

Finishing the Welfare Revolution

A Blueprint for TANF Renewal

By Will Marshall and Anne Kim

Executive Summary

Beginning with a major expansion of federal support for the working poor and culminating in the landmark 1996 law ending “welfare as we know it,” the Clinton administration launched a revolution in U.S. social policy. With Congress set to renew the law this year, the opportunity is at hand to finish the job of replacing welfare with work and making work pay.

Having vetoed two earlier welfare reform proposals sent to him by the GOP-dominated Congress, President Bill Clinton on Aug. 22, 1996, signed a bill that replaced the 61-year-old welfare program with a performance-based grant called Temporary Assistance for Needy Families (TANF). Though larded with harsh provisions aimed at legal immigrants (some of which the administration later killed), the new law essentially embraced the “work first” philosophy championed by PPI and tested in many states under a liberal federal waiver policy in the first half of the 1990s. TANF eliminated the individual entitlement to cash assistance, required most welfare recipients to work, and imposed a five-year time limit on receiving public assistance.

In combination with new public supports for work, especially the 1993 expansion of the Earned Income Tax Credit (EITC), and (until 2001) a strong economy, the work-based approach has surpassed just about everyone’s expectations. Welfare caseloads have fallen by 57 percent since 1996, and the percentage of Americans on public assistance today—about 2.1 percent—is at its lowest since 1964. The percentage of working recipients is also at its highest ever—at about 33 percent—and two-

thirds of those who’ve left welfare since 1996 are holding down jobs.

The earnings and incomes of poor single mothers have also risen dramatically. The Urban Institute reports that since late 1996 the wages earned by the bottom quarter of employed single mothers have risen by more than 17 percent. Census figures show that for the two million single-mother families with incomes between \$13,000 and \$21,000, earnings increased from \$4,900 in 1993 to \$11,700 in 2000. Total income for this group rose by more than \$4,000. In short, millions of low-income families have exchanged dependence on government for the dignity of work.

Many analysts caution against declaring welfare reform an unqualified success. With the economy in recession, they warn, the movement of people from the dole to payrolls could be reversed. Some believe that the people who remain on the welfare rolls are beset by personal problems that make them harder to employ than those who have left. Conservatives worry that we’ve made little progress toward achieving a key TANF goal: promoting marriage. And liberals who opposed the 1996 law now fret that the number of people receiving food stamps and Medicaid health coverage has declined. Nonetheless, few are calling outright for undoing the 1996 reform and returning to the old entitlement.

In one respect, moreover, welfare reform already has been an unambiguous success: It has generated tremendous public sympathy for the working poor and largely erased the stigma on social spending. The anti-welfare passions of the

past have yielded to a new public consensus for helping families struggling to work and achieve self-sufficiency. For example, a recent survey by Hart Research found that 71 percent of Democrats and 63 percent of Republicans say it is very important for President Bush and Congress to “[do] more to help those trying to work their way off welfare.” In fact, voters rank this priority among their top five concerns, along with “providing greater help to the working poor,” which 61 percent of voters found very important.

These sentiments have been backed by public action: From 1993 to 1997, federal spending on low-income families increased by \$74 billion, and many states have increased their child care and other supports for the working poor.

The political significance of this shift is enormous. For decades, advocates for helping the poor have been on the defensive as the welfare rolls exploded, a new “right” to unconditional public assistance was proclaimed, and the problems of family breakdown and long-term welfare dependence grew worse. Now that social policy has been realigned with the values of work and mutual responsibility, advocates of a more progressive and generous approach can seize the initiative.

This year’s reauthorization of TANF (along with food stamps and the federal child care

subsidy program) presents an opportunity to complete the social policy revolution begun in 1996. First, we need to reaffirm the law’s central insight that work and moral reciprocity—the willingness to contribute to the common pot and give something back—is the basis of a progressive social compact that can both empower the poor and sustain public support for effective public policies. Moreover, we must extend this new social contract to men as well as to women.

Second, we need to make support for low-wage workers the central organizing principle of America’s 21st century social policy. This entails rethinking not just welfare, but the whole array of federal social programs to ensure that they provide low-wage working families with the essential building blocks of a decent life: housing, child care, health insurance, access to jobs, and income supplements to reward work. In this way, we can help working families lift themselves out of poverty. We should make this simple but powerful proposition the touchstone of America’s new social policy: No American family with a full-time worker should live in poverty.

Third, we need to redouble promising efforts to reduce teenage pregnancies and out-of-wedlock births. Premature childbearing outside of marriage is the “feeder system” for welfare dependency and is the biggest contributor to child poverty. A key lesson of welfare reform is that public policy can send important cultural signals that reinforce responsible behavior, as the success of welfare reform’s central message—“work first”—has demonstrated. We must now work to achieve the same progress on a new front: The imperative of reducing out-of-wedlock births should be a pivotal message in TANF reauthorization.

With these immediate and longer-term goals in mind, PPI recommends the following progressive strategy for the second act of welfare reform:

A Progressive Strategy for the Second Act of Welfare Reform.

- (1) Keep the focus on “work first.”***
- (2) Maintain TANF funding.***
- (3) Put dads to work.***
- (4) Combat teen pregnancy and reduce out-of-wedlock births.***
- (5) Expand key supports for low-wage workers.***
- (6) Reward states for promoting work and reducing poverty.***
- (7) Break down bureaucratic barriers.***
- (8) Encourage public-private partnerships.***

Principle One: Focus on “Work First”.

