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Welfare Reform: A Summary and Analysis of Current U.S. Congressional Debate Over the Family Security Act of 1988

by
Bette Woody



Following a lengthy and protracted debate, the 100th U.S. Congress passed PL 100-485, the Family Security Act of 1988, the first major public assistance legislative reform package since passage of the Social Security Act of the late 1930s. The debate over welfare is a long and continuing one which is not expected to end with the current reform. This article presents a brief review of competing perspectives on current legislative reforms related to current law. It does not attempt to tackle the more fundamental debate over the validity or the objectives of welfare, nor does it tackle the complex set of issues related to income distribution. Many forces framed congressional debate during the past decade. Pressures were strong for change under the Reagan Administration and a conservative debate ensued. These pressures will be reviewed here in three parts: first, a brief overview of Senate and House legislative proposals of the 100th Congress; second, an analysis of changes in the final Conference Bill, comparing its provisions with current law; finally, a review of the Bill's most controversial aspects in the context of future debate.

Background to the Current Welfare Reform Debate

Over 50 years have passed since the Social Security Act was passed, establishing a series of programs to aid families and individuals in serious economic need. In the 1935 law, emphasis was placed on insurance programs, financed through payroll taxes and trust-fund arrangements to avert poverty among two groups, the elderly and the temporarily unemployed. Included under Title IV of the 1935 Act was what became the most controversial program, Aid to Families with Dependent Children (AFDC). AFDC was a cash transfer program, limited in scope and initially intended as a temporary stop-gap measure for widows and their dependents until the

more permanent insurance program, Old Age Survivors and Dependents Insurance (OASDI), came into force. Over the 50 years since AFDC was initiated, however, it has remained the principal source of cash assistance to poor children and their families. Dozens of legislative reforms have been proposed, which alternatively restricted and liberalized benefits.¹ The long history of reform reflects a debate characterized by conflict over eligibility, payment levels, and, above all, differing assumptions about the relationship between public assistance and work.²

The concept of welfare is deeply rooted in U.S. folklore and tradition as synonymous with personal failure or dysfunctional social behavior. During the 1960s, however, a new public recognition took place, identifying the causes of poverty in structural economic terms. Assistance in general, including cash transfers to the poor, became increasingly legitimate. But the historical stigma of the "dole," continued to be pressed by conservatives, who did not want to put poor families on a more liberal and less stigmatized income support basis. Conservative thinking was particularly opposed to helping those most victimized by stagnant or backward regional economic systems (i.e., the rural South), or by structural changes in the industrial economy that resulted in long-term unemployment and income decline.³ Throughout the post-war period welfare reforms remained marginal at best.

In contrast to the U.S. tradition, other industrial economies evolved far more coherent policies at the national level to resolve what were seen as political threats from income inequalities in the society, from unemployment increases resulting from economic downswings. Most programs in Europe and Canada were made politically neutral by incorporating a combination of insurance and cash transfers (family assistance, child allowances, housing, and national health insurance) and through the elimination of

“means tests” or other stigmatizing rules.

The welfare reforms of the 1980s reflected both the conservative politics of the Reagan presidency and the dramatic expansion of the welfare state, which even liberal social policy supporters acknowledged as a serious budgetary pressure. The conservative-liberal debate over welfare in the 1980s has been widely acknowledged to have roots in two relatively recent theories about poverty. According to one, epitomized by Charles Murray’s book,

The long history of [welfare] reform reflects a debate characterized by conflict over eligibility, payment levels, and, above all, differing assumptions about the relationship between public assistance and work.

Losing Ground, welfare itself is the cause of poverty; a second theory argues that the growth of a new underclass has reshaped the nature of poverty. The proponents of the “underclass” hypothesis, however, were careful to separate out a newly defined underclass population, consisting of a small but visible subgroup, from poor populations whose status was exceptionally marginal. The underclass question was further defined by William J. Wilson in geographic (urban) and structural economic boundary terms.⁴

Much of the content of the welfare reform of the 1980s was shaped by the Reagan administration. A recent study by Axinn and Stern points out that Reagan himself framed the reform debate by accepting a particularly provocative perspective. Rejecting an earlier view of welfare reform put forth by his chief domestic policy architect, Martin Anderson, who focused on change to address the truly needy, Reagan, in a 1986 State of the Union Address, fully embraced the Charles Murray view that welfare was indeed a cause of poverty, that it stopped personal initiative and encouraged laziness and dependency.⁵ While no specific proposals for ending welfare were made by the Reagan administration, reactions to the challenge came in the form of studies and legislative proposals in 1987 and 1988:

