



Jon Kyl, Chairman

347 Russell Senate Office Building
Washington, DC 20510
202-224-2946
<http://rpc.senate.gov>

August 22, 2006

Ten-Year Anniversary of 1996 Welfare Reform Marks Success

Executive Summary

- As the nation marks the 10-year anniversary of the 1996 welfare reform law on August 22, taxpayers and reformers alike can be pleased that the law has proven successful by many accounts.
- The 1996 Personal Responsibility and Work Opportunity Reconciliation Act fundamentally changed the nation's welfare system. Part of this was the creation of the Temporary Assistance for Needy Families (TANF) – a new way of thinking about welfare that demanded the pursuit of self-sufficiency in exchange for welfare checks.
- Enormous progress has been made. Welfare caseloads have declined dramatically since the enactment of welfare reform, dropping from 4.3 million in August 1996 to 1.9 million by June 2005.
- Significant progress has been made in moving those on welfare into employment. For example, employment among single mothers has increased dramatically, reaching 63 percent today, the highest level ever.
- Perhaps the number that best expresses the success of the 1996 welfare reform is the reduction of children living in poverty – nearly a million and a half fewer children.
 - Between 1996 and 2004, the poverty rate among African-American children declined by 17 percent.
 - During the same period, the poverty rate among Hispanic children declined 28 percent.
 - The poverty rate for children of single mothers fell 15 percent from 1996 to 2004. This decline is particularly noteworthy because, for a quarter-century prior to welfare reform, there was little net decline in poverty among this group.
- To continue the successes of the 1996 welfare reform law, the Republican-passed Deficit Reduction Act of 2005 contains measures to restart welfare reform by strengthening provisions in the 1996 law to further reduce dependence and poverty.

Introduction

The 1996 welfare reform law, passed by a Republican Congress and signed into law on August 22, 1996, was designed to end the perpetual dependence of needy parents on government benefits by supporting personal responsibility through job preparation and work. As the nation marks the 10-year anniversary of this landmark reform, taxpayers and reformers alike can be pleased that the law has proven successful by many accounts, as this paper will show. Welfare rolls have declined, with fewer families on welfare today than at any time since 1969. Employment among single mothers has increased dramatically. Contrary to the concerns expressed prior to the passage of this law that reducing welfare participation would result in wide-scale increases in child poverty, nearly a million and a half *fewer* children live in poverty than a decade ago. Welfare reform helped to end long-term dependence on government assistance for millions of Americans and, in doing so, made significant improvements in the lives of many Americans.

While the successes are many, Republicans realize that more needs to be done. The Republican-passed Deficit Reduction Act of 2005 both reauthorized welfare reform, and also updated the work provisions to encourage states to engage the remaining number of welfare recipients in work or work-related activities in order to allow themselves to move up the economic ladder.

Background on the 1996 Reform

A decade ago, widespread and mounting frustration with the nation's welfare program led to growing calls for reform. Senator Rick Santorum recently expressed the views of many observers in reflecting that the welfare system prior to 1996 "was successful at nothing except maintaining poverty."¹ Prior to 1996, one in eight children in America was a welfare recipient; families spent an average of 13 years collecting welfare checks.² Finding this situation untenable, Republicans in Congress established a goal: to "lift the 'artificial weights' of a bureaucratic system of welfare that drained individual initiative and energy and hurt the very people it was designed to help." And in its place, Republicans "were determined to clear a path of work and opportunity that would develop the habits of success that would lead to self-sufficiency."³

Key Reforms Made by 1996 Welfare Reform

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act fundamentally changed the nation's welfare system. Part of this was the creation of the Temporary Assistance for Needy Families (TANF) as a replacement for Aid to Families with

¹ Sen. Rick Santorum, in testimony before the House Committee on Ways and Means, July 19, 2006.

² Report by the House Committee on Ways and Means, "A Decade Since Welfare Reform: 1996 Welfare Reforms Reduce Welfare Dependence," February 26, 2006.

[<http://waysandmeans.house.gov/media/pdf/welfare/022706welfare.pdf>]

³ Newt Gingrich, former Speaker of the House, in testimony before the House Committee on Ways and Means, July 19, 2006.

