintended effects by making benefits contingent on work.

The difference between conservatives and liberals on the magnitude and seriousness of the effects of welfare on work effort and other character traits was the motivating force behind the Republican drive to reform welfare in the mid-1990s. Republicans believed that between Roosevelt's New Deal and Johnson's Great Society, welfare was too easy to get and therefore discouraged both work and marriage. As a result, the average length of stay for families on the AFDC rolls at any given time was eight years; the AFDC rolls spiked during the late 1980s and early 1990s; and the number of immigrants receiving welfare was also rising rapidly. Even Bill Clinton, as part of his 1992 presidential campaign, vowed to "end welfare as we know it."

Thus, following the elections of 1994, in which Republicans won both the House and Senate, House Republicans introduced a welfare reform bill on the first day of the 104th Congress. President Clinton eventually vetoed two versions of the bill but accepted a third version in August 1996 after it had been stripped of some provisions he opposed such as a Medicaid block grant.

Focusing attention only on TANF, the new law made five major changes relative to the old AFDC program:

- End cash entitlement—This provision is the central feature of the Republican approach. Henceforth, cash welfare would be based on reciprocity instead of solely on need, meaning that adults had to work or prepare for work to qualify for cash welfare.

- Set time limits—With some exceptions, no parent could receive more than five years of welfare checks using federal funds (although there was no limit on other benefits such as SNAP and Medicaid).
- Create block grant—Rather than sharing the costs of welfare benefits with states as under AFDC, the block grant gave states a fixed sum of money; this funding approach gave states more financial incentive to reduce the rolls.
- Impose work requirements—When fully phased in, states were required to have half the adults on welfare in work activities for a minimum of 30 hours per week, with “work” defined in the statute.
- Impose sanctions for failure to work—States were required to construct and enforce a sanction policy that reduced or eliminated the cash benefit if adults did not meet the work requirements.

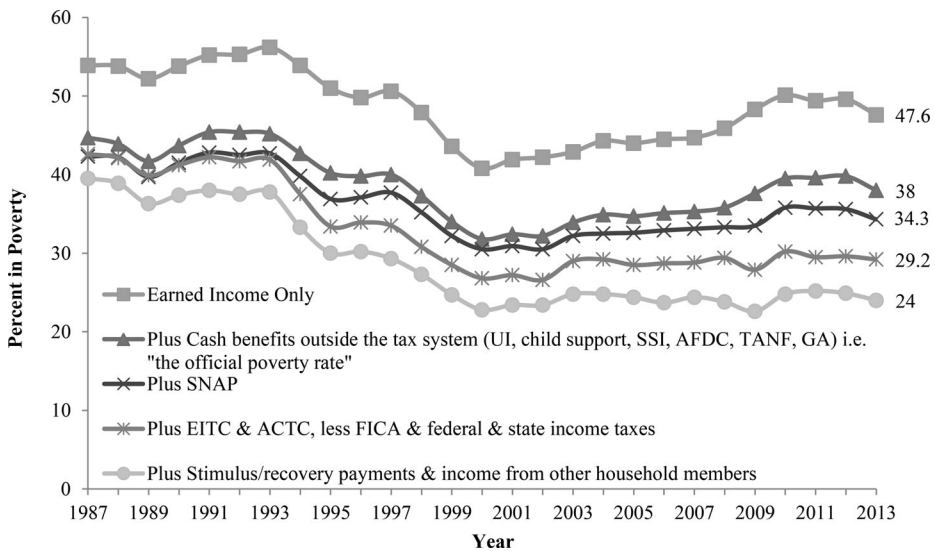
## CONSEQUENCES OF THE LAW

Despite predictions of disaster by many Democrats and liberal columnists (Nelson, 1996), all sides seem now to agree on three major and positive effects of the new law: a decline in the welfare rolls, an increase in work by low-income mothers, and an increase in family income with a resulting decline in poverty among children in female-headed families (Haskins, 2006; Schoeni & Blank, 2000). The welfare caseload, which had increased almost every year since the beginning of the War on Poverty in the mid-1960s, fell every year after 1994 before increasing slightly during the Great Recession of 2007. Over the six years between 1994 and 2000, the caseload fell by about 60 percent to a level roughly equal to the 1971 level. The decline in the rolls over this period was accompanied by a 16 percent increase in work by all single mothers and a 35 percent increase in work by never-married mothers, the subgroup of single mothers who were most likely to go on welfare. Meanwhile, the poverty rate among single mothers and their children fell from 44 percent to 33 percent, a decline of 25 percent to its lowest level on record.