In rapid succession, the American Public Welfare Associations (representing public administrators), a task force appointed by New York Governor Mario Cuomo and the Bipartisan Project on the Welfare of Families, issued reports. These were followed by a major report and lobbying effort by the National Governor’s Association, with Bill Clinton of Arkansas and Michael Dukakis of Massachusetts taking the lead in publicizing the report. In the Senate, both Ted Kennedy, the new chairman of the Labor and Human Resources Committee, and Daniel Moynihan, head of the Finance Subcommittee on Social Security and Family

Policy, began promoting welfare reform and family legislation.⁶

The Rise of the Welfare State and Federal-State Relations: Their Influence on Legislative Reform

The long-term debate over public assistance reflects a conflict over the rise of the welfare state in the United States during the post-war period. The welfare state debate includes social policy issues, as well as issues of cost and of resource allocation among competing public priorities. Largely due to shifting public opinion in favor of higher societal standards and greater equity, all forms of assistance to individuals expanded rapidly as programs providing cash, unemployment insurance, health, housing, educational services, and other benefits escalated. The system targeted specific populations, and the populations that gained the most were the elderly, the unemployed, veterans, and the physically and mentally disabled. Total government outlays in income security cash programs grew from about \$26 billion in 1966 to over \$125 billion in 1978. Over \$115 billion was paid to OASDI populations in 1980, compared to \$11 billion to AFDC populations.⁷ And the total social welfare expenditure—federal, state, and local—was far higher. Some of the increase reflected demographic change and inflation; but total health, education, and welfare expenditures grew from 10.3% of the 1960 gross national product (GNP) to 18% by 1984.⁸ Allocation among eligible populations was generally punitive to poor children and families. For example, OASDI 1980 expenditures were nearly \$108 billion and Medicare added \$8.7 billion. AFDC expenditures were \$12.5 billion with \$7.5 billion for Medicaid.⁹ Further, as Ellwood and Summers note, there was an actual decline in per capita AFDC expenditures in the 1980s because of benefit-level changes and the tightening of eligibility rules; this happened despite the increase in the number of people living in single-parent families.¹⁰ While budgetary growth solved problems of some “poor,” inequalities widened among recipient groups, and a growing number of the needy fell outside the public system altogether.¹¹ In the 1980s AFDC expenditures in cash transfers amounted to only a bit more than 1% of the GNP, equivalent at best to only about 10% of Social Security Insurance payments, moving only 5% of poor people out of poverty annually. Problems with public cash assistance programs that can be sharply highlighted are: (1) the contrast between the Social Security Insurance program administrative uniformity and AFDC; and (2) the limited role of AFDC in helping poor families, particularly where one or more adults are employed.

During the past two decades advocates on both liberal and conservative sides of the political spectrum emerged to shape a vigorous new debate about

family assistance. Liberals argued for more basic reform to redistribute personal income and mediate those disadvantaged in the market system because of age, race, or disability. Following thinking established in other developed western economies, various proposals were introduced, including family assistance, family allowances, and special tax treatment.¹² By contrast, conservatives focused on program costs and long-range impacts of programs on family breakup. And they continued to argue that AFDC discouraged work effort.

Despite the importance of the debates of the 1970s, the reforms currently passed by the 100th Congress grew out of the somewhat more narrow focus of the 1980s. The Reagan administration policy and the famous budgetary containment actions of Congress were incorporated into the Omnibus Budget Reconciliation Act of 1981 (OBRA). Two important strategies also laid the stage for 1988 welfare proposals. The first strategy, consistent with Reagan's policy of shifting social programs' responsibilities and costs back to the states, was state-level experimentation, widely publicized in mandatory work and in work/training requirements as a condition for receipt of cash assistance. The second strategy was a separate congressional effort to reform national program structure, including eligibility, grant levels, state and federal cost sharing, and

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state administrative responsibility. Both state and federal initiatives ended by becoming narrowly focused on cost and administrative issues, leaving aside social program reform introduced during the prior decade, such as tax treatment and child allowances.

The states produced a number of independent actions and programs during the 1980s. The most widely publicized, and most sharply contrasting, were those of California and Massachusetts. The San Diego County and statewide Greater Avenues for Independence (GAIN) program in California centered on compulsory work requirements ("workfare") in return for cash grants. The California Community Work Experience Program (CWP) required assistance recipients to "work off" benefits, to avoid conflict with either established public employment or with the administration of private sector placements.¹³ By contrast, the Massachusetts E.T. Choices program offered a voluntary employment-training component to AFDC and less stringent work requirements than other workfare programs.¹⁴ Both the California and Massachusetts programs influenced congressional debate and legislative reform.

