

Making Welfare Work

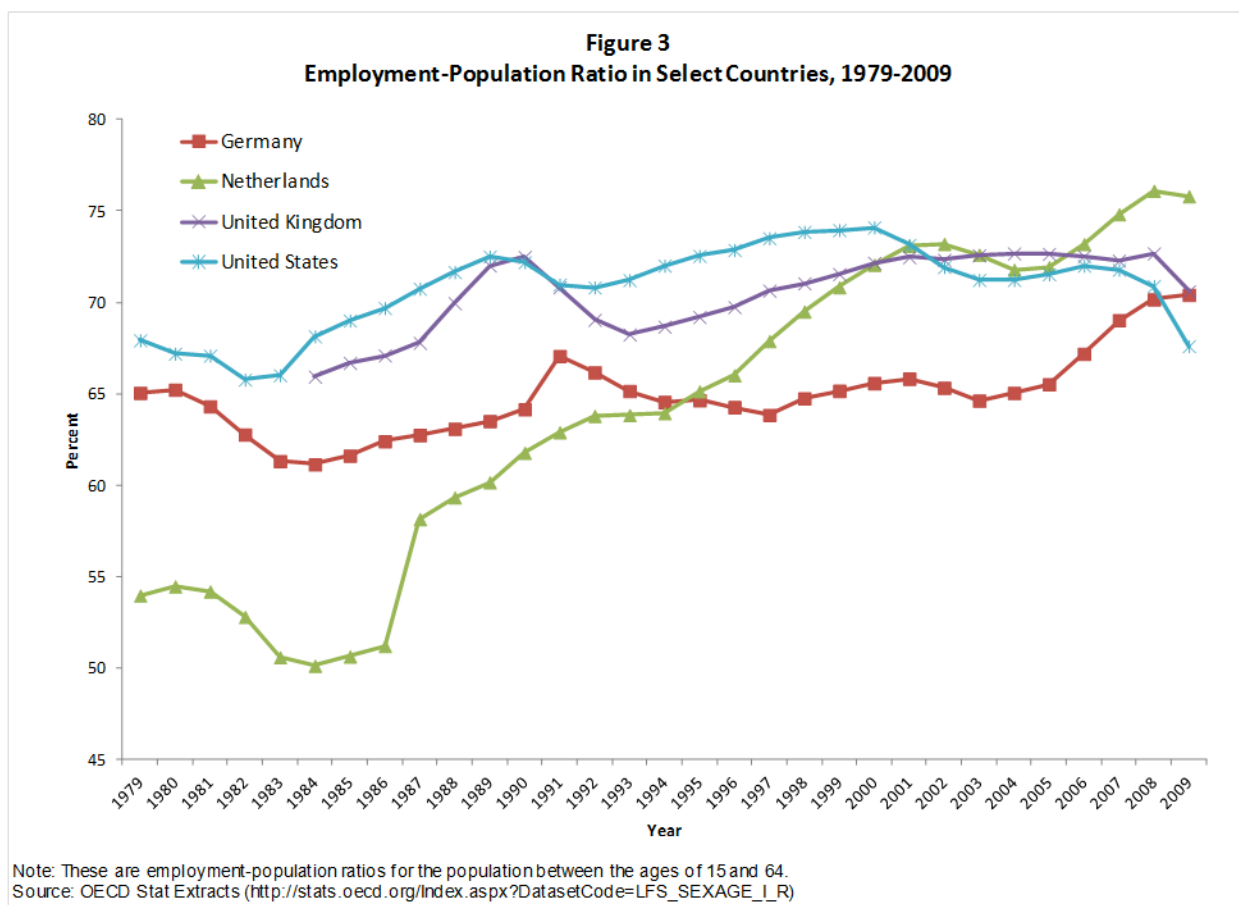
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I am a Professor of Politics and Public Policy at New York University and a longtime scholar of poverty and welfare reform.¹ I appreciate this chance to testify about federal welfare programs.

How can these programs do more to help lower-income Americans get ahead in life? That chiefly means: How can they do more to promote work, as it is chiefly through employment that adults of all ages make their way in the world. Americans think of themselves as hard-working, but the share of our population that is employed has recently fallen sharply compared to several European countries, as this figure shows. As a society, we are not working as hard as we used to do, and the problem is worst among lower-income Americans.



Welfare has failed to stem the decline, I think, for three main reasons: (1) work tests in the major income programs are still limited, (2) we have neglected the problems of poor men, and (3) the disability programs are diverting too many Americans from labor force entirely. Some other impediments often cited today—disincentives, lack of jobs, inequality, or welfare itself seem to me much less important.