Dependent Children (AFDC). It created a new way of thinking about welfare by ending the individual entitlement to welfare checks. Under the predecessor AFDC program, benefits were ensured regardless of whether recipients were willing to work or train for them. TANF, on the other hand, demands the pursuit of self-sufficiency by requiring “a rising share of welfare recipients in each state to work or participate in education and training in exchange for welfare checks.”⁴

Welfare reform brought numerous measures designed to reverse the epidemic of welfare dependence. Key to this was the requirement that states place at least half of their welfare caseloads in programs that lead to employment. In return, states are given credits for successfully helping and keeping families off welfare. TANF also gave states a new fixed block grant, which provided them broad flexibility to design programs to accomplish the purposes of the Act. Additionally, TANF imposed a five-year limit on federal welfare benefits for each individual. Packaged together, these reforms were intended to provide incentives and support to “prod welfare mothers and fathers into the workplace with a series of carrots and sticks.”⁵

Criticism Abounded

At the time, critics of reform were vocal in their opposition to these common-sense changes. Many liberals, led by senior Democrats in Congress and the editorial pages of many of the nation’s leading newspapers, assaulted the bill. “They claimed that it ‘attacked,’ ‘punished,’ and ‘lashed out at’ children.”⁶ A key concern was expressed at the time by Congresswoman Nancy Pelosi (now House Minority Leader) that the “Republican welfare reform proposal will make the problems of poverty and dependence much worse...”⁷ As the bill moved toward passage, the rhetoric became heated. For example, Senator Frank Lautenberg (D-NJ) charged,

“I am concerned, frightened, that this bill will leave children hungry and homeless. I am afraid the streets of our nation’s cities might someday look like the streets of the cities of Brazil. Walk around there and you see children begging for money, begging for food, and even at 8 and 9 years old engaging in prostitution. Tragically, that is what happens to societies that abandon their children.”⁸

That same day, the *New York Times* editorialized, “This is not reform, it is punishment...The effect on cities will be devastating.”⁹ Despite these horrific claims and forecasts, post-reform outcomes a decade later suggest children and families have benefited from the 1996 welfare reform changes, as this paper will detail.

⁴ House Committee on Ways and Means, February 26, 2006.

⁵ *USA Today*, “How Welfare Changed America,” July 18, 2006.

⁶ *Wall Street Journal*, op-ed by Ron Haskins (Majority Staff Director, Subcommittee on Human Resources of the House Committee on Ways and Means during consideration of welfare reform), July 27, 2006.

⁷ Representative Nancy Pelosi, *Congressional Record*, July 18, 1996.

⁸ Senator Frank Lautenberg, *Congressional Record*, August 1, 1996.

⁹ *The New York Times*, editorial, “A Sad Day for Poor Children,” August 1, 1996.

Decline in Number on Welfare Rolls Since 1996

A decade of time has shown that these efforts to improve the nation’s welfare program have resulted in enormous progress. According to Health and Human Services Secretary Mike Leavitt, the “TANF act brought significant improvements in the lives of many Americans by helping them break the cycle of dependency and encouraging them to pursue self-sufficiency.”¹⁰

Family Caseloads Reduced

Welfare caseloads have declined dramatically – by more than half – since the enactment of welfare reform. The number of families on welfare has dropped from 4.3 million in August 1996 to 1.9 million by June 2005.¹¹ The number of families on welfare is now lower than at any time since 1969. Below is a chart showing the decrease in the number of families receiving welfare on a state-by-state basis.¹²