Congress should resist attempts to relax TANF’s time limits and work requirements. Lawmakers should be skeptical of proposals—often from groups that opposed welfare reform in the first place—to “stop the clock,” expand exemptions to federal time limits, substitute education and training for work, or otherwise weaken the new emphasis on work. Reauthorization is an opportunity for Washington to raise, not lower, the bar. That means giving the states more ambitious work and job retention goals while also increasing financial incentives and rewards for those who succeed.

PPI Recommendations:

- ▶ Maintain time limits, raise work participation rate requirements, and eliminate the caseload reduction credit.
- ▶ Fund transitional jobs programs for “hard-to-serve” recipients.
- ▶ Double funding for high-performance bonuses rewarding states for their progress on job placement, retention, and advancement.

Principle Two: Preserve TANF Funding.

Congress must not use shrunken welfare rolls as an excuse to cut TANF funding. As the economy sours, increasingly strapped states will likely find it harder to place people in jobs, especially hard-core welfare recipients with multiple barriers to employment. These recipients will need more intensive and expensive services—such as transitional community service jobs—to move in stages toward independence. Moreover, as more young mothers work, states need to spend more on child care and other work supports, even as they spend less on cash assistance. We can’t end welfare on the cheap.

PPI Recommendations:

- ▶ Maintain the TANF block grant at its current level.
- ▶ Maintain state maintenance-of-effort

(MOE) requirements at their current levels.

Principle Three: Put Dads to Work.

The first round of welfare reform required single mothers to work; the next must extend that basic social obligation to the men who father their children. So another important reason to preserve TANF funding is to ensure that states can bring “deadbroke dads” into their new job placement and support systems, as well as fund proven efforts that promote responsible fatherhood.

PPI Recommendations:

- ▶ Help low-income fathers find jobs by extending them full access to TANF employment services, job training, and work supports.
- ▶ Eliminate barriers to TANF participation by low-income men, such as separate work requirements for two-parent families.
- ▶ Toughen child support enforcement and encourage full pass-through of all collections.
- ▶ Fund effective “responsible fatherhood” programs.
- ▶ Eliminate the EITC’s marriage penalty.

Principle Four: Combat Teen Pregnancy and Reduce Out-of-Wedlock Births.

Bearing a child out of wedlock can irreparably damage the prospects of young mothers and their children, who are five times more likely to live in poverty than children in married, two-parent homes. Reducing out-of-wedlock births is therefore critical to ending the generational cycles of poverty that perpetuate dependence.

PPI Recommendations:

- ▶ Fund effective programs to reduce out-of-wedlock births, especially among teens.

- ▶ Reform the “illegitimacy bonus” to better reward states for their efforts to combat teen pregnancy and out-of-wedlock childbearing.
- ▶ Support community-based efforts aimed at ending the glamorization of teen pregnancy and single parenthood in popular culture and by the entertainment industry.

Principle Five: Expand Key Supports for Low-Wage Workers.

Too many working-poor families lack adequate child care, housing, transportation, and health insurance. Congress should invest more in these key components of a comprehensive system of public supports for working families. It’s time for another expansion of the Earned Income Tax Credit, which directly rewards work and has become America’s biggest and most effective anti-poverty program. Congress should also undo remaining provisions of the 1996 law aimed at denying access to work supports for legal immigrants.

PPI Recommendations:

- ▶ Increase funding for the Child Care Development Block Grant.
- ▶ Cover the uninsured.
- ▶ Expand the EITC.
- ▶ Fund transportation initiatives such as Access to Jobs and Reverse Commute.
- ▶ Boost the number of available Section 8 housing vouchers.
- ▶ Pass the Savings for Working Families Act to support large-scale expansion of individual development accounts (IDAs), which provide matched savings to poor families.
- ▶ Restore benefits to legal immigrants.

Principle Six: Reward States for Promoting Work and Reducing Poverty.

While maintaining pressure on the states to move people from welfare to work, the renewed TANF should also encourage them to help families move up the job and income ladder. PPI proposes a new poverty reduction bonus, keyed to state action to improve the work supports and earnings of low-income families. This should not be confused with liberal proposals for a child poverty reduction bonus, which ignore the reality that the best way to help children is not to create new handouts but rather to support their parents’ efforts to work and increase their income. A worker-based poverty reduction bonus would reinforce the shift in U.S. social policy from the dependent poor to the working poor, from income maintenance to upward mobility for those stuck in the low end of the labor market.

PPI Recommendations:

- ▶ Create a meaningful poverty reduction bonus that:
 - focuses on reductions in poverty for working families, not children;
 - credits state spending on anti-poverty programs;
 - requires states to compete against their own past performance; and
 - is generously funded.
- ▶ Include poverty reduction as a stated purpose of TANF.

Principle Seven: Break Down Bureaucratic Barriers.

TANF is a performance-based grant that sets national goals but gives the states wide latitude in reaching them. Congress should consider applying the TANF model elsewhere, merging other means-tested anti-poverty programs into broad funding streams that free states from federal micromanagement while holding them strictly accountable for performance. It’s also time to modernize old “safety net” programs like

food stamps, which were designed to supplement the welfare system, and to reorient them around the needs of low-wage workers and their families.

PPI Recommendations:

- ▶ Consolidate redundant programs and funding streams, encourage inter-agency coordination, and streamline access to programs.
- ▶ Support the creation of “one stop” job centers using both TANF and Workforce Investment Act funding.
- ▶ Improve performance by implementing national, interagency performance measures, requiring rigorous evaluation of new programs, and improving information gathering on best practices.
- ▶ Tighten reporting requirements on TANF spending.
- ▶ Modernize food stamps.

