

Robert Cherry

Welfare Reform: The Untold Story

Extending State Programs to the Working Poor

A CORE VALUE of the Jewish left is social justice, and for at least the past sixty years this value has been expressed through concern for the plight of African Americans, particularly the disproportionate poverty and other disparities they experience. For many on the left, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, signed by President Bill Clinton, completed the Reagan-era agenda goal of dramatically cutting government aid to the poor through the manipulation of unfounded, negative racial stereotypes (“welfare queens driving around in Cadillacs”), as a key step in the destruction of the social safety net won by the working class through New Deal legislation.

This article does not question the sincerity of those who voiced their opposition to welfare reform in 1996. Few analysts could have anticipated the job boom and the expansion of employment supports that occurred after the law’s adoption. Enhanced childcare funding, tax subsidies to supplement wages, and educational initiatives were often quite successful and provided a foundation for possible and necessary future policy initiatives that could benefit a broad group of working mothers, most of whom will never receive welfare assistance in their lifetime.

Nor does this article dismiss the concerns that go beyond the economic impact of welfare reform on individual families. The 1996 act undermined the prevailing view that safety-net



“Today we are ending welfare as we know it,” said President Clinton in signing the 1996 welfare reform bill, “But I hope this day will be remembered not for what it ended, but for what it began.”

programs should be entitlements not subject to administrative judgments that distinguish between the so-called ‘deserving’ and ‘undeserving’ poor. The legislation also failed to provide effective safeguards that constrain caseworkers and local agencies from implementing welfare policies in a discriminatory and mean-spirited manner. In New York, for example, Mayor Rudolf Giuliani undertook a particularly insensitive strategy of

using workfare instead of job training, and other diversionary policies that, until they were legally overturned, kept needy families from receiving immediate aid.

While appreciating these concerns, I believe that critics of welfare reform have underestimated the need for safety-net legislation to support and encourage personal responsibility in poverty relief. Traditional Jewish thought more accurately acknowledges the tension between communal and personal responsibility. On the one hand, the Talmudic rabbis made clear the obligation of society to aid the most unfortunate. “One must be careful to give charity promptly,” they

Woodcut by Stan Kaplan

ROBERT CHERRY, Koppelman Professor of Economics at Brooklyn College and a research associate at the Economic Policy Institute, is the author of *Welfare Transformed: Universalizing Family Policies that Work* (2007, Oxford University Press) and co-editor of *Rethinking Poles and Jews: Troubled Past, Brighter Future* (2007, Rowman & Littlefield).

wrote, “lest the failure to do so result in the shedding of blood, for perhaps the poor may die if not given immediately.” On the other hand, it is the obligation of the poor to make every effort to provide for themselves: “Skin a carcass in the marketplace and don’t rely on charity.”

Structural factors had devastating effects on the post-migration generation of African Americans (those born in the late 1960s and early 1970s in northern and midwestern cities). When this generation reached its teen years in the 1980s, the lost of manufacturing employment created Depression-era levels of unemployment. Whereas in 1975, the share of young Black men employed in manufacturing in midwestern cities reached 40 percent, by 1989 it had fallen to 12 percent.

This was accompanied by the crack-cocaine onslaught, which brought violence and addiction. In New York, the number of homicides increased by over 50 percent between 1984 and 1990 — and in 1989, 77 percent of New Yorkers arrested tested positive for cocaine. In east Baltimore, where the poorest Black neighborhoods were located, five percent of young people were killed annually.

In response, many young men and women in poor Black (and Latino) communities made decisions that had adverse long-term consequences. After a thirty-year decline, birth rates of teenage women, especially Black women, began to increase. By 1990, fully 8.5 percent of young Black women, 15 to 17, gave birth, more than triple the white rate. Many of these women lived in communities where giving birth and going on welfare became a social norm. After remaining stable for more than a decade, the welfare population increased from 3.8 in 1988 to 5.1 million families by 1994, with the Black share increasing somewhat to almost 40 percent. Even

larger increases occurred in the food stamp and SSI programs.