Although many Republican politicians have attributed these remarkable trends entirely to welfare reform, most analysts cite two additional factors that also contributed: a hot economy generating jobs at a remarkable clip and the expansion of the Earned Income Tax Credit (EITC) and other benefits that “made work pay” (Blank, 2006; Blank & Haskins, 2001).

Thus, the legacy of the welfare reform era is not simply strong work requirements and limits on cash aid. An equally important legacy is the fruition of a set of benefit programs to increase work incentive and the income and security of low-income working families that Congress had been creating and expanding since the 1970s (Heinrich & Scholz, 2009). This system both promotes and subsidizes work. Alongside work-tested TANF, it now provides Medicaid to all children under 200 percent of poverty (a big change from the days when families lost Medicaid if they left AFDC), facilitates receipt of SNAP, provides child care subsidies to many low-income workers, and above all provides a maximum of roughly \$9,000 in cash through the EITC and the Additional Child Tax Credit (Hungerford & Thiess, 2013). This set of benefits can bring the income of a single mother of two children with earnings of only \$12,000 or \$13,000 well above the poverty line (Fox et al., 2015). Many states also add benefits of their own.

The relatively high level of work by disadvantaged single mothers, combined with benefits from the work support system, is now the most important weapon in the nation’s fight against poverty. Figure 1, taken from a report from the nonpartisan Congressional Research Service (CRS), shows the trends in poverty rates (based on a calculation that counts most means-tested benefits as income) for female-headed families with children over the period 1987 to 2013 (Gabe, 2014). The top line shows



**Figure 1.** Effect of Earnings, Transfers, and Taxes on the Poverty Rate among Households Headed by Single Mothers, 1987 to 2013.

*Notes:* UI, unemployment insurance; SSI, Supplemental Security Income; AFDC, Aid to Families With Dependent Children; TANF, Temporary Assistance for Needy Families; GA, General Assistance; SNAP, Supplemental Nutrition Assistance; EITC, Earned Income Tax Credit; ACTC, Additional Child Tax Credit; and FICA, Federal Insurance Contributions Act.

*Source:* Thomas Gabe, Congressional Research Service, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987 to 2013*.

the poverty rate when only earnings are counted as income. Lines below the first line show poverty rates when income from the work support system and other sources are added to income and taxes are subtracted in stepwise fashion. Here is a summary of data from Figure 1 that show how increased work and a growing work support system combine to reduce poverty:

Years	Poverty rate based on:		
	Earnings only	Earnings plus benefits minus taxes	Difference (percent)
1987-93 (mean)	54.3	41.7	-23.2
2000	40.8	26.8	-34.3
2010	50.1	29.6	-40.9
2013	47.6	29.2	-38.7

In the period from 1987 to 1993, the poverty rate among female-headed families with children based only on the mothers' earnings was very high, averaging 54.3 percent. Then the poverty rate plummeted for the seven years after 1994, falling from 54.3 percent to 40.8 percent, the lowest it had ever been for female-headed

families. This substantial decline in poverty was caused by more work among single mothers.

Adding benefits from the work support system drives the poverty rate down from 54.3 to 41.7 percent in 1987 to 1993, a reduction of about 23 percent. Unsurprisingly, when the work rate was much higher in 2000, the poverty rate based exclusively on earnings was only 40.8 percent, 25 percent lower than the comparable rate in 1987 to 1993. Then after single mothers received the package of work-based benefits, the 2000 poverty rate fell to 26.8 percent, a decline of a whopping 34 percent.