¹ Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986); idem, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992); idem, ed., *The New Paternalism: Supervisory Approaches to Poverty* (Washington, DC: Brookings, 1997); idem, *Government Matters: Welfare Reform in Wisconsin* (Princeton: Princeton University Press, 2004).

Welfare Reform

In improving our programs, we can have no better model than the welfare reform of the 1990s. That epic change tied cash aid for families more closely to employment than ever before. The message to needy families was that society would help them, but in return the adult recipients must work alongside the taxpayers. Congress began to add work tests to family cash welfare (Aid to Families with Dependent Children) in the 1960s and 1970s, but the process culminated in the radical Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Under PRWORA, the new Temporary Assistance for Needy Families (TANF) program required that states put half their cases in “work activities” by 2002, a much higher level than before. And work activities were defined to emphasize actual employment rather than education and training.²

These rules plus other benefits (wage subsidies, child care) and superb economic conditions revolutionized welfare in the later 1990s.³ The share of welfare mothers engaged in work activities doubled to about a third, and work levels also rose sharply for poor single mothers outside welfare. The AFDC/TANF rolls plummeted by more than two-thirds, with most of the leavers entering jobs. Less sharply, incomes rose and poverty fell. Fears that children would be harmed proved groundless, with some studies even showing positive effects.⁴

Some of the employment gains were lost when economy conditions worsened in the 2000’s, but not all. Reform had limitations. It did not assure that poor mothers could support themselves off welfare; nor did it assure that they would move up to better-paying jobs over time. Nevertheless, reform was still an enormous step forward for many low-income Americans. By requiring and promoting work, it integrated them into mainstream American life as never before.⁵

The politics of reform also set an example. Although PRWORA was radical, it marked a maturing of the nation’s debate about poverty. When the welfare controversy first erupted in the 1960s, it was strongly partisan. Typically, liberals and Democrats wanted to spend more on helping the needy, while conservatives and Republicans wanted to spend less. But over time, the argument shifted to center on work rather than the scale of effort. Debate centered on how best to promote work and child support on welfare, rather than on the principle of aid. Even in the 1990s, when the

² Ron Haskins, *Work Over Welfare: The Inside Story of the 1996 Welfare Reform Law* (Washington, DC: Brookings, 2006).

³ The Deficit Reduction Act (DFA) of 2005, which reauthorized TANF in 2006, tightened up the administration of work tests, but the fundamentals of PRWORA were little changed.

⁴ P. Lindsay Chase-Lansdale, Robert A. Moffitt, Brenda J. Lohman, Andrew J. Cherlin, Rebekah Levine Coley, Laura D. Pittman, Jennifer Roff, and Elizabeth Votruba-Drzal, “Mothers’ Transitions from Welfare to Work and the Well-Being of Preschoolers and Adolescents,” *Science* 299 (March 7, 2003): 1548-52; Amalia R. Miller, and Lei Zhang, “The Effects of Welfare Reform on the Academic Performance of Children in Low-Income Households,” *Journal of Policy Analysis and Management* 28, no. 4 (Fall 2009): 577-99.

⁵ Lawrence M. Mead, “Why Welfare Reform Succeeded,” *Journal of Policy Analysis and Management* 26, no. 2 (Spring 2007): 370-4.

general division between the parties deepened, this problem-solving style dominated in hearings on PRWORA.⁶ That is the same, practical approach that a new welfare reform should take today.

Limited Work Tests

Welfare reform led to progress because most recipients were better off working than they had been on AFDC/TANF. Most wanted to work, but many needed the spur of a work requirement actually to go out and get a job. Congress's willingness to enforce work thus was central to change.

However, the work tests in TANF are in some ways still limited. Among the states, various exemptions mean that the average share of recipients in work activities is only about 30 percent, well short of the 50 percent specified in PRWORA. Also, states are allowed to sanction recipients only partially if they fail to comply with work expectations; the noncooperating adult is excluded from the grant, but benefits continue for the children. In liberal states like California and New York, partial sanctions have allowed thousands of mothers to defy the work test and still get money for their families. Congress should require that cases that violate the work test are simply closed, as they are for other breaches of welfare rules.

The Obama administration has invited states to replace the standard TANF work rules with alternatives that would focus more directly on work outcomes. That approach might be easier to administer than the established system, which demands the documentation of recipients' activities. But experience has shown that specific activity demands were essential to mobilizing poor mothers to work, and any attempt to replace them is likely to weaken the work requirement.