At the federal level, the U.S. Congress developed legislative proposals during a two year debate. Strong pressures coming from the states, from the Reagan administration, and from conservative and liberal advocates outside government were reflected in some 17 different legislative proposals introduced in both houses of Congress during the 99th and 100th Congress.¹⁵ Two compromise bills emerged in the 100th Congress, one from each house: a Senate bill, S-1511, proposed by Moynihan, et al, and a House bill, HR 1720, proposed by Ford, et al. With the elections of 1988 returning the Senate to a Democratic majority the House Bill was finally accepted by the Senate as a substitute for the more controversial S-1511, with some amendments added to ensure acceptance by the now even greater Democratic majority in the House. By September 1988 an amended HR 1720 was presented to both houses.

PL-100-485: Family Security Act of 1988

PL-100-485 as passed represents a considerable liberalization of the more controversial compromise S-1511. This act includes better protection for recipients' access to assistance, higher service level requirements for states, and better funding. There are also stronger child support enforcement provisions and there is more attention to education and training preparation for work. The chief remaining problems include an absence of mandated uniform national grant standards; continuing state discretion in grant levels and program content; stringent work requirements for some less able populations.

The legislation PL-100-485 replaces AFDC under Title IV of the Social Security Act with a "Family Security Act," which grants "family support supplements." The legislation takes up the question of a national uniform standard, but postpones it by calling for a commission study and recommendations. Employment is mandatory for most able-bodied adults. But there is an increased emphasis on training, education, and job placement, as well as extended services through an initial work period of up to one year. This is particularly true of the most critical services, child care and Medicaid. There is strong attention to child support enforcement at the state levels; provisions are made for state legal actions against absent fathers across state lines and for speedy follow through. Finally, unemployed parents in two-parent families are eligible for participation in training and grants. There are problems which remain in an "open ended" work requirement and in state discretion on mandated work even when unemployment levels are high. Other problematic state discretion areas already noted are grant levels, eligibility determination, work program content, and service mixes. Appendix A gives an outline of the provisions of the Act.

Problems with the New Family Security Act

A number of problems remain with the current legislation as passed, some of which have been identified by advocates and other legislative interests, including individual states. A brief review follows.

National Uniform Grant Standards

Policy analysts and reform thinkers have long argued that a national standard for minimum grants is critical to any reform in public assistance. Reasons include equity within and across the states and enforcement of anti-discrimination practices. States such as New York and California may face higher costs of immigration of the poor from less liberal states, particularly if unemployment is high in out-migration states. This explains some of the current “cueing” and rationing problems in New York for example.¹⁶ Setting some national standard based on a cost of living index, as in the case of Social Security, may help avert current political pressures to keep assistance levels far below minimum and prevailing wages in many states, as well as to adjust for business cycle unemployment. As for the controversial issue of full federal payment of cash transfers, as long as the states are required to absorb one-quarter of the costs of cash transfers, such payment will face considerable resistance.

Work Requirement for Assistance

From the liberal perspective, the work requirement has been the most controversial aspect of reform. Here are the pros and cons as recently outlined by Michael Weisman:¹⁷

Pro Work Argument. Effective test of need; reduces welfare costs; preserves or enhances skills and contributes to employability; makes welfare more equitable, particularly for non-welfare recipients who are not eligible for Medicaid and child care such as the working poor; gains political support for public assistance.

Against Work Argument. Stigmatizes the poor; runs counter to the traditional focus of reform, which is on systems of universal income support such as a negative income tax or non-intrusive cash assistance; costs of program operations tend to be high.

The proposed legislation creates a mandatory work requirement that extends current directions. There are some technical objections to the work provisions, such as the age of the child set at three years (advocates prefer six years) and no limit on the duration of the work requirement. There are positive safeguards, however, mandating states to provide training and education, support services, and extended benefits. There are also exemptions for good cause.

Inadequate Services and Benefits

It is generally difficult to isolate welfare reform policy initiatives. Nowhere is this more visible than in child care and medical (Medicaid) benefits. States are required to provide extended child care and medical assistance throughout the training/education and placement period of recipients and for 12 months following employment. These costs, however, raise two questions. First, whether or not recipients—generally women with low skills—will be able to raise pay after 12 months on the job to levels where child care costs can be covered by paychecks; and second, whether they can find employers with prepaid health insurance plans. Our current research indicates that in 1982 over 40% of the women’s workforce is employed part-time, and less than one-quarter overall have employer cost-shared health insurance coverage.¹⁸

Jobs Program Funding Adequacy

Finally, there is concern over whether the JOBS program is adequately funded. For example, the legislation provides no additional administrative costs for the Supplemental Work Program and requires states to pick up costs of counseling. Overall, the program requires states to hold harmless differentials between pay from work and public assistance. In most cases, because benefit levels are low, full-time minimum wage jobs will rise above assistance grants, but, in somewhat contradictory fashion, states are required to keep community work program payment levels consistent with grant levels.