In addition, evidence documented the vulnerability of welfare mothers to domestic abuse. In particular, the Center for Impact Studies found that among teenage Black mothers on welfare, 55 percent had experienced some form of domestic violence from their partner in the past year. Justice Department statistics estimated that domestic violence overall was 43 percent higher for Black than for white women.

Many critics, including Frances Fox Piven and Mimi Abramovitz, wrongly emphasized links between conservative political views and the 1996

Income supports provided by “Make Work Pay” proponents increased the incomes of families that left welfare. Employment growth alone dramatically reduced national poverty rates.

legislation. They ignored the ideas of David Ellwood, who devised Clinton’s welfare reform proposal, and of Donna Shalala, who wrote extensively on the need for welfare reform and supported the legislation. Their “Make Work Pay” philosophy emphasized providing improved material incentives: an increased earned income tax credit (EITC), higher minimum wage, increased childcare, and child support from non-resident fathers.

In misunderstanding President Clinton’s intentions, welfare reform critics were unprepared for the substantial increases in work supports that accompanied the law. Between 1997 and 2000, the federal Child Care Development Fund increased childcare expenditures from \$2.1 to \$7.4 billion. In addition, substantial state funding was directed towards community college programs to enhance the skills of people leaving welfare, while a large number of non-profit agencies were initiated to aid the transition to work. This social funding increase was pri-

marily due to a federal aid formula that kept in place funding levels despite the more than halving of welfare rolls.

Income supports provided by “Make Work Pay” proponents increased the incomes of families that left welfare. If a single mother with two children earns \$13,000, she qualifies for an EITC of \$4400 at the federal level and another \$880 at the state level (in more than fifteen states, including New York and California). In addition, these families qualify for substantial food stamps, childcare subsidies, and, after 2001, a refundable federal child tax credit. As a result, family income rises to more than \$20,000.

Employment growth alone dramati-

cally reduced national poverty rates. Throughout the 1980s and early 1990s, the child poverty rate in single mother families fluctuated between 50 and 55 percent, rising during economic slowdowns and falling during economic expansions. After 1994, however, the rate continuously declined, falling to 40 percent by 2000. During 2001 and 2002, the rate remained at 40 percent because the number of single women working continued to grow despite the economic slowdown. (The rate increased only slightly in 2003 and 2004.) Moreover, when transfer payments are included, these rates fall even more. Economists at the Community Service Society of New York found that with the inclusion of these transfer payments, the official poverty rate among working moms from 1999 to 2001 declined from 36.5 to 14.2 percent.

Critics rightly feared that welfare reform was designed to flood the low-wage market, making wage growth

unlikely. Instead, 1996-2000 was the first period in twenty years in which wages grew faster than the inflation rate — and this wage growth was most robust for those at the bottom of the labor market, especially in states with high welfare benefits. Over a thirty-month period, for example, monthly earnings among former welfare recipients in New Jersey grew by 33 percent. Over 40 percent of those whose first job paid less than \$6 per hour had a wage increase of at least 50 percent. For welfare-to-work participants in Washington, the average hourly wage rate increased from \$7.50 to \$8.91 two years later.

The characterization of low-wage service sector employment as dead-end is generally misplaced. Katherine Newman followed the lives of Black and Hispanic minimum-wage fast-food workers in a poor neighborhood in New York City in 1993. Her study emphasized that for many, work is a welcome escape from troubled personal lives and helps individuals build constructive social relations and improved self-worth. Newman and Chauncy Lennon found that 81 percent of those employed in 1993 were still working in 1997 — with an average hourly wage that had increased, measured in 1993 dollars, from \$4.37 to \$7.24. Twenty-eight percent had received a wage increase of at least \$5 per hour.

Although an income of \$20,000 is only modestly above the poverty threshold, it does distant families from the deprivation experienced while on welfare. Scott Winship and Christopher Jencks noted a significant decline in the share of single mothers who reported that they had to stretch their food supply or could not adequately feed a child. Other studies have documented the benefits to families who escape official poverty. Community Service Society surveys in New York

in 2004 indicated that 45 percent of poor families experience at least three hardships annually, while the rate among the near-poor — families with incomes between approximately \$15,000 and \$30,000 — was 14 percent in 2003 and 21 percent in 2004.