Principle Eight: Encourage Public-Private Partnerships.

Government can and should do more to harness the talents of the private and civic sectors in empowering the working poor. Already, businesses like America Works and Maximus that help welfare recipients find and keep jobs are generating cost-saving innovations and injecting competition into social service delivery. And while established religious charities have long played a vital role in delivering social services, Congress should also encourage smaller congregations and community organizations to get involved in welfare-to-work, child care, teen pregnancy prevention, responsible fatherhood projects, and other efforts to break the cycle of poverty. Performance-based contracts, rigorous evaluation of new programs, national outcome measures, and improvements in information gathering can help create a competitive market for social service delivery that taps the best of

all three sectors: government, business, and community.

PPI Recommendations:

- ▶ Inject choice and competition into the delivery of social services by encouraging the participation of a wide array of private actors.
- ▶ Encourage the use of “pay for performance” contracts.

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A Strategy for Reauthorization

Principle One: Focus on Work First

The most enduring lesson of the past decade is that “work first” works. More recipients than ever are holding down jobs, and the majority of those who have left the rolls are working as well. So the first rule of TANF reauthorization should be: no weakening of work requirements.

While few have called outright for resurrecting the old welfare entitlement, some leftist critics have begun to lay siege to the law’s requirements by proposing myriad exceptions to work participation standards and time limits. Among these efforts are proposals to “stop the clock” for working recipients or to define “work” so broadly that even activities only tangentially connected to employment would count. Another proposal, offered by Rep. Patsy Mink (D-Hawaii), would essentially permit states to exempt their entire caseloads from federal time limits.

Congress should resist these efforts to gut work requirements and keep the pressure on states to place recipients in jobs by raising work participation targets and maintaining time limits. Under current law, work participation rate requirements top out at 50 percent, and some have proposed holding the bar steady over the next five years. Congress should instead up

the ante and require at least 70 percent work participation, if not higher. So far, every state has either met or exceeded the law's overall work participation requirements, and in 1999 eight states boasted work rates that surpassed 50 percent. Over the next five years, states can and certainly should achieve more ambitious targets than current law requires.

Moreover, a steadily accumulating body of research shows that a work-first strategy can most effectively reduce dependency. Most recently, the National Evaluation of Welfare-to-Work Strategies found that work-first programs are better than those focused on education and training when it comes to boosting recipients' employment rates and earnings, at least in the short term.

In addition, little evidence backs advocates' claims that time limits and work requirements pose substantial hardship on recipients. One well-known study in Florida, where the clock runs out much sooner than under federal law, failed to find that time limits created any unduly harsh effects. Current law already provides ample room for exceptions; at any given time, states may exempt up to 20 percent of their caseloads from the federal time limit.

Besides requiring states to put more recipients to work, Congress should eliminate the caseload reduction credit, which rewards states for shrinkages in their welfare rolls with lowered target work participation rates. Because the credit doesn't take into account whether welfare leavers are working, states can win reductions in their participation requirements without actually helping leavers find jobs.

In fact, a number of states have "met" their work requirements solely through caseload reduction. Fifteen of the 25 states with the lowest actual work participation rates also had comparatively the highest rates of caseload decline from 1995 to 1998.¹ Eliminating the credit would force states such as these to put more effort into work participation without also penalizing states that are already doing a good job. Congress should instead institute an "employment credit" similar to that proposed by Rep. Benjamin Cardin (D-Md.), which will reward states for actual achievement in placing recipients and leavers in jobs.

Helping hard-to-serve recipients. New research shows that recipients on the rolls today are generally no more disadvantaged than those who were on welfare at the start of reform. Nevertheless, long-term recipients comprise about half of the caseload and they are more likely to suffer greater barriers to employment. For example, short-term recipients are more likely to have recent work experience, and are also better educated and in better health than long-timers. Some estimates claim that as many as one-third to one-half of recipients face multiple barriers to employment, including physical and mental disabilities, domestic violence, housing instability, and mental health or substance abuse problems. Undoubtedly, at least some of the movement off the rolls since reform was due to the departure of those most likely to succeed on their own.

Congress should encourage states to test innovative ways of helping hard-core recipients move toward independence. For example, Washington State and the city of Philadelphia have set up "transitional jobs" programs that combine work experience with job training and education. Not to be confused with "workfare," in which recipients work off their grant, transitional jobs pay real wages for every hour worked, typically 20 to 25 hours a week. They often provide participants access to both a full menu of work supports as well as substance abuse counseling, mental health treatment, and other case management services designed to overcome barriers to employment. Since 1998, Philadelphia's program has enrolled more than 2,600 participants and placed more than 900 workers in permanent, unsubsidized jobs, mostly in the private sector.

These successes, however, have not come cheap. Congress should offer states financial incentives to experiment with their own approaches. Rather than earmarking TANF dollars for that purpose, Congress should offer competitive grants to states as a successor to the Labor Department's not very successful Welfare to Work program, which lapsed this year. Grants should also pay for research and evaluation to ensure that programs help the hard-to-employ move gradually but steadily toward full-time jobs in the private sector.

Promoting job retention and advancement.

Over the past five years, researchers have amassed a great deal of information about the job-readiness of welfare recipients and the experiences of recipients and leavers in the job market. The weight of this data points to the following conclusions: job retention and advancement are as critical to self-sufficiency as initial employment, and for most welfare recipients, keeping a job is far more difficult than finding one.

