

Congress of the United States

U.S. House of Representatives

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Positive Gains for Low-Income Families Occurred Despite 2001 Recession

A Report by the Human Resources Subcommittee

Opponents of the 1996 welfare reforms seem perplexed by the continued success of these reforms. A recent *New York Times* article ("*Despite the Sluggish Economy, Welfare Rolls Actually Shrank,*" March 22, 2004) highlights their confusion: "One of the great mysteries of social policy in the last few years is why welfare caseloads have stayed essentially flat or declined in much of the country, despite the economic downturn."

Liberal confusion on welfare reform is nothing new. In 1996, reform opponents loudly predicted massive poverty and despair would follow enactment of the 1996 welfare reforms: "This is not reform, it is punishment....The effect on cities will be devastating....A bill that creates child poverty is not an acceptable way to end welfare as we know it." (*New York Times*, Editorial, August 1, 1996)

In fact, since 1996 work by mothers most at risk of welfare dependence soared, lifting incomes and cutting dependence in half. Child poverty, instead of rising by 1 million as reform opponents predicted, fell by more than 2 million.

Faced with such gains, reform opponents argued a strong economy, not reform, was primarily responsible. "Welfare reform has gone as well as it has so far because the economic boom of the 1990s created

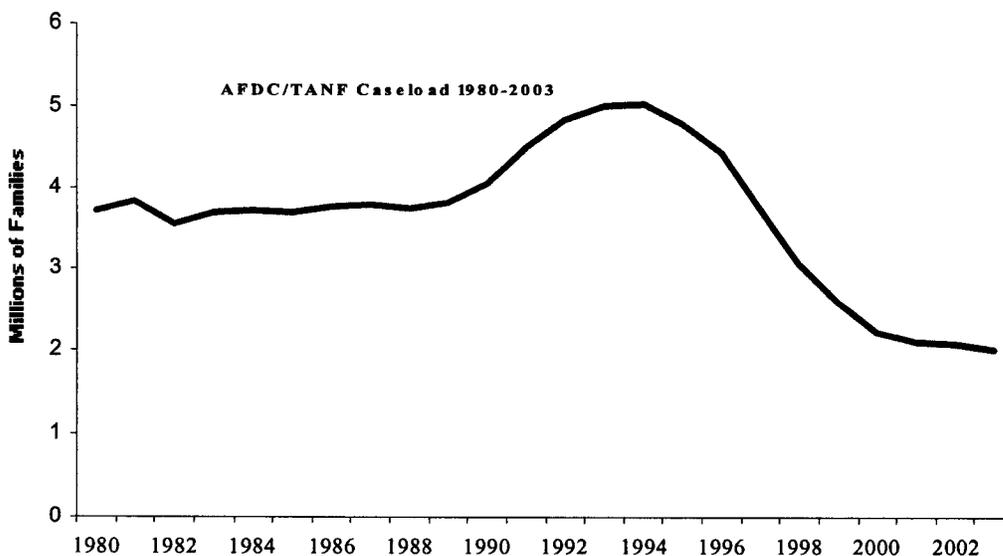
millions of jobs that former welfare recipients could take.” (E.J. Dionne, “From Welfare to Work to Now What?,” *Washington Post*, November 30, 2001)

In this view, however, misery would be just around the corner when the economy soured: “When the economy was booming, it didn’t make any difference what kind of welfare system or safety net we had. The true test will come as the economy weakens, jobs are lost and people are thrown back onto welfare.” (Rep. Robert Matsui (D-CA), quoted in “Congress to Tackle Refining 1996 Overhaul of Welfare,” *Sacramento Bee*, May 14, 2002)

So have the latest predictions of doom and gloom been on the mark? Specifically, now that the U.S. economy has been buffeted by recession, terrorist attacks, and corporate scandals, what does the record show?

Welfare Caseloads: During the recession year of 2001 and its aftermath in 2002, caseloads continued to decline, dropping nearly 5%, despite an increase in the unemployment rate. With the exception of the sharp caseload declines immediately following the 1996 welfare reform law, since 1950 only three other two-year periods in U.S. history saw welfare caseload declines above 5% (from 1950 to 1952, from 1951 to 1953, and from 1980 to 1982).

Note: Caseloads fell another 2% between January and September 2003, the most recent month of official data.