State	Aug. 1996 families	Dec. 2005 families	Percent change	State	Aug. 1996 families	Dec. 2005 families	Percent change
Alabama	41,032	20,316	-50.5%	Montana	10,114	3,947	-61.0%
Alaska	12,159	3,590	-70.5%	Nebraska	14,435	10,016	-30.6%
Arizona	62,404	41,943	-32.8%	Nevada	13,712	5,691	-58.5%
Arkansas	22,069	8,283	-62.5%	New Hampshire	9,100	6,150	-32.4%
California	880,378	453,819	-48.5%	New Jersey	101,704	42,198	-58.5%
Colorado	34,486	15,303	-55.6%	New Mexico	33,353	17,773	-46.7%
Connecticut	57,326	18,685	-67.4%	New York	418,338	139,220	-66.7%
Delaware	10,585	5,744	-45.7%	North Carolina	110,060	31,746	-71.2%
Florida	200,922	57,361	-71.5%	North Dakota	4,773	2,789	-41.6%
Georgia	123,329	35,621	-71.1%	Ohio	204,240	81,425	-60.1%
Hawaii	21,894	7,243	-66.9%	Oklahoma	35,986	11,104	-69.1%
Idaho	8,607	1,870	-78.3%	Oregon	29,917	20,194	-32.5%
Illinois	220,297	38,129	-82.7%	Pennsylvania	186,342	97,469	-47.4%
Indiana	51,437	48,213	-6.3%	Rhode Island	20,670	10,063	-51.3%
Iowa	31,579	17,215	-45.5%	South Carolina	44,060	16,234	-63.2%
Kansas	23,790	17,400	-26.9%	South Dakota	5,829	2,876	-50.7%
Kentucky	71,264	33,691	-52.7%	Tennessee	97,187	69,361	-28.6%
Louisiana	67,467	13,888	-79.4%	Texas	243,504	77,693	-68.1%
Maine	20,007	9,516	-52.4%	Utah	14,221	8,151	-42.7%
Maryland	70,665	22,530	-68.1%	Vermont	8,765	4,479	-48.9%
Massachusetts	84,700	47,950	-43.4%	Virginia	61,905	9,615	-84.5%
Michigan	169,997	81,882	-51.8%	Washington	97,492	55,910	-42.7%
Minnesota	57,741	27,589	-52.2%	West Virginia	37,044	11,275	-69.6%
Mississippi	46,428	14,636	-68.5%	Wisconsin	51,924	17,970	-65.4%
Missouri	80,123	39,715	-50.4%	Wyoming	4,312	294	-93.2%

¹⁰ Mike Leavitt, Secretary of Health and Human Services, in a speech to the Heritage Foundation, June 13, 2006.

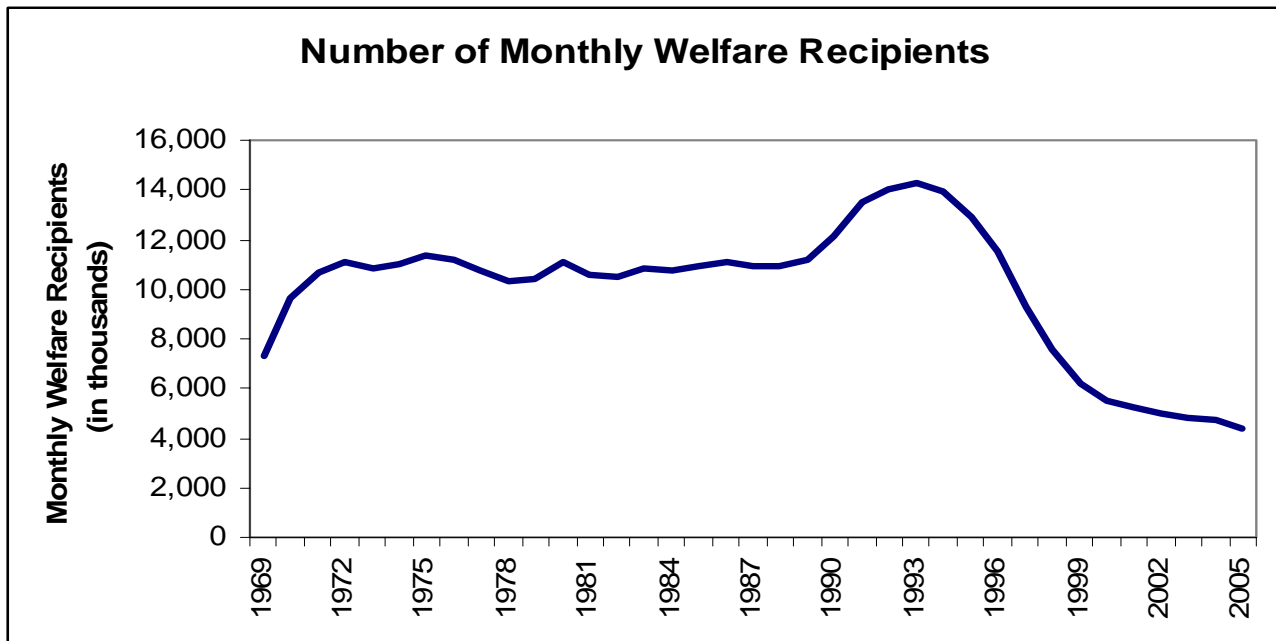
¹¹ Robert Rector, Senior Research Fellow on Welfare and Family Issues at the Heritage Foundation, in testimony before the House Ways and Means Committee, July 19, 2006.