For example, the Manpower Demonstration Research Corporation (MDRC) found that the vast majority of participants in the welfare-to-work programs it evaluated had little trouble finding work. However, only one out of four participants stayed employed for at least three-quarters of the four-year follow-up period. One out of five participants did not work at all. Moreover, MDRC found that wages for participants were typically very low—less than \$2,500 per quarter on average, or far less than necessary to pull a three-person family out of poverty.

According to MDRC, the recipients who did hold onto jobs shared these characteristics: (1) They were better educated and more skilled than their less successful counterparts and twice as likely to hold a two-year or technical degree; (2) they were more likely to have had recent job experience and somewhat less likely to have been long-term welfare recipients; (3) they had fewer personal barriers to employment, such as depression or

family and personal problems; and (4) they were far more likely to have received transitional child care and Medicaid and employer-sponsored benefits such as paid vacation and sick leave.

These findings make clear that a work-first policy shouldn't end with a recipient's first paycheck. Therefore, a reauthorized TANF should reward states for their progress in helping recipients achieve long-lasting self-sufficiency and require states to do a better job of following up on recipients after they leave the rolls for the workforce.

Congress should replace the current discretionary high-performance bonus pool with a new, generously funded bonus system dedicated to rewarding states for their

Should Work “Stop the Clock”?

Many states have expanded the use of “earned income disregards” to supplement the wages of welfare recipients who work. By increasing the amount of earnings “disregarded” in determining eligibility for cash assistance, states permit recipients to work longer hours and make more money while still receiving welfare benefits.

This tactic's success in encouraging part-time work among recipients has led some advocates to argue that work should “stop the clock”—that is, the five-year time limit on receiving cash assistance. Others say that welfare recipients should be allowed to “earn back” time on welfare if they work some minimum number of hours a week.

Congress should reject such proposals, which would restore the old welfare entitlement through the back door. U.S. social policy should aim at liberating Americans from dependence, not prolonging their stay on welfare. In fact, raising earned income disregards makes good sense—but only when coupled with time limits. Then work becomes a way of easing the transition off of welfare while also raising welfare recipients' incomes.

Instead of perpetuating welfare, states should use their TANF dollars to make full-time, private-sector work more attractive. For example, they can create their own versions of the EITC to supplement earnings. They can also provide working mothers with child care, transportation, and other work-related supports, none of which are subject to time limits. Some states, such as Florida, have also begun to experiment with wage subsidies.

achievements in job placement and job success (such as gains in job retention and wage advancement). At a minimum, funding for these bonuses should be double the current annual amount of \$200 million. Congress should also require that states' eligibility for bonuses depend not only on the progress of current recipients but also that of leavers. Ensuring that the bonus criteria cover leavers would reward states that backstop their work-first programs with the transitional services necessary to make sustained employment possible.

Principle Two: Preserve TANF Funding

Total federal funding for the TANF block grant currently stands at \$16.5 billion, a figure that was fixed in 1996 based on historic expenditures in the years immediately prior to reform. Despite the fears of some advocates that funding would prove insufficient, states began piling up surpluses as caseloads began to plummet, and until very recently, these unspent funds exceeded \$8 billion.

Instead of letting these funds lie idle, however, states have begun to plow these surpluses into the creation of a system of work supports for the working poor, including child care, transportation, and other supportive services. In fiscal 1999, for example, states spent a total of \$4.41 billion in federal TANF money and state MOE expenditures on child care and \$1.8 billion on activities to move recipients from welfare to work. A growing number of states are also using TANF money to fund state-level Earned Income Tax Credits, which can provide a greatly needed wage supplement to low-income workers. In fact, states are spending only about half of their block grants on cash assistance, which may prompt some to argue that overall TANF spending should accordingly be scaled back.

Rather than lowering spending, however, we should encourage what states have already begun to do with their funds and raise the bar for state achievement on several dimensions: moving an even higher percentage of their caseloads into work, creating transitional jobs

for hard-to-employ recipients, providing child care and other work supports to low-wage workers, bringing men into the welfare-to-work system, and not least, creating a hedge against a deep and prolonged recession. At a minimum, Congress should maintain both federal and state spending for TANF at their current levels.

Spending on child care and other work supports is critical to preserving the long-term independence of welfare leavers, the vast majority of whom are in low-wage jobs and many of whom are struggling to overcome the obstacles that put them on the welfare rolls in the first place.

A report by the Annie E. Casey Foundation, for example, found that even after taking public subsidies into account, child care costs swallow an average of one-fourth of the monthly income of families earning less than \$1,200 a month. The report also found that lack of child care hinders many recipients from making a successful permanent transition into work. In one Minneapolis study cited by the report, one-fourth of the leavers on a waiting list for child care eventually went back on public assistance after help failed to materialize.

Now is the time to complete America's unfinished welfare revolution. Cutting funding at this point would be a double tragedy: a retreat from reform and a missed opportunity to replace the old welfare bargain with a new social compact based on work and empowerment.

Principle Three: Put Dads to Work

The first round of welfare reform obliged low-income mothers to work rather than make welfare a way of life. The next round should challenge the men who father their children to take responsibility for raising them.

In the last several years there has been a dramatic rise in work participation rates among welfare mothers. But employment rates among non-college-educated men have dropped precipitously. The problem is particularly serious among young black men, whose participation in the workforce has declined even during the economic boom of the 1990s. According to

Georgetown University's Paul Offner, only about 70 percent of young black men were in the labor market in 1999, despite record low unemployment of 4.2 percent. Absent dads who aren't working can't contribute to the financial needs of the children they help bring into the world.