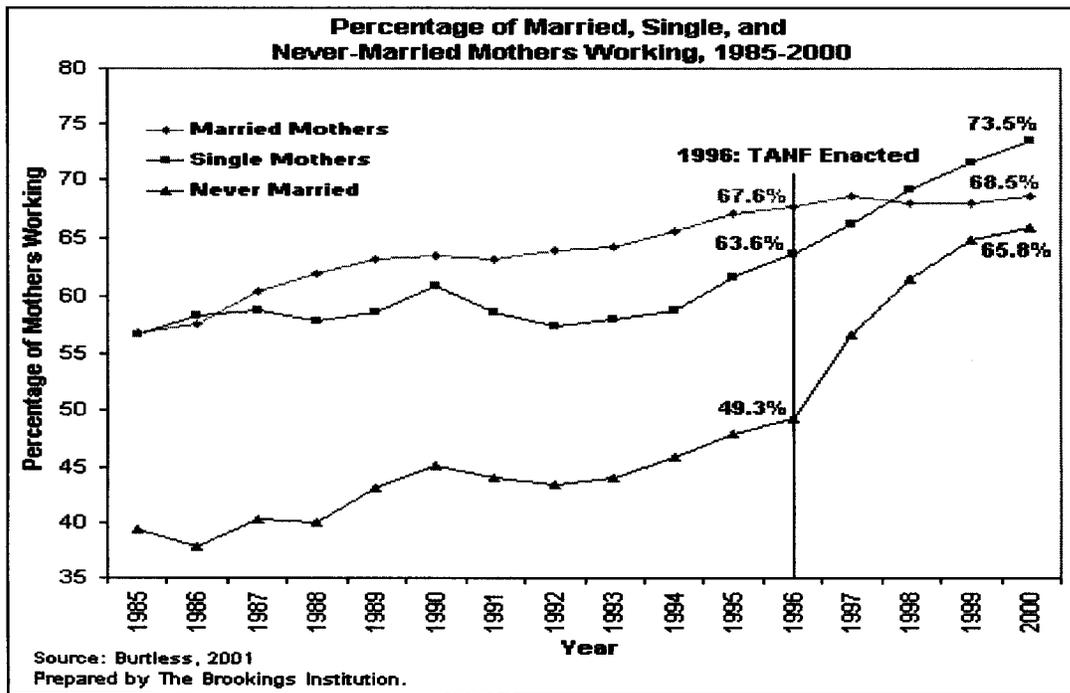


Source: HHS.

Work: “In past recessions, newly hired welfare recipients and other low-skilled workers were among the first to lose their jobs. But that was apparently not the case with the most recent recession.

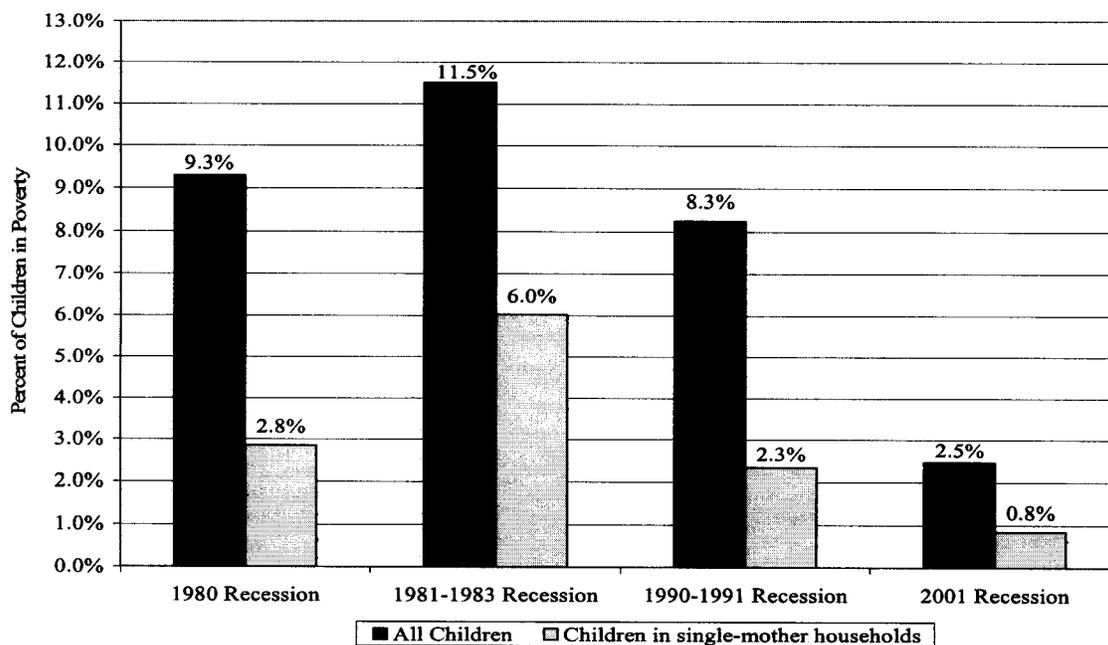
‘Former welfare recipients were entrenched in the work force,’ said Marva Arnold, a senior official at the Human Services Department in Illinois, where the number of families on welfare has plunged 45 percent since January 2001.

‘They have gained real work experience, including the skills needed to maintain employment.’” (“Despite the Sluggish Economy, Welfare Rolls Actually Shrank,” *New York Times*, March 22, 2004)



Poverty: Changes in child poverty during and after the 2001 recession have been far smaller than in all other recessions dating back to 1980.

Increase in Percent of Children in Poverty During the Most Recent Four Recessions



Source: U.S. Census Bureau, September 2003.

What is the status of Welfare Reform?

In May 2002 and again in February 2003, the House of Representatives approved legislation to reauthorize and strengthen reforms launched in the landmark 1996 welfare reform law.

However, the Senate has failed to approve a multi-year reauthorization bill. Since September 2002, TANF and related welfare programs have been continued through a series of short-term extensions. The most recent extension expires on June 30, 2004.

The House encourages the Senate to reauthorize welfare reform and take important new steps toward helping more individuals break the cycle of poverty.