The recession of 2001 and the Great Recession of 2007 to 2009 were associated with reductions in the percentage of single mothers working and therefore an increase in poverty rates. For example, by 2010, work had declined and poverty risen, due to the large and prolonged increase in unemployment during the Great Recession. Yet the combination of relatively high work rates in 2010 (relative to the 1987 to 1993 period) kept poverty lower than during the earlier period and the impact of government programs in percentage terms produced nearly twice as great a decline in poverty as in the earlier period (a reduction of 40.9 percent vs. 23.2 percent). The figures for 2013 show that female heads of family are again increasing their earnings from work, and the work-support system continues to substantially reduce poverty (by nearly 39 percent).

This analysis shows that the federal work support system achieves the important goal of, as President Clinton put it so tersely, “making work pay.” But more broadly, the work support system indicates that the nation maintains a commitment to help low-income families, especially female-headed families, achieve a standard of living much higher than they can earn on their own—and higher than if they depend exclusively on welfare.

## **PROBLEMS**

No major policy or program produces all benefits and no costs. A full assessment of TANF’s impacts must examine the issues raised by its critics. Three of the most important are the decline in the percentage of poor families with children who receive a cash benefit, the rise of “disconnected” single mothers who have neither earnings nor TANF cash, and problems with the way states administer the TANF program.

### **Failure to Provide Cash to Poor Families**

The share of families in poverty receiving TANF cash payments has plummeted as compared with the share receiving cash under AFDC. In 1979, for every 100 families in poverty, 82 families received AFDC. By contrast, in 2013, for every 100 families in poverty, only 26 families received TANF (Pavetti, 2015). Thus, if one judges the success of TANF based on the fraction of the poor who receive the benefit, TANF is less effective than AFDC. But the major intent of TANF is to promote work and reduce welfare dependency. To achieve this effect by promoting work, TANF necessarily places some mothers at greater risk of poverty than AFDC did. However, a balanced assessment would note that the poverty rate of female-headed families is actually lower under TANF than under AFDC. So although a lower share of the poor received TANF, more earnings and supplements from the work support system keep the share of single-mother families in poverty lower than during the AFDC years. The assessment of TANF should not simply compare it to AFDC as a benefit program, but look to the overall effect of welfare reform, which promoted work and increased work support benefits for mothers both on and off the rolls.

## Rise of Disconnected Mothers

Closely associated with the decline in poor families receiving TANF is the problem of mothers who have neither income from TANF nor earnings from employment. That some mothers leaving welfare might face hard times was always thought to be a risk. Soon after implementation of TANF began, studies documenting the difficulties faced by “disconnected” mothers appeared. These studies yield a consistent portrait of disconnected mothers (Blank, 2007a, 2007b; Loprest, 2011; Sandstrom et al., 2014; Seefeldt, 2008; Wood & Rangarajan, 2003; Zedlewski & Nelson, 2003):

- Of mothers with income under 200 percent of poverty, between 20 and 25 percent are now disconnected at any given time.
- Over 80 percent of these mothers and their children live in poverty.
- Between 1996 and 2010, the percentage of low-income single moms who were disconnected increased from a little more than one in 10 to about one in four (Loprest & Nichols, 2011).
- Every study shows that disconnected mothers and their children have very low incomes; one study showed that disconnected former TANF recipients had an average income of about \$6,200 in 2002.
- Every study shows that disconnected mothers have serious barriers to work such as less than a high school education, little work experience, poor literacy and math skills, or mental health problems; most disconnected mothers have two or more of these work barriers.

It follows that disconnected mothers are a serious policy issue, that its magnitude is increasing, and that in two decades the nation has not figured out how to address the problem. One response would be for welfare departments to reach out to disconnected families to establish whether they face hardships and how the hardships might be alleviated. Wisconsin did this after its radical reform drove far more cases off the rolls than expected (Mead, 2004). Similarly, Rebecca Blank has proposed a “Temporary and Partial Work Waiver Program” for disconnected mothers. The program would begin with an assessment of the mother’s health and the barriers to work she faces. The program would also provide a cash stipend, usually some percentage of a full TANF benefit, and implement a set of activities to help the mother build up to full-time work. Regular assessments would continue.