¹² *USA Today* (based on data sourced to the Department of Health and Human Services).

Individual Caseloads Decreased

In addition to the decline in the number of families on welfare subsequent to the 1996 welfare reform act, the number of *individuals* decreased as well. While family caseload measures the number of family units receiving benefits, the individual caseload measures the total number of recipients. The number of individuals on welfare fell from 12.2 million in August 1996 to 4.5 million in June 2005 – a decline of 64 percent.¹³

The charts below illustrate the long-term trend in the number of welfare recipients, notably from its peak in 1994, followed by modest declines over the next two years “as states experimented with welfare to work programs in anticipation of federal reform.”¹⁴ The steady decline shows how the 1996 reforms “achieved unprecedented results in reducing dependence.”¹⁵



Source: U.S. House of Representatives Committee on Ways and Means, Subcommittee on Human Resources.

¹³ House Committee on Ways and Means, February 26, 2006.

¹⁴ Rector.

¹⁵ House Committee on Ways and Means, February 26, 2006.

Decline in Welfare Recipients

	<i>August 1996</i>	<i>June 2005</i>	<i>Change</i>
<i>Welfare Families</i>	4.4 million	1.9 million	57 percent decline
<i>Welfare Recipients</i>	12.2 million	4.5 million	64 percent decline

Source: U.S. House of Representatives Committee on Ways and Means, Subcommittee on Human Resources.

Increase in Employment and Earnings for Former Welfare Recipients

A key intent of welfare reform was to reduce welfare dependency by promoting job preparation and employment. The record of the last decade shows significant progress was made in not only reducing welfare rolls but moving those on welfare into employment. Ending the individual entitlement to welfare checks enabled states to impose meaningful requirements on adults receiving welfare benefits. These include real work and job training, and penalties for failure to comply with work or work-preparation activities.¹⁶

Employment Among Single Mothers Rises

Employment among single mothers has increased dramatically, reaching 63 percent today, the highest level ever.¹⁷ This is particularly noteworthy because single mothers with weak work-related skills have always had the highest rates of welfare participation. It was commonly thought these women “would lag behind as they were expected to have the greatest problems finding and keeping jobs.”¹⁸ Yet, disadvantaged groups (such as those with weak job skills) have experienced larger declines in welfare participation and larger increases in work than more advantaged single mothers.¹⁹

In the decade before the 1996 welfare reform, more than half of single mothers who were high-school dropouts were on welfare. By 2004, only 19 percent of this group was on welfare.²⁰ This represents a decline of more than 60 percent. At the same time, employment within this group of women rose sharply. Only about a third of single mothers who were high-school

¹⁶ Report by the House Committee on Ways and Means, “A Decade Since Welfare Reform: 1996 Welfare Reforms Increase Work and Earnings,” March 30, 2006.

[<http://waysandmeans.house.gov/media/pdf/welfare/033006welfarereport.pdf>]

¹⁷ Leavitt.

¹⁸ June E. O’Neill, Wollman Professor of Economics and Finance and Director of the Center for the Study of Business and Government at the Baruch College, City University of New York, in testimony before the House Ways and Means Committee, July 19, 2006.

¹⁹ O’Neill.