Using national data, Sheldon Danziger and colleagues at the University of Michigan found that “those who had moved from welfare to work were objectively and subjectively better off financially than those who remained welfare reliant. Working mothers had higher household incomes, lower poverty rates, experienced a similar level of material hardships, were less likely to engage in activities to make ends meet, and reported less difficulty living on their current incomes.”

Surveys also consistently show that the vast majority of single mothers believe that their lives improved since leaving welfare. A Maine study found that 61 percent of those who had left welfare considered themselves better off than when they were on welfare, 23 percent believed their situation to be about the same, and only 16 percent believed that their situation has worsened. A New York study found that 71 percent considered themselves better off, while only 14 percent thought they were worse off.

It is certainly true that some families were made worse off — especially families who were sanctioned because the mothers were unable to meet attendance requirements. Researchers documented, however, that the adverse income effects of welfare reform were concentrated in the bottom tenth of single mothers, and that even for this group, on average, consumption rose substantially.

Virtually all studies found that welfare reform explained at least three times as much of the decline in the number of welfare recipients as the growing economy. These results

are consistent with changes in the employment rate of never-married mothers (the group most sensitive to welfare policies), which remained fairly constant from the late 1970s through 1994, showing little response to either the economic expansion of the 1980s or the subsequent economic slowdown. Starting in 1994, however, their employment rate began to rise, and it rose very sharply.

Welfare reform also appears to have had a substantial impact on teen birth rates. For both African-American and white teenagers, 15-19, birth rates fell by more than one-third between 1995 and 2001 to about one-half their 1990 levels. This factor alone has eliminated a significant share of the potential population seeking cash assistance — young, less-educated, single mothers.

Such declines in poverty and teen birth rates, and the upward mobility for many who have left welfare, have convinced a number of critics of welfare reform, including David Ellwood, Christopher Jencks, and Jason DeParle, to reevaluate their earlier pessimism. However, while welfare reform has lifted millions of families out of abject poverty, it alone is not a panacea. Just as with raising the minimum wage, welfare reform is one positive policy that must be combined with other policies in order to eliminate completely economic deprivation.

Most important, welfare reform has identified many government policies that can help a broad group of mothers. In response to federally-funded inducements, state governments improved childcare funding, educational and training programs, child support collection policies, and more recently counseling services to improve relationships between fathers and mothers. These services enabled many women leaving welfare to sustain em-

ployment, improve earnings, receive more financial report from the fathers of their children, and improve the stability of parental relationships.

When economic stagnation after 2001 exposed the inadequacies of the unemployment insurance system, for example, many states implemented changes to make policies more helpful to mothers who earned low-wages or had only intermittent employment. By 2003, twenty-seven states provided unemployment insurance benefits for victims of domestic violence who leave their jobs because of the abuse (if they meet earnings requirements). Fifteen states have enacted unemployment insurance provisions that allow for a broader range of compelling domestic circumstances that cause job loss, including childcare problems. Twenty states allow workers to use an alternative to the traditional calculation so that most of their recent earnings can be included to determine eligibility.

In 2004, twenty-seven states provided child care tax credits to working mothers. In the most generous states — California, New York, Louisiana, and Vermont — refundable credits could total more than \$1,000 for a single mother with two children. If they are lucky enough to live in the thirteen states (plus the District of Columbia and New York City) that have refundable EITC programs, these working moms gain even more: The six most generous localities provide an EITC equal to at least 20 percent of the federal EITC. In addition, there has been a substantial expansion of universal pre-K, most prominently in a number of conservative states — Texas, Oklahoma, and Georgia — where a range of 46 to 64 percent of four-year-olds are enrolled in state-funded programs.

Welfare legislation has also been a catalyst for important changes at com-

munity colleges. In a study funded by the Community College Association prior to welfare reform, only 5 percent of entering students who had serious academic deficiencies completed at least twenty college credits. In

There are tens of millions of working mothers who have the same needs as those who have left welfare: for affordable childcare, training and educational enhancements, and government programs to supplement their limited wages.

California, despite substantial support services, one-third of welfare participants leaving community colleges had completed no credits, and another 30 percent had less than twelve.

