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Re-Knitting the Safety Net

Analysis and recommendations from the Center for an Urban Future on how to reorient welfare, in New York City and the nation, into a system that encourages, supports and rewards work.

by David Jason Fischer

Back in 1996, nobody could have known that Temporary Assistance to Needy Families (TANF), the historic welfare program passed by Congress and signed into law by President Bill Clinton, would succeed so spectacularly in lowering the public assistance rolls and moving millions into jobs-—or that it would come up for reauthorization during a climate of economic uncertainty that could undo much of the progress made thus far. TANF must be reauthorized by September 30 of this year, as the country gropes its way out of recession. And while Congress has debated and activists, researchers, and state and local policymakers on both sides of the issue have weighed in, unemployment figures remain high, and increasing evidence suggests that while the last round of welfare reform did spark a migration from the rolls and into work, it lifted relatively few ex-recipients out of poverty despite a roaring economy that created jobs at an unprecedented pace.

Welfare has been a highly contentious subject for decades now, and few areas of policy have been studied in such detail. Independent and university-based policy groups of every political stripe have wiped out entire forests producing books and reports on the subject, analyzing how different approaches have fared and why they succeeded or failed to help those on assistance. Politicians remain bitterly divided on what should be done, but the bulk of research and the actual experience of state and local welfare officials increasingly points to one conclusion: effective welfare practice includes both a steady push to move recipients into jobs and generous supports for those making the transition to work. This means reliable childcare, health care, housing and transportation assistance, and access to relevant education and vocational training both before and after starting employment. Work-related incentives such as the federal Earned Income Tax Credit (EITC)—supplemented in many states by state and local EITCs—are another way to “make work pay.” (In fact, the slight decline in poverty rates during the late 1990s is largely attributable to the EITC augmenting income for low-wage workers.)

New York City Mayor Michael R. Bloomberg endorsed this “carrots and sticks” approach to welfare in May when he

announced the city's own policy objectives for TANF reauthorization. The media didn't pay it much attention, but Bloomberg's plan staked out a badly needed middle position in the polarized welfare debate by both affirming the obligation to work and emphasizing government's "obligation to help" individuals trying to climb out of poverty. The city's plan puts a priority on keeping low-skilled workers on the job, arguing that TANF funds should be used to assist former recipients now working low-wage jobs and struggling to make ends meet.

In many respects, this plan builds upon the welfare-cutting legacy of former Mayor Rudy Giuliani, but the new administration has indicated a less relentlessly hostile and suspicious perspective toward New York's worst off. Under Giuliani, the city aggressively pared the welfare rolls, employing anti-fraud fingerprinting, reminders that time was running down on benefits, and other confrontational tactics to drive current recipients off the rolls and "divert" would-be new welfare applicants from going on. Workers at the city's Human Resources Administration (HRA), the agency charged with administering welfare in the city, often misled or declined to inform recipients about benefits such as Food Stamps and child health care to which they were entitled. There was minimal job training-—Giuliani's HRA mostly disregarded the federal Workforce Investment Act and left millions of federal dollars for training unspent-—and no effort to connect the welfare jobless to city employers, even in a historically tight labor market.

One central and highly controversial component of Giuliani's welfare policy was the Work Experience Program (WEP), in which welfare recipients had to complete nearly full-time work assignments in return for their benefits. Reviled by welfare rights activists, unions, and other liberals but lionized by conservatives, WEP engaged close to 40,000 welfare recipients at its peak in the late 1990s. (Some 18,000 participate in a modified version of WEP today.) The program's defenders argue that WEP's mere existence deterred untold thousands more, who chose either to leave the rolls on their own or not to apply for assistance once they realized they would have to work for their welfare checks. Its critics point to the unfairness of thousands of WEP workers performing the same tasks as city employees for less than a quarter of their compensation, and the fact that the ranks of WEP workers swelled even as the city workforce shrunk by about 20,000. No outside evaluation of WEP participant outcomes exists, as the Giuliani administration refused to grant access to researchers.