²⁰ O’Neill.

dropouts were employed before the 1996 reform. In the last three years, close to half have been employed.²¹

Employment Gains Among Minority Single Mothers “Impressive”

The gains in employment made by African-American and Hispanic mothers are notable because, in the years leading up to welfare reform, African-American and Hispanic single mothers were more likely to receive welfare assistance than white, non-Hispanic women.²² “Between 1995 and 2005, Hispanic single mothers increased their employment participation by 17 percentage points (from 47 percent to 64 percent); black single mothers increased their employment rates from 55 percent to 65 percent.”²³ Single mothers who are white and non-Hispanic also increased their employments rates during the same period, but by a smaller percentage. Their employment increased from 69 percent to 73 percent. The employment participation among this group of women has always been higher and their exposure to welfare lower.²⁴

Changes in Welfare Participation Not Due to Economy Alone

Opponents of the 1996 welfare reform would like to credit many of the positive changes merely to a good economy, and not the result of changes to the welfare program. Analysis of long-term data proves otherwise.

Dr. June O’Neill, former director of the Congressional Budget Office, is among those who credit welfare reform for the gains. During the economic expansions of the late 1960s and the early 1970s, welfare caseloads grew substantially.²⁵ Conversely, during the economic expansion of the 1980s, welfare participation only slightly declined and work participation slightly rose. These gains later “reversed course during the weaker economy of the early 1990s.”²⁶ Dr. O’Neill concludes that the “changes after the implementation of TANF are of much larger magnitudes than had been seen before,” and that the economy alone is “unlikely to have been the motivation for the changes after 1996.”²⁷

A separate study underscores this with its conclusion that the increased employment among single mothers cannot solely be explained by a good economy. Analysis of the changes in welfare caseloads and employment during the period 1983 to 1999 indicates that after the 1996 welfare reform, “policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence.”²⁸ Economic conditions, on the other hand, explained only about one-quarter of the changes in employment and dependence.²⁹

²¹ O’Neill.

²² O’Neill.

²³ O’Neill.

²⁴ O’Neill.

²⁵ Kim and Rector.

²⁶ O’Neill.

²⁷ O’Neill.

²⁸ Kim and Rector.

²⁹ Kim and Rector.

Income Rose Too Following 1996 Reform

Increased work participation has meant higher wages and incomes for single mothers. Census Bureau data for female-headed families in the lower 40 percent of the income distribution show that their pattern of income improved dramatically between 1993 and 2000.³⁰ In 1993, earnings accounted for approximately 30 percent of the income of low-income, female-headed families. Welfare payments, including cash, food stamps, housing, and school lunch, accounted for nearly 55 percent of the income for this group. “By 2000 this pattern had reversed: earnings had leaped by an astounding 136 percent, to constitute nearly 60 percent of income, while welfare income had plummeted by over half, to constitute only 23 percent of income.”³¹

Child Poverty Reduced Following Welfare Reform

Perhaps the number that best expresses the success of the 1996 welfare reform is the reduction of children living in poverty – nearly a million and a half fewer children.³² “The decrease in poverty among the two groups most affected by reform, black children and children of single mothers, was steep and unprecedented.”³³

Overall, child poverty rates have declined from 20.8 percent in 1995 to 17.8 percent in 2004.³⁴ This decline is measured against the federal poverty threshold, which is updated annually by the Census Bureau. This decline is in contrast to claims by opponents of welfare reform in 1996 who predicted welfare reform would *increase* poverty levels. Although the child poverty rate increased slightly as a result of the 2001 recession, the rise is lower than historic economic patterns would dictate. “Historically, during a recession, the overall child poverty rate rises by two to three percentage points.”³⁵ Yet, the rise in child poverty rates during the 2001 recession of 1.6 percentage points was fairly modest.³⁶ Furthermore, the addition of over 5 million new jobs since May 2003 forecasts favorably for renewed improvement in poverty rates.³⁷

Less Poverty Among Minority Children

Decreases in child poverty have been the greatest among African-American and Hispanic children. For a quarter century prior to welfare reform, there was little change in African-American child poverty. In fact, African-American child poverty was actually higher in 1995

³⁰ Ron Haskins, Senior Fellow at the Brookings Institution, in testimony before the House Ways and Means Committee, July 19, 2006.

³¹ Haskins.

³² Leavitt.

³³ Rector.

³⁴ Rector.