They must be challenged to go to work, make their child support payments, and establish an emotional connection to their children where possible. To do so, Congress should first purge the welfare system of its historic bias against fathers and two-parent families, especially married couples. That means killing provisions that discourage two-parent participation in TANF, such as separate work requirements. Most importantly, it should eliminate the marriage penalty in the federal EITC, which remains fairly steep despite some improvements in last year's tax bill. Because the EITC is based on household income, many couples who marry risk losing most or all of their refunds when their incomes are combined. We should also remove similar marriage penalties in other work support programs such as child care, Medicaid, or food stamps. Bigger benefits and separate eligibility standards for married couples will not only help needy families but could encourage cohabiting couples to tie the knot.

Second, Congress should encourage the states to bring men into their incipient job placement and work support systems. So-called "deadbroke dads" should get the job services, training, and other help they need to find employment and support their children. At a minimum, states should allow poor fathers to enroll in already established welfare-to-work programs. We should also provide funding for proven efforts to promote "responsible fatherhood." Besides employment assistance, these programs often offer dispute mediation, relationship counseling, and other services to help dads become more emotionally involved with their children.

These new opportunities for fathers should, however, be coupled with an ever-stronger emphasis on the responsibilities that come with fatherhood, including child support. Welfare

reform legislation contained a variety of provisions aimed at improving child support collections, including the establishment of a national new hire reporting system, streamlined paternity establishment, and tougher penalties for nonpayment, such as the denial of passports to parents in arrears. As a result, states collected nearly \$16 billion in child support payments in 1999, which was double the amount collected in 1992. We should continue this progress by improving interstate collection systems and harnessing technology to assist in tracking down deadbeat dads.

We should also ensure that more money gets to the families of the fathers paying support. Currently, both the federal and state governments reimburse themselves for the cost of providing public assistance by taking a cut of all collections from fathers whose children are on welfare. Research shows that fathers are more likely to pay child support (and more of it) if government declines to take its share and passes through all payments to the family for which it was intended. Few states, however, have adopted a pass-through policy; full pass-through is expensive, and a federal law that required states to pass through a minimum of \$50 to families on assistance was eliminated in 1996. States should be allowed to use a limited amount of TANF funding to finance the "pass-through" of child support collections to families.

States should also be able to use TANF funds to support other needed child support reforms. For example, some fathers, especially those in jail, owe huge amounts in back support that are both impossible to pay off and so large that all incentive to work or pay support disappears. Congress should ensure that states can use TANF to fund innovative programs like that in Maryland, which is aimed at helping fathers work off burdensome arrearages owed to the state.

Principle Four: Combat Teen Pregnancy and Reduce Out-of-Wedlock Births

We cannot end the intergenerational cycle of poverty that leads to dependence unless we strike decisively at its root cause: unwed child-

bearing. Bearing a child out of wedlock is the single most damaging thing that a young woman can do to sabotage her economic future. Single-parent families are more than five times as likely to live in poverty as married couples, and many become long-term dependents on welfare. Teen moms are particularly likely to suffer: Only one-third finish high school and nearly four out of five end up on public assistance.

Any effective policy to promote the formation and maintenance of two-parent families must have at its core a commitment to reducing out-of-wedlock births, especially among teens. To achieve this goal, Congress should adopt the following strategy:

- ▶ **Finish the job of welfare reform.** From 1990 to 1997, teen pregnancy rates declined by more than 24 percent—the first decline in several decades. Although numerous factors are no doubt responsible for this trend, welfare reform can play a significant part in ensuring this decline continues. Welfare reform demonstrated to many formerly dependent recipients that work pays better than welfare, and that unwed childbearing holds few financial rewards. Moreover, time limits sent a strong signal to single mothers that indefinite government support is no longer available. Continuing welfare reform can reinforce the message that unwed childbearing presents, at best, a highly unattractive option for young women.

- ▶ **Encourage efforts to change cultural attitudes toward unwed childbearing.** Popular media and the entertainment industry have long glamorized irresponsible sexuality. Casual and teenage sex are omnipresent features of mainstream

Should Congress Create an Office of Marriage Initiatives?

If the left sees TANF renewal as a chance to water down work requirements, the right views it as a chance to advance its pro-marriage agenda. The Heritage Foundation, for example, has proposed that Congress earmark 10 percent of TANF funding for pro-marriage programs and for the creation of a special Office of Marriage Initiatives.

It's odd that conservatives who routinely question Washington's competence should now want to entrust it with something as delicate and culturally fraught as promoting marriage in low-income communities. It is also somewhat ironic that the Heritage Foundation, which generally eschews big government, is now championing the creation of another bureaucracy. The Heritage proposal is flawed on two fronts: First, earmarking funding for a specific purpose would impede state flexibility and stifle the innovative spirit that has led to welfare reform's greatest successes. Performance incentives and/or penalties for noncompliance are a far preferable means of influencing state behavior. Secondly, there is as of yet little proof that government programs can, in fact, effectively promote marriage. In the absence of such evidence, a significant earmark for marriage promotion is at best premature.

television programming, and popular magazines celebrate the single motherhood of female movie stars. Many sports figures are often poor role models for responsible, married fatherhood. Obviously, government programs alone cannot hope to combat the negative influence of popular culture, and instead we must encourage efforts to change popular culture itself. The National Campaign to Prevent Teen Pregnancy, for example, is currently spearheading a promising initiative aimed at working with the entertainment industry to promote teen pregnancy prevention. In addition to sponsoring public service announcements and editorial coverage, the campaign is working to influence the content of popular TV programs, which in

the long run is more likely to have an impact on young audiences. We should explore the possibility of public support for such voluntary efforts to promote responsible programming.