The work tests in other welfare programs are far weaker. SNAP has grown prodigiously, from 17 million recipients in 2000 to 47 million in 2012. Localities typically run it as an entitlement, distributing benefits on the basis of economic need and with little concern for employment by the recipients. SNAP has work requirements on the books, but they are too limited to have much impact. Able-bodied adults without dependents are restricted to three months of benefits unless they are working, and mothers must register with a work program once their youngest child turns 6. These requirements resemble the limited work rules that prevailed in AFDC before PRWORA. Recipients can satisfy them without reorganizing their lives to work. The SNAP rules do not clearly demand activity by the recipients, and they do not define participation levels that states must achieve in order to avoid cuts in federal funding, as in TANF. Congress should set clearer activity standards for SNAP work programs, backed up by fiscal sanctions, and at least one parent in two-parent families should be required to work as a condition of eligibility.

Still another work frontier should be public housing. HUD has so far merely experimented with expecting housing tenants to work or help out around their projects, but there is no general work requirement for housing benefits. Many of these families resemble the poor single-parent families that profited from welfare reform. The Jobs Plus evaluation showed that work can be

⁶ Lawrence M. Mead, "Welfare Politics in Congress," *PS: Political Science & Politics* 44, no. 2 (April 2011): 345-56.

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promoted in low-income housing projects.⁷ Stronger work stipulations should be attached to units in public projects or to Section 8 vouchers. As in cash welfare, aid should consist of more than a benefit. It should also require movement toward greater self-reliance.

Even EITC could raise work levels more than it does. While the benefit is conditioned on work, whether it actually raises work levels is unclear. The subsidy raises effective wages and thus generates an incentive for nonworkers to take jobs, but it also permits those already working to work less and still make the same income. The receipt of EITC should be conditioned on working 20 or 30 hours a week, similar to TANF. This would require a new administrative system to track working hours, as EITC does not now do, but the pro-work effects of the subsidy would be stronger.⁸

Putting Poor Men to Work

Welfare reform put many more poor mothers to work, but it left largely untouched the fathers of their children.⁹ There is only so much poor mothers can do to move their families ahead without a working spouse. Government has found no ready way to promote stronger families among the poor. But one force that clearly drives fathers away from their families is their failure to work and earn regularly. Mothers give up on them and raise their children alone.¹⁰ If the men worked more reliably, family incomes would be higher and marriages would be stronger as well.

Even in the 1990s—the same years when poor women’s work levels soared due to welfare reform and a fine economy—the share of less educated men who were working or seeking work drifted downward. The trends were worst for younger black and Hispanic men, often because of child support obligations or past incarceration, which can deter employment.¹¹ But work levels are also falling among less educated white men. The traditional working class is fraying.¹²

Unfortunately, programs aimed at improved employment among men have usually evaluated worse than the work programs that underpinned welfare reform. Voluntary training or employment programs have little impact on adult men’s employment or earnings. Even creating jobs for them has

⁷ Howard S. Bloom, James A. Riccio, and Nandita Verma, with Johanna Walter, *Promoting Work in Public Housing: The Effectiveness of JOBS-Plus: Final Report* (New York: MDRC, March 2005)..

⁸ Charles Michalopoulos and Gordon Berlin, “Financial Work Incentives for Low-Wage Workers,” in *The New World of Welfare: An Agenda for Reauthorization and Beyond*, ed. Rebecca M. Blank and Ron Haskins, (Washington, DC: Brookings, 2001), chap. 10.

⁹ The following is based on Lawrence M. Mead, *Expanding Work Programs for Poor Men* (Washington, DC: AEI Press, 2011).

¹⁰ Kathryn Edin and Maria Kefalas, *Promises I Can Keep: Why Poor Women Put Motherhood Before Marriage* (Berkeley: University of California, 2005); Kathryn Edin and Timothy J. Nelson, *Doing the Best I Can: Fatherhood in the Inner City* (Berkeley: University of California Press, 2013).

¹¹ Harry J. Holzer, Paul Offner, and Elaine Sorensen, “Declining Employment Among Young Black Less-Educated Men: The Role of Incarceration and Child Support,” *Journal of Policy Analysis and Management* 24, no. 2 (Spring 2005): 329-50.