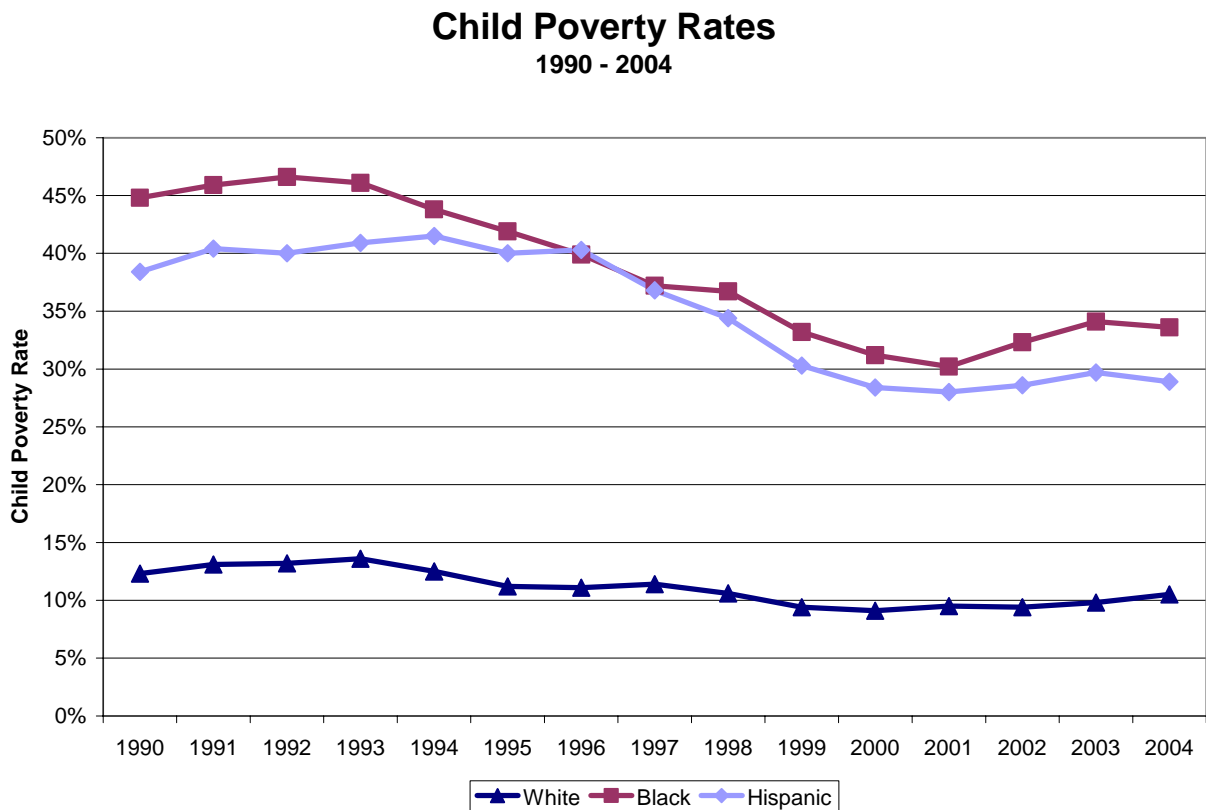
³⁵ Rector.

³⁶ Rector.

³⁷ The White House, “Job Creation Continues: 5.5 Million Jobs Created Since August 2003,” August 4, 2006. [<http://www.whitehouse.gov/infocus/economy/>]

(41.5 percent) than in 1971 (40.4 percent).³⁸ Between 1996 and 2004, the poverty rate among African-American children declined by 17 percent – down to a level of 33 percent.³⁹ This means that about 700,000 fewer African-American children are living in poverty.⁴⁰

During the period 1996 to 2004, the poverty rate among Hispanic children declined 28 percent, from 40 percent to 29 percent.⁴¹ As a result, the number of Hispanic children living in poverty fell by more than 100,000, even as the number of Hispanic children in the U.S. rose by nearly four million.⁴² The chart below, based on data from the Department of Health and Human Services (HHS), graphs the decline in poverty rates.⁴³



Poverty Declines Among Children of Single Mothers

The unprecedented declines in poverty are also found among children of single mothers. After the enactment of welfare reform, the poverty rate for children of single mothers fell from

³⁸ Rector.

³⁹ Leavitt.