Blank’s is a reasonable approach and one that seems to hold promise. It would be ideal if several states tried programs that featured a mixture of assessments (especially of hardships), partial cash benefits, and continuing pressure to work as much as possible, especially if these efforts were carefully studied.

## State Administration

One of TANF’s boldest critics, and one of the most informed and perceptive observers of the TANF programs being conducted by states, is Peter Germanis (2015), a former staffer in the Reagan White House and researcher at both the Heritage Foundation and the American Enterprise Institute, two of the most influential conservative think tanks. Although Germanis has a wide range of criticisms, perhaps his most far-reaching is that states have taken advantage of the spending flexibility offered by the block grant to game federal rules and, in many cases, conduct a small and ineffective TANF cash benefit program while using block grant dollars for other purposes. He cites this flaw in TANF as a major reason so few poor families are receiving TANF cash payments. One of his central recommendations is to repeal the block grant and adopt a federal-state matching program, perhaps capped at the current level of the TANF block grant, which would require states to spend their

own dollars on core TANF purposes and only then have their expenditures matched by federal dollars. Although most Republicans and states would oppose a change of this magnitude, Germanis' criticisms are reasonable and well supported by evidence. Congress and the administration would be well advised to carefully consider ways TANF could be reformed to minimize the game playing that many states now use to avoid spending TANF dollars on core TANF purposes and to avoid the federal work requirement.

## CONCLUSION

The critiques of welfare reform have occasionally been harsh (Collins & Mayer, 2010; Germanis, 2015; Soss, Fording, & Schram, 2011). Some authors claim that welfare reform is an attempt to discipline the poor so they reliably work and thereby serve business interests. To force the poor to work, tough policies, especially sanctions and time limits, are mandated by the federal government and more or less faithfully implemented by the states. Inevitably, the tough work policies mean that some young and poorly educated mothers have not been able to consistently work full time and take care of their children. These mothers often lose their TANF benefits and fall into poverty.

But such analyses leave out a lot. Even after two recessions, one of which was by many measures the most serious since the Great Depression of the 1930s, poverty rates among female-headed families with children, particularly those headed by the highly disadvantaged subgroup of never-married mothers, are lower than they were before welfare reform. Studies like the CRS analysis depicted in Figure 1 show unequivocally that the federal government retains a strong commitment to the poor because their typically low earnings are supplemented by a host of government benefits, including cash aid. Many studies of the nation's work support system show that it substantially increases the income and reduces the poverty rates of the poor who work at low-wage jobs.

Work; there's the rub. Some of the mothers—perhaps a quarter of single mothers with incomes under 200 percent of poverty—work very little and do not receive TANF. Some of these mothers and their children are worse off than they would be under an entitlement system like AFDC. Some researchers argue, not unreasonably, that the increase in work among low-income mothers was purchased at the price of increased poverty among those who faced the most serious barriers to work. Some conservatives are reluctant to admit that there is such a tradeoff; some liberals seem to think it is the main point.

But no matter what researchers and analysts think about the costs of welfare reform, the facts that the 1996 reforms passed on a highly bipartisan vote and were signed by a Democratic president; that the public thinks welfare mothers should work and is generally satisfied with the outcomes of welfare reform (Rasmussen, 2012); and that the success of reform in increasing work and reducing poverty make it highly unlikely that the federal government will pass legislation to move back to an entitlement system. Democrats had a two-year period (2009 to 2010) of controlling the House, the Senate, and the Presidency, but did not make a serious attempt to repeal welfare reform, nor has the Obama administration offered proposals to recreate an entitlement system.

Fighting about whether welfare reform was a success will continue, with each side citing the data it prefers to make its case. In the end, as is nearly always the case with important policies, values will play a major role in determining how people judge the success or failure of welfare reform. Even so, for the foreseeable future, strong work requirements, and the work support system will remain the law of the

land. The next round of reforms should be based on improving, not scraping, the current system.

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