Giuliani ultimately considered the dramatic reduction in the number of welfare recipients-—from 1,160,595 in March 1995 to 482,499 by July 2001—-among the signature achievements of his mayoralty. But beyond the steep drop in caseload, real outcomes for the poor showed little improvement: poverty rates within the city fell only slightly (and remained above levels at the beginning of the decade), and there is anecdotal evidence that both hunger and homelessness rose through the late 1990s. Of the approximately 600,000 New York City residents who have left the rolls since 1995, evidence suggests that a majority have worked at least part-time after leaving welfare, but few have crossed the poverty line and attained self-sufficiency. Most earned between $6 and $9 per hour, barely above the minimum wage, and tens of thousands have lost their jobs since the recession began in early 2001.

Bloomberg's TANF plan keeps the focus on work. It endorses the five-year time limit on receiving assistance, and requires that people actively seek employment or otherwise work in exchange for their cash assistance. But the plan improves upon Giuliani's harsh approach by providing greater access to needed social supports for both current recipients and those who have started work, many of whom have not taken advantage of benefits like healthcare and food stamps, for which they remained eligible. And it takes a more realistic view of the population on assistance, the majority of whom have one or more serious barriers to employment: physical or mental health problems, substance abuse or domestic violence histories, and the like. The mayor's plan shows an understanding of the reality that many of these individuals must address their personal issues before pursuing full-time, long-term employment.

Even better, the proposal correctly identifies individuals trying to climb out of welfare as a potential economic development asset for city employers, and declares that job training for welfare recipients should be oriented toward areas of need in the general city workforce as defined by local employers. As the city seeks to get its job training system in order, this articulation of how welfare and workforce development should be connected is a vital point. And the effort has already begun: the city's

Economic Development Corporation is working with HRA to conduct $5 million worth of job training customized for city employers.

Unfortunately, the revised TANF that emerges from Congress later this year could look very different from what the mayor has suggested. In May, the Republican-controlled House of Representatives passed, on a party-line vote, a welfare bill that flies in the face of the consensus approach that work requirements and supports should both be part of a successful welfare policy. The House bill passed despite strident objections from governors and state legislatures of both parties across the country. These critics contend that the bill's mandates will stretch their resources too thin to provide real support to recipients, especially since it keeps TANF at current levels, despite the fact that inflation will erode the real value of the appropriation. The unanticipated exodus from the welfare rolls during the first TANF left states with more money than had been expected to spend on remaining participants, including those who were working but not earning enough to leave welfare. With a similar drop in welfare enrollment unlikely and many of those left on the rolls facing more serious barriers to employment, this effective decline in support will make it that much harder for states to work effectively with recipients. The Bush Administration worked closely with House Republicans in crafting the bill, leaving the Senate, with its thin Democratic majority and greater tradition of bipartisan compromise, as the last hope for more prudent legislation.

Ironically, the recently passed House plan takes much of its inspiration from New York City's WEP and the Wisconsin Works program, run in that state during the 1990s by then-Governor Tommy Thompson, now President Bush's Secretary of Health and Human Services. By dramatically raising both the number of hours welfare recipients must participate in "work-related" activities, and increasing the percentage of each state's total caseload that must participate, the House bill is likely to force states to dismantle the wide variety of approaches adopted to respond to local conditions in favor of large-scale mandatory-work efforts like WEP.

The Administration and House Republicans seem to have cast aside two once-sacred Republican principles: devolution, the idea that programmatic decision-making should take place at as close a level to "the people" as possible; and principled opposition to "unfunded mandates" of Congress that impose new obligations upon states and localities without providing the resources to meet those obligations. In this case, the heightened work participation requirements will further worsen an already dire situation in childcare, as mothers will be out of the home for ten more hours per week due to the increased work requirements. Research has indicated that children of welfare recipients who do not find decent jobs but are kept out of the home show lower test scores, worse health, and greater likelihood of getting into trouble with the law-—a series of outcomes seemingly at odds with the oft-stated commitment to strengthen families and "leave no child behind."

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If research is to be believed, left-leaning welfare advocates missed an extremely important point in decades of agitation for more generous benefits and against work requirements: most welfare recipients want jobs, not more time in school, and certainly not a free handout (and the stigma that comes with it). And the large majority of those who are able to work don't need more time in mandated make-work activities-—especially not WEP-like programs that don't help prepare participants for private sector employment. The "soft skills" concepts the WEP approach supposedly instills—-punctuality, politeness, and so on-—can be taught in job search activities.