- ▶ **Fund effective programs aimed at reducing teen pregnancy; reform the “illegitimacy bonus.”** TANF should guarantee states maximum flexibility to work with schools and community organizations to provide young people with sensible information about abstinence, contraception, and the consequences of an unwanted birth. Funding should also be available for “second chance” homes, which help teen mothers stay in school and provide them with a variety of needed supports. Congress should also reform the “illegitimacy bonus,” which has been criticized for rewarding demographic shifts rather than state efforts to reduce unwed births. At a minimum, states should be ineligible to participate in the bonus pool without demonstrating a commitment to public and private efforts, including those of faith-based organizations, aimed at preventing teen pregnancy and unwed childbearing.

And although we should work to remove barriers to marriage in public programs, we should avoid a single-minded focus on marriage promotion. As Professor Daniel T. Lichter writes in PPI’s report, “Marriage as Public Policy,” using public policy to promote marriage is a complex matter. Whether government programs can really influence a decision as personal as marriage is one fundamental and as yet unanswered question. But the debate over marriage promotion is also a needless distraction from more pressing priorities.

Moreover, marriage is not a path out of poverty for most unwed mothers. Unwed moms are less likely to marry than childless women, and if they do marry, their marriages tend to fail. Unwed mothers who eventually marry also tend to have partners with lower earnings and education than women who did not bear children out of wedlock.

Ultimately, the most effective marriage promotion policy will be to prevent out-of-wedlock births.

Principle Five: Expand Supports for Low-Wage Workers

Too many working families lack adequate access to child care, transportation, health insurance, and affordable housing. Without these supports, the newly self-sufficient find themselves with only a tenuous hold on independence. Finishing the job of reform demands the creation of a seamless and comprehensive system of supports for working families. TANF is only one in a constellation of programs dedicated to the needs of poor and working-poor families, and we should strive to orient *all* social programs toward the overarching goal of supporting and rewarding work.

To create this system of supports, Congress should:

- ▶ **Spend more money on child care.** In fiscal 2000, states spent a total of \$8 billion in federal and state funding on child care, including \$5.1 billion in federal money. Nevertheless, the government estimates that only about 15 percent of eligible children receive subsidized day care. And according to the National Partnership for Women & Families, lack of child care remains the number one problem for poor women on welfare who are trying to hold down jobs. To meet this need, Congress should increase mandatory federal funding for the Child Care Development Block Grant by at least \$1 billion a year.
- ▶ **Provide working families with transportation assistance.** After child care, lack of transportation is the biggest barrier low-income workers face in getting and keeping a job. Since 1996, a number of states and the federal government have begun programs to ease transportation hurdles for low-income workers by providing car-sharing services, van pools, improvements

in public transportation, or assistance in purchasing a car. Congress should expand federal support for these initiatives, including the Reverse Commute and Access to Jobs programs.

▶ **Expand affordable housing opportunities.**

The lack of stable, affordable housing can sabotage a family's hopes of achieving long-term self-sufficiency. According to researchers at Mathematica Inc., inadequate housing can keep families stuck on welfare in one of several ways: (1) High-cost housing can make child care and transportation unaffordable for working families; (2) cheap housing is usually only available in distressed neighborhoods with few job prospects; (3) poor-quality housing (e.g., with inadequate heat or sanitation) can cause or worsen health problems; and (4) government housing programs often inadvertently discourage work by drastically reducing benefits as income rises. Section 8 vouchers, which have been lauded for their ability to provide families with both choice and mobility while deconcentrating poverty, now serve about 1.5 million households. In the coming year, Congress should boost this number by at least another 100,000.

▶ **Cover the uninsured.** Most of the entry-level positions in which former recipients find themselves do not offer health insurance, and many recipients leaving the rolls may find themselves losing Medicaid and without coverage. Congress should adopt PPI's plan to cover the uninsured and make certain that lack of insurance does not pose a significant obstacle to obtaining work.

▶ **Expand the EITC.** The EITC is the nation's largest and most effective anti-poverty program, credited with raising more than 4.5 million people out of poverty each year. Congress should eliminate the EITC's marriage penalty, expand the size of the credit, and lower its phase-out rate in order to maximize the credit's incentives for work.

▶ **Promote homeownership and personal savings.** Congress should help working families move up the ladder by supporting policies that encourage homeownership and savings. In particular, Congress should pass the Savings for Working Families Act, which provides incentives to financial institutions to provide working families with greater access to Individual Development Accounts (IDAs). IDAs are matched savings accounts intended to help low-income families to buy a home, pay for postsecondary education, or start a business, and have been endorsed by PPI since their conception in 1990.

▶ **Restore benefits to legal immigrants.** Congress should ensure that all Americans, including legal immigrants awaiting citizenship, have full access to the employment and work support system created by welfare reform. As a concession to the conservative right, the 1996 welfare reform law included numerous unreasonably harsh provisions aimed at denying benefits to legal immigrants. Among other things, the law denied TANF participation to most legal immigrants, stripped low-income elderly and disabled legal immigrants of their eligibility for Supplemental Security Income (SSI), and barred immigrants' access to Medicaid and food stamps. Although President Clinton succeeded in undoing many of these punitive measures, many legal immigrants remain ineligible for assistance. Congress should not perpetuate this injustice.