In the face of such barriers, many welfare recipients had sought educational advancement at for-profit proprietary schools, where the emphasis is on vocational training in certificate programs rather than two-year or four-year academic degrees. In 1996, one-quarter of students enrolled at proprietary schools were single mothers — almost double the proportion at community colleges. Unfortunately, these schools have a long history of leaving their students unprepared, unemployed, and saddled with unpayable loans. At a 2005 Congressional Hearing on Enforcement of Anti-Fraud Laws in For-Profit Education, Congresswoman Maxine Waters highlighted some of these abuses, stating:

“I had GED [‘general education development,’ or high school equivalency] courses conducted in my office so that my constituents could pass the math portion of the GED to get into the construction training programs. . . . Many of these students . . . had defaulted on previous student loans used to attend a trade school, and thus did not qualify for any current financial aid, including Pell Grants, which they needed to support themselves while attending Community College

to obtain training. At one graduation ceremony at the Employment Preparation Center, I asked how many of the graduates had been ripped off by a trade school, and all hands but one went up.”

When Drake Business School in New York City closed, LaGuardia Community College attempted to help its students. “We found it impossible,” said Gail Mellow, president at LaGuardia. “Even though some of these students were at the end of their sophomore year, their level of preparation was so low that they were not passing our basic skills tests.”

The director of continuing education at LaGuardia, Sandra Watson highlighted the importance of providing an alternative to proprietary schools. In our interview, Watson described her division as a “proprietary school with integrity.” By this she meant that LaGuardia students, thanks to extensive funding grants, were provided with the support services that are crucial to their success, such as counseling, childcare, and smaller classes. Watson was also proud of the placement activities built into their continuing education programs; only through a partnership with local hospitals, she explained, was it possible to develop a successful radiology technicians program. Throughout the country, countless other community colleges have, since 1996, successfully aided less-educated mothers in obtaining the vocational skills necessary to move ahead.

There are tens of millions of working mothers who have the same needs as those who have left welfare: for affordable childcare in order to maintain

their employment; for training and educational enhancements in order to raise their wages; for government

programs to supplement their limited wages. By learning from policies initiated by welfare reform and applying

them more broadly, we can help millions of working mothers and their families have more successful lives.

Lawrence Bush

Welfare Reform: Is This the Best We Can Do?

A Reply to Robert Cherry

WHEN I WAS A 19-YEAR-OLD college student in New York, I became romantically involved with a welfare mom, age 21. We lived together with her three-year-old son in an East Village storefront, where we performed puppet shows each weekend as “Poor People’s Puppets.” My only contributions to the household budget for the two-plus years that we lived together were a New York Regents Scholarship (\$250 per semester) and bits of cash that I earned giving guitar lessons and substitute teaching in daycare centers.

I felt a bit guilty on one occasion when a welfare caseworker visited our home and I had to pretend that I, too, was just a drop-in visitor (I left before the caseworker and took a long walk around the neighborhood). Otherwise I rationalized my mooching as follows: a) Every book of food stamps we used meant one less bullet for the Vietnam War; b) We were doing good community work (our shows included a fabulous version of *The Emperor’s New Clothes* with a nearly life-size puppet of Nixon) and were happy to think that the government was helping pay for its own overthrow; c) My partner was already on the dole before I came tagging along; d) Everyone was doing it: The federal government was fertilizing flower power across the country, and certainly keeping the lid on the Black community, by making it easy for folks to collect welfare.

Well, thirty-six years later, I see a whole lot of fantasy, moral relativism

The radical political counterculture perceived, quite accurately, that American society had nearly achieved a ‘post-scarcity’ status, and that the gates to Eden were held shut only by greed, racism, and the class system.

and just plain bullshit in my rationalizations back then. I no longer consider ‘revolutionary expropriation’ to be an altogether virtuous political activity, nor do I approve of avoiding wage slavery if doing so means living in poverty or being a parasite. I no longer equate welfare with reparations for African-American slavery, and I no longer automatically respond to discussion of self-destructive behaviors in oppressed communities as ‘blaming the victim.’ In my newfound ‘maturity,’ I’m glad to learn from Robert Cherry that the net effect of welfare reform has been to alleviate, rather than to worsen, poverty, and I appreciate his willingness to address the terrible impact of crack addiction, teen pregnancy, and the lack of responsible fatherhood upon poor African-American communities.