⁴⁰ Report by the House Committee on Ways and Means, “A Decade Since Welfare Reform: 1996 Welfare Reforms Reduce Poverty,” April 28, 2006. [<http://waysandmeans.house.gov/media/pdf/welfare/042806welfarereport.pdf>]

⁴¹ Leavitt.

⁴² Report by the House Committee on Ways and Means, April 28, 2006.

⁴³ U.S. Department of Health and Human Services, “Welfare Reform Accomplishments Since 1996,” July 2006.

50.3 percent in 1995 to 41.9 percent in 2004.⁴⁴ This decline is particularly noteworthy because, for a quarter-century prior to welfare reform, there was little net decline in poverty in this group.⁴⁵ The year 2001 marked the lowest poverty rate for children in single-mother families (at 39.8 percent) in U.S. history.⁴⁶ Although the poverty rate for this group inched up during the recent recession and its aftermath, it still remains far below the pre-reform levels.⁴⁷

The Deficit Reduction Act of 2005 Restarts Welfare Reform

As aptly stated by Secretary Leavitt, “So stunning were the achievements of welfare reform that there is a tendency to think that the job might be done, but it’s not.”⁴⁸ In reauthorizing the 1996 welfare reform act, the Republican-passed Deficit Reduction Act of 2005 contained measures to restart welfare reform by strengthening provisions in the 1996 law to further reduce dependence and poverty.

The key to the success of welfare reform has been its work requirements, but the law itself has allowed for a smaller percentage of welfare recipients to work as the years have gone by. When TANF was created, it required states to have 50 percent of its single-parent TANF caseload engaged in work activities as a condition of avoiding penalties. The law also contained a caseload-reduction credit, which reduced “a state’s work participation standard by one percentage point for each percent decline in its caseload.”⁴⁹ As caseloads in many states declined following implementation of the 1996 law, the effect of the caseload-reduction credit was magnified. By 2004, less than one-third of TANF adult recipients were fully meeting the requirement for work – even as the states were fully complying.⁵⁰

The TANF reauthorization contained in the Deficit Reduction Act of 2005 restarted the requirement that 50 percent of all TANF families with an adult receiving assistance be involved in work activities or preparing for work. Beginning in FY 2007, states will be given credit based on caseload reduction from FY 2005 rather than FY 1995.⁵¹ So, starting in 2007, at least 50 percent of current able-bodied parents on welfare will be expected to work or train in exchange for their checks.

The Deficit Reduction Act also authorized the Department of Health and Human Services to regulate the definition of work under the TANF program.⁵² This was necessary because the original legislation allowed states to be, according to HHS Secretary Leavitt, “over-generous” in what they permitted to satisfy TANF’s work requirement.⁵³ For example, according to an

⁴⁴ Rector.

⁴⁵ Rector.

⁴⁶ Rector.

⁴⁷ Rector.

⁴⁸ Leavitt.

⁴⁹ Congressional Research Service (CRS), “The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on Financing and Requirements for State Programs,” CRS Report for Congress RL32748, February 21, 2006.

⁵⁰ Leavitt.

⁵¹ CRS.

⁵² Leavitt.

⁵³ Leavitt.

August 2005 Government Accountability Office report, a few states permitted the following under the work requirement: bed rest, physical rehabilitation (which could include massage or regular exercise), and activities such as personal journalizing and motivational reading.⁵⁴ Accordingly, HHS published interim final regulations on June 28, 2006 “designed to address eligible work activities and uniform reporting and accountability measures.”⁵⁵ In addition to the reforms made to restart welfare reform, child care funding was increased in the Deficit Reduction Act by \$1 billion through 2010 to further support work.

Conclusion

The results speak for themselves. The nation experienced a sharp and unprecedented decline in welfare dependence – and child poverty – following enactment of the 1996 welfare reform. The next generation of welfare reforms included in the Deficit Reduction Act of 2005 is designed to strengthen provisions in the 1996 reform law to reduce dependence even more.

⁵⁴ U.S. Government Accountability Office, “Welfare Reform: HHS Should Exercise Oversight to Help Ensure TANF Work Participation is Measured Consistently Across States,” Report to Congress GAO-05-821, August 2005.

⁵⁵ U.S. Department of Health and Human Services press release, “Welfare Reform: Interim Final Regulations,” June 28, 2006.