Principle Six: Reward States for Promoting Work and Reducing Poverty

The ultimate test of U.S. social policy is whether it reduces poverty in ways that make economic and moral sense. After all, we could lift people out of poverty simply through government transfers, but most Americans would rightly object that such a policy would undermine individual responsibility and initiative and

impose enormous burdens on our economy, both in terms of the lost productivity of millions of idle and dependent citizens and in the costs of supporting them.

In 1996, the nation turned away from this welfare state model toward what the writer Mickey Kaus has called a “work ethic” state. In America’s new social compact, work is both the end and the means. By requiring all who can work to do so, we recognize the dignity of all labor and the moral imperative of self-reliance. At the same time, we insist on work for its instrumental value—it is the only certain route out of dependence and poverty. But as society insists that everyone work, it incurs the responsibility to enable people to work and to make work pay. If our new policy does nothing more than convert the dependent poor into the working poor, we will have failed. We must therefore define success in terms of helping low-wage workers lift themselves and their families out of poverty.

While keeping the primary focus on work, it’s time to encourage the states to keep their eyes on the prize of reducing poverty. Congress should make poverty reduction an explicit goal of TANF and create a generous new bonus for states that significantly lower their poverty rates.

The framework for such a bonus should include the following provisions:

- ▶ **A focus on families, not just children.** The bonus should reward states for reductions in poverty among families *with a working member*. This approach recognizes that governments don’t raise children, parents do, and that children’s well-being is ineluctably tied to their parents’ ability to improve their economic situation. It encourages states to concentrate on work-centered solutions to poverty, not new government handouts. A focus on working families in poverty will also encourage states to improve the fortunes of poor men, who may otherwise be ignored.
- ▶ **A definition of poverty that credits state spending on anti-poverty programs.** States should be rewarded only for their direct efforts to combat poverty, not for economic or demographic shifts beyond their control. Any bonus scheme should include a revised definition of poverty (not the current measure) that takes into account the impact of easily measurable government programs, such as the value of a transportation subsidy or a state-level EITC.
- ▶ **A requirement that states compete against their own past performance.** The current system of high-performance bonuses requires states to compete against each other. As a consequence, few states are ultimately winners. The drawbacks of this system are twofold: (1) It can reward or penalize demographic shifts rather than policy changes, and (2) a small winner’s circle can give states an incentive to opt out of competition. The ideal poverty reduction bonus would require states to set performance targets and compete against their own record. Moreover, all states that outperform themselves should receive awards. Finally, to reward states for new achievement (and not merely for cyclical gains as the country emerges from its current recession), the benchmark for performance should be set for a year prior to 2000. The Child Poverty Reduction Act, sponsored by Sen. Charles Schumer (D-N.Y.) among others, provides a good template for most of these provisions.
- ▶ **Generous funding.** A serious effort to reduce poverty will require states to invest significantly in a broad array of work supports and related initiatives. TANF should provide the initial funding for this goal, but Congress should consider enlarging the pot, especially in the later years of reauthorization and especially if states are showing real progress on this front. In any

event, total funding for poverty reduction bonuses should significantly exceed the \$150 million proposed in the Child Poverty Reduction Act, which is the leading proposal for a poverty reduction bonus.

Principle Seven: Break Down Bureaucratic Barriers.

Reform spurred welfare offices to retool their mission, services, and culture and in many cases succeeded in shaking administrators loose from decades of bureaucratic entrenchment. Nevertheless, the reinvention of bureaucracy is far from complete.

Social services programs remain plagued by redundancy; take, for example, the plethora of welfare-to-work programs provided not only by local TANF offices but by the Department of Labor under the Welfare to Work program, HUD under its Hope VI project, and by the Department of Agriculture in its efforts to help recipients comply with the work requirements imposed by the 1996 law on the recipients of food stamps. Worse, each set of programs comes accompanied with its own set of mandates, regulations, and reporting requirements. An ambitious service provider seeking to consolidate these programs would face a daunting, if not impossible, task.

Moreover, the “hassle factor” remains enormous. Families seeking TANF assistance, food stamps, Medicaid, or other help must often visit multiple offices and fill out multiple application forms. Often, these offices are open only during business hours, which has no doubt contributed to the steep recent decline in participation among working families in food stamps and Medicaid.

With Congress’s help, states should consolidate and coordinate the multiplicity of programs now devoted to helping low-income families find and sustain employment. A promising model has already been envisioned by administrators in Denver, Colo., who have proposed a “one-stop” service center at which working families can apply for TANF, child care, Medicaid, and EITC assistance. This proposed

Mayor’s Office for Working Families would also offer the services envisioned under the Workforce Investment Act that are traditionally offered by workforce development agencies, such as job placement, skills assessment, and training.

Agencies should be forced to peel away unnecessary layers of regulations, and Congress should establish interagency performance measures focused on overall outcomes rather than on program minutiae. States should also be granted maximum latitude to consolidate various federal funding streams and eliminate duplication. As the price for this flexibility, Congress should heighten state accountability by standardizing the submission of state plans describing the use of federal and TANF funds, forbidding supplantation of state funds with federal dollars, requiring regular and detailed accounting of expenditures, and measuring state performance on a range of national barometers, such as job retention rates or access to child care. In addition, Congress should improve information gathering on best practices and provide ample funding for rigorous evaluation of unproven programs such as those that promote “responsible fatherhood.” These reforms will not only help shift the focus of bureaucracy from process to performance but help state and federal agencies overcome current gaps in information on where states are spending their money and which programs are most effective.

Congress should also take on the job of overhauling the food stamps program, which is perhaps the last bastion of the old entitlement regime. In recent months, both critics and defenders of the program have spilled much ink to document the program’s flaws and propose various reforms. Both sides acknowledge the same basic problem: that in its current state the program is ill-suited to the needs of working families.