Conclusions

This report has been limited in its focus to legislative reform, reform which reflects the Congress’s decision to take an “incremental” approach to the very complex and controversial issue of welfare reform. It is limited in two ways. First, it does not account for the very large related policy issues of health care (Medicaid and Medicare) benefits. While other legislation is pending on medical insurance, there is a continued risk that poor families may be

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“lost” in the debate over costs of the more prominent elderly needs. Another inadequacy of the new law is its lack of attention to job training and job development and its failure to address the inadequacy of minimum wages as a support for families. In fact, since most recent labor statistics indicate that the bulk of jobs created in the current economy are “contingency jobs” (less than full-time, full-year

work schedules), reduced family income from work is the key to “work” as a feasible alternative to welfare. Finally, minorities constitute a minority of beneficiaries of AFDC currently, but there is a disproportionate dependency of minorities on these cash transfers, which can be related directly to staggering unemployment rates among black and Hispanic males. In fact, since statistics indicate that the growth in black women heading households from 17% to over 50% over the last 30 years corresponds to a rising rate of unemployment among black males, the issue of AFDC is inextricably bound up with wage levels in jobs held by women, as well as with retraining black males and Hispanics.

The Family Security Act proposed can thus be summarized in two ways. First, it is an improvement over the present law in that it establishes work as a goal and offers an alternative to AFDC as currently organized. It also works towards a national payment and eligibility standard. A lingering criticism, however, is that national policy has yet to move towards 100% national funding for cash transfers to poor families. Without this, no truly fundamental reform, such as the family assistance and negative income tax programs widespread in other Western democracies, is at all likely to take place here.

Appendix A
Outline of the Provisions of
The Welfare Reform/Family Security Act:
PL-100-485

<i>Provision</i>	<i>Requirements</i>
Benefit Rules	<p>Most unmarried minor parents (28 years or less) to live with parents or guardians</p> <p>Repeals the counting of grandparents' income for grant</p> <p>Federal standard benefit level to be studied; state discretion continued</p>
Work Obligations	<p>Each state must establish education, training, and employment program</p> <p>Requires participation of all non-exempt adults with the following priorities (in order):</p> <ol style="list-style-type: none"> 1. Teenage parents 2. Those enrolled in welfare two years or more 3. Those with pre-schoolers; those with children under three years (one year at state option) 4. Those parents unemployed one year or more or lacking high school diploma 5. Those whose youngest child is within two years of being ineligible for support grants

<i>Provision</i>	<i>Requirements</i>		
	<p>Exemptions include:</p> <ol style="list-style-type: none"> 1. Parent (or other family member) ill or incapacitated 2. Person works 30 or more hours per week 3. Person less than 16-years-old or full-time student 4. Person has child under three years (or one year at state discretion) 5. Person pregnant within three months of eligibility 6. Work results in less than minimum wage and/or reduction in prior income 7. Person resides in part of state where program is not available 		
	<p>If child care is provided and participation is restricted to part-time:</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top;"> <p>State Obligation for Services (Child care, transportation, Medicaid)</p> </td> <td style="vertical-align: top;"> <p>Requires states to:</p> <ol style="list-style-type: none"> 1. Provide child care or reimbursement up to \$175 per month for child under two years or up to \$200 per month for child two years or older for six months 2. Provide two of these three options: </td> </tr> </table>	<p>State Obligation for Services (Child care, transportation, Medicaid)</p>	<p>Requires states to:</p> <ol style="list-style-type: none"> 1. Provide child care or reimbursement up to \$175 per month for child under two years or up to \$200 per month for child two years or older for six months 2. Provide two of these three options:
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<i>Provision</i>	<i>Requirements</i>	<i>Provision</i>	<i>Requirements</i>
	(a) State education/training activities (b) Work supplement program (using child support supplement payments to subsidize jobs) (c) Community work experience to be included in work supplement 3. Provide case manager and contract with participants	Medicaid	Requires states to: <ol style="list-style-type: none"> 1. Continue Medicaid six months after family loses eligibility because of earnings or collection of child support 2. Offer families with earnings an additional six months coverage
Two-Parent Families	Requires states to offer aid to needy two-parent families where principal earner is unemployed; state can count four quarters school/training as work	Child Care Transition	Extends child care on sliding scale basis up to nine months for employed recipient after termination of child support Provides guidelines for setting awards given (to tighten judicial discretion) Requires mandatory state withholding of payments from absent parent following court orders Sets national standards for state's performance in establishing paternity Requires social security number of both parents on birth certificate at time of birth States may require unemployed absent parent to participate in employment training
Treatment of Earnings	States permitted to: <ol style="list-style-type: none"> 1. Disregard \$100 monthly plus one-quarter remaining earnings 2. Disregard child care costs from earnings up to \$200 per month 3. Disregard earned income tax credit as income (EITC) 	Child Support	

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