¹² Charles Murray, *Coming Apart: The State of White America, 1960-2010* (New York: Crown Forum, 2012), chap. 9.

little effect. Recent work programs run by the child support and criminal justice systems, however, show greater promise. These programs are aimed at low-income men owing child support or out of prison on parole. They offer the men help to work, but they also enforce employment because these groups are required to work, on pain of going to jail or returning to prison. Enforcement coupled with close supervision by case managers has allowed these programs to raise work levels and reduce recidivism, at least somewhat, compared to earlier programs. With further development, these efforts could provide a basis for “welfare reform for men.”¹³

The work subsidy given by Earned Income Tax Credit is currently much larger—as much as 40 percent—for a single mother with children than for the noncustodial father. Several experts recommend that the fathers get a larger subsidy.¹⁴ That incentive should be conditional on the father working full-time and paying his child support judgment, if any. Much of the subsidy, then, would go through the father to their families, but it would depend on the father working and paying as TANF benefits do not. This would raise family income while also strengthening the father’s tie to his family, to everyone’s benefit.

To get ahead in life, poor fathers—like poor mothers—need a regime that combines “help and hassle”—new benefits to raise earnings coupled with oversight to be sure that the men actually work steadily as they are supposed to do.

The Growth in Disability

A third force that discourages work on welfare is the siren song of disability. Federal programs to support the incapacitated are growing rapidly. Disability Insurance, which is part of Social Security, grew from under 7 million beneficiaries in 2000 to nearly 11 million in 2011. Here we focus on Supplemental Security Income, the welfare program for the aged, blind, and disabled, where the rolls grew from 6 to 8 million people between 2000 and 2012.

The force behind growth is the withdrawal of many American men from employment. In the population, actual disability has declined, but the proportion of the labor force claiming federal disability benefits rose from 0.7% in 1960 to 5.3% in 2010.¹⁵ The trend is strongest among low-skilled men. As of 2011, only 44 percent of the heads of poor families worked at all in the year, only 15 percent full-time and full-year, a dramatic fall from figures of 68 and 31 percent in 1959.¹⁶ But withdrawal is attracting higher-skilled men as well. *The Economist* reports that nearly half of the 1.6

¹³ Lawrence M. Mead, “And Now, ‘Welfare Reform’ for Men,” *Washington Post*, March 20, 2007, p. A19.

¹⁴ Gordon L. Berlin, “Rewarding the Work of Individuals: A Counterintuitive Approach to Reducing Poverty and Strengthening Families,” in *The Future of Children* 17, no. 2 (Fall 2007): 17-42; Wendell Primus, “Improving Public Policies to Increase the Income and Employment of Low-Income Nonresident Fathers,” in *Black Males Left Behind*, ed. Ronald B. Mincy (Washington, DC: Urban Institute Press, 2006), chap. 9

¹⁵ Murray, *Coming Apart*, pp. 170-1.

¹⁶ Data from the Current Population Survey, series, P-60, covering these years. Much of the work decline among the poor in the 1960s and 1970s was due simply to higher wages, which lifted most of the former working poor above the poverty line. After that, fewer poor men have worked even as employment by poor women has grown.

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million soldiers who have served in Iraq and Afghanistan have requested disability benefits from the Defense Department.¹⁷

SSI has helped to finance the slide. While welfare reform did raise work levels among poor mothers, many also escaped the work tests by shifting to SSI, even though earlier they were not classified as disabled. Employers have incentives for workers leaving jobs to go on SSI rather than Unemployment Insurance, as they pay for UI in payroll taxes while SSI costs them nothing. Equally, state and local governments have incentives to shift welfare recipients, for which they partly pay, to SSI, where the funding is all-federal. Low-skilled men who quit work can often get support from SSI that they could not get from TANF or UI. SSI's eligibility determination is also irresolute, encouraging claimants to appeal denials until they are accepted.¹⁸

PRWORA took some steps to tighten up eligibility standards for SSI, but another review is needed. Currently, a large majority of cases obtain benefits by claiming mental conditions or physical problems such as lower back pain whose severity is judgmental. The Social Security Administration has offered beneficiaries incentives to return to work, but these have had next to no effect.

A better approach would be activity requirements. It may sound paradoxical to expect anything of people who are disabled, but disability is a matter of degree. We should ask what claimants can do, not what they cannot. Rather than award claimants a full pension provided they do not work, SSI might award partial benefits conditional on some degree of work or community service, depending on capability. This would be better for many cases than a life of idleness, and it would also protect against fraud.

In the reform of disability, the Europeans are ahead of us. The Dutch sharply reduced their rolls by requiring that employers be the initial funders for own workers claiming disability. The British are reassessing their caseload, finding many claimants employable and conditioning benefits on work