Some would argue that the main issue is access; in 1999, for example, only 43 percent of eligible working families participated in the program. Proponents of this position take a limited view of reform that centers on a variety of bureaucratic fixes aimed at improving

“outreach” and reforming the much-reviled “quality control (QC)” system, which monitors state compliance with program rules and which, advocates contend, creates a perverse incentive for states to reduce their food stamp caseloads.

The real problem with food stamps, however, runs much deeper. Fundamentally, the program is incompatible with the new, work-oriented social policy created by welfare reform. Paternalistic in both conception and administration, it is indelibly tainted by its roots in the old regime of entitlement. While we must preserve the program’s role as an important safety net for individuals who cannot work (i.e., the program’s many elderly and disabled recipients), we must radically rethink its place in the network of supports for working families.

One highly promising starting point for reform is a proposal by Harold Beebout of Mathematica Inc. and Michael Fishman of the Lewin Group. Beebout and Fishman’s idea for a “Nutrition Tax Credit” contemplates using workers’ federal tax returns to determine their eligibility for food stamps. Under their proposal, workers would apply for the Nutrition Tax Credit when they file for an EITC. They would then receive a monthly benefit for the next 12 months that would be roughly equal to the amount they would have received under the old program. This proposal envisions a minimum of hassle, both for administrators and working families. Most importantly, this streamlined benefit is a direct reward for work.

Principle Eight: Encourage Public-Private Partnerships

The 1996 welfare reform law brought about a transformation both of policy and of bureaucracy. The “devolution revolution” wrought by reform radically changed the way that welfare offices do business. The decentralization of the welfare system nudged administrators toward a more flexible and competitive approach to social services delivery, and many began to look outside government for fresh solutions.

Since 1996, the contributions of for-profit,

charitable, faith-based, and community organizations toward the success of reform have been innumerable. Private companies such as America Works, Maximus, and Goodwill Industries have developed entrepreneurial and effective programs for providing employment services and training for welfare recipients. Moreover, some of these organizations, which operate for profit, have demonstrated that welfare-to-work not only pays off for former recipients but for the businesses that hire them. The pay-for-performance model adopted by America Works, for example, virtually guarantees its client companies good results. Recipients placed with a company remain on the payroll of America Works for a probationary period of four months and are provided a variety of work supports, training, and other benefits during this time. Only after four months of satisfactory performance is the recipient hired formally by the client company. Thanks to this model, the company boasts an 80-percent retention rate and counts numerous Fortune 500 companies among its clients.

Faith-based organizations have also made important contributions in injecting choice, competition, and creativity into social services delivery. Aside from the long-standing role played by such faith-based charities as the Salvation Army, Catholic Charities, and Lutheran Social Services, to name a few, smaller organizations have also made their mark. Gulf Coast Jewish Family Services Inc., for example, runs one of the country’s leading job-based programs aimed at helping low-income fathers in Florida. Since its creation in 1996, the program has helped more than 3,900 non-custodial parents find jobs and pay child support. A 1999 study of the program found that it significantly reduced families’ dependence on public assistance; of the families studied, nearly a quarter had been able to leave welfare.

Congress should continue to encourage the creation of these partnerships between public and private entities. Private actors can bring new ideas, new practices, and new energy.

Religious, charitable, and community-based organizations have long provided social services to the needy, and as Jim Castelli writes in PPI's report, "Faith Based Social Services: A Blessing Not a Miracle," it would be a tragic waste for government not to tap this vital reserve of talent and goodwill.

Bringing private actors into social services delivery can also help orient the mission of bureaucracies toward results, rather than process. Pay-for-performance contracts, for example, can help guarantee that our tax dollars go only to those social service providers who can work effectively.

Conclusion

This year brings Congress an unprecedented chance to capitalize on the successes of welfare reform and complete the most remarkable transformation in U.S. social policy ever. It is an opportunity that Congress cannot afford to waste, despite pressures from competing constituencies and the exigencies of an ever-tightening budget. In the long run, the investments made today in TANF will bear significant and worthwhile dividends for America's working poor.

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Endnotes

¹ The following chart shows the relevant data for these 15 states. Caseload reduction credits for fiscal 1999 were based on the adjusted percentage decline in caseloads from 1995 to 1998.

<u>State</u>	<u>Adjusted percentage decline in caseload from 1995 to 1998</u>	<u>Actual work participation rate for fiscal 1999</u>	<u>Required 1999 work participation rate with caseload reduction credit</u>
Mississippi	-50.3%	27.0%	0.0%
Florida	-50.1%	31.6%	0.0%
Colorado	-45.1%	36.4%	0.0%
Georgia	-42.3%	17.6%	0.0%
Texas	-41.8%	27.3%	0.0%
Arizona	-41.1%	32.1%	0.0%
Delaware	-40.2%	24.9%	0.0%
West Virginia	-38.9%	25.6%	0.0%
Louisiana	-38.5%	29.4%	0.0%
New Hampshire	-36.4%	29.9%	0.0%
New Mexico	-35.9%	27.6%	0.0%
North Dakota	-34.2%	31.7%	0.8%
Massachusetts	-34.1%	27.8%	0.9%
Pennsylvania	-34.1%	16.2%	0.9%
New York	-26.7%	36.3%	8.3%

Source: Temporary Assistance for Needy Families (TANF) Program, Third Annual Report to Congress, U.S. Department of Health and Human Services, August 2000, Tables 3:1 and 3:2.

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