My politics nevertheless remain strongly influenced by those days in the East Village, where I was im-

bedded in a political counterculture that perceived, quite accurately, that American society had nearly achieved a ‘post-scarcity’ status, and that the gates to Eden were held shut only by greed, racism, and the class system. (One friend of mine, now an economist at the Federal Reserve, even wrote a paper arguing that America’s productive capacity required each able-bodied American to work significantly less than twenty hours per week; the rest of our forty-hour work week, he maintained, was eaten up by activities meant chiefly to sustain capitalist power relations.)

Perhaps we were utopianists; perhaps we were drunk on our sense of possibility. Still, I can’t help but wonder if Dr. Cherry, himself a longtime progressive, thinks that welfare reform, slightly improved childcare, and the other reforms that he describes and prescribes are really the best that we can do.

Why should we have to tolerate poverty at all in as wealthy and productive a land as ours? Is a \$20,000 annual income for a family of three or four, and all of the anxiety and lack of choice it brings, really acceptable when there are executives, lawyers, and investors who make that amount every working hour?

Are we to buy into the Biblical perception that “the poor shall never cease out of the land” (*Deuteronomy 15:11*) no matter what social programs we launch? Do the abominable realities

LAWRENCE BUSH is the editor of JEWISH CURRENTS.

of communist history mean we should now give up on such socialistic goals as a guaranteed minimum income, full employment, quality public housing, well-funded public education, free college tuition, quality health care for all, unionization and protection of workers' rights, etc.?

The pressure to reform the welfare system came not from people concerned with effective, sweeping poverty relief, but from a conservative movement that was pressing its ideological attack on New Deal/Great Society liberalism. Toughening welfare qualifications was the third of ten points in Newt Gingrich's "Contract with America," and the debate took place in a poisonous atmosphere following the 1994 Congressional elections, with conservatives actively exploiting racist stereotypes of 'welfare queens' and punitive attitudes towards poor people to advance their counterrevolution.

The welfare budget that President Clinton targeted was minuscule, all of \$10 billion per year — really an "unconscionable target," as Robert Scheer has written, for "a big propaganda campaign [about] . . . government

efficiency." But the attack on welfare provided an excellent diversion from corporate tax evasion, lobbying, polluting, stock options, union-busting and numerous other tricks that have produced, over the past three decades, the greatest income and wealth disparity in U.S. history. By conceding the welfare fight to the Republicans, did not Clinton help undermine the very concept of government as a vehicle of social responsibility?

The Jewish tradition that Robert Cherry references in his article urges personal responsibility, yes, but even more strongly acknowledges the collective nature of economic activity and society-wide responsibility for poverty relief. As Rabbi Walter S. Wurzbarger of Yeshiva University has written (in *Jewish Business Ethics*, 1999), the conservative contention that (paraphrasing Irving Kristol) "there is no such thing as social justice, because only autonomous individuals can be just," is "counter to the entire thrust of the Jewish tradition, with its many provisions designed to promote public welfare and a just social order." Yet in our allegedly

"Judeo-Christian" culture, adoration of wealth and punishing attitudes towards poor people — especially poor African Americans — are easily provoked and widely promoted. It seems to me that Bill Clinton's ending of "welfare as we know it" indulged those punishing attitudes, and thereby helped stunt the imaginations and blunt the expectations of America's working people.

Welfare did not represent a solution to poverty — any more than my puppet shows represented a threat to the U.S. government. Still, the abolition of welfare in a spirit of vindictiveness and racism, rather than atonement and true dedication to righting the wrongs of the past, can hardly be considered progress. As Randall Robinson, author of *The Debt: What American Owes to Blacks*, has suggested: "To do what is necessary to accomplish anything approaching psychic and economic parity in the next half century will not only require a fundamental attitude shift in American thinking but massive amounts of money as well." In other words, it's time to move beyond community college programs and talk about sharing the wealth.