If work can put enough money in participants' pockets to take care of themselves and their children, they will pursue work without any further prodding. Policy, then, should focus above all else in helping welfare recipients find and keep unsubsidized jobs, and support employment-related incentives to truly "make work pay." The message, in New York and nationally, should be that within a relatively short time after starting work, every former welfare recipient should earn enough, between wages and benefits, to lift herself above the poverty line. To that end, TANF resources can and should be a component of a larger antipoverty plan for each recipient, utilized in concert with programs such as food stamps, the Workforce Investment Act, state education efforts, and housing supports. The safety net has many strands; an effective

government must work with recipients committed to escaping poverty in using all those that can help.

As the debate heats up in the Senate, the Center for an Urban Future offers a few key principles and recommendations for TANF reauthorization:

Keep the focus on work. Very few parents want to pass a legacy of dependency onto their children The signature accomplishment of TANF was in removing the disincentive to work provided by the lifetime entitlement to assistance under the old Assistance to Families with Dependent Children. This brought public policy into line with the evidence of decades of research and interviews that most welfare recipients want to work and support themselves. By working with welfare recipients through a programmatic menu of job search and basic education options rather than treating them with suspicion and contempt, the system should encourage their desire to work. One major contribution local government can make is through reaching out to private sector employers, as the national Welfare to Work Partnership has done with major corporations, and creating incentives for them to hire individuals trying to leave the welfare rolls.

Make work pay by rewarding welfare recipients who find jobs with greater support for childcare and other services, including expanded access to part-time education and training. Rigorous and supportive case management should be employed to reward working participants with supplemental benefits, including assistance for childcare, transportation, and health care. In the city's welfare reform proposal, Mayor Bloomberg and the Human Resources Administration endorse this view; the plan advocates easing the enrollment process for health care, Food Stamps, the federal Earned Income Tax Credit, and other benefits to which they are entitled.

More, not less, flexibility for states and localities. The success of the first TANF program was driven by the freedom of states and localities to craft different policy responses for widely varying local conditions. But the House bill mandates a "one size fits all" approach to a remaining welfare population with a wide range of disadvantages and barriers to employment. Within the context of basic welfare reform principles, states and localities must retain the freedom to implement programs appropriate for their specific welfare caseloads and reflective of regional economic conditions. For example, in an area suffering high unemployment and low education levels, remedial education might be more appropriate than forced work activities; when the local economy picks up, it might then make more sense to adopt a stronger "work first" position.

Improve coordination between TANF and the Workforce Investment Act The federal Workforce Investment Act (WIA), designed to provide employment services and job training to people at every level of skill, income and education, is up for reauthorization by Congress in 2003. WIA has been severely underutilized in New York, but in other states and cities it's done a great deal to raise the skills and earning potential of both incumbent workers and unemployed jobseekers, including people struggling to get off welfare. The close timing of reauthorization for both TANF and WIA offers a golden opportunity to better align the two programs—-essentially, to match up our welfare reform policy with our job training policy. In New York, this means that HRA and the Department of Employment (which is responsible for WIA) must do more to collaborate; nationally, Congress should explicitly mandate partnership in both programs' legislation.

Make explicit that reducing poverty and improving outcomes for dependent children are the goals of the TANF program. Congress should reward states that fare best in these objectives, using measures that gauge whether and how participants are being helped. Several of the proposals in the Senate would replace the credit for cutting state caseload featured in the last round of welfare reform with a credit for states that place workers in higher-paying jobs; this sends the right message about the importance of preparing program participants to succeed in jobs that pay a living wage. Establishing rewards for states that reduce poverty would be a fine complement to this approach; often lost in the hot rhetoric over welfare is the fact that the program is designed first and foremost to help children in poverty—-a goal that even the most extreme political partisans surely can agree on. We should incentivize poverty reduction and employment gains for the new round of welfare reform. How we define success is as important as how we pursue it, and the time has come to change the definition in favor of directly helping poor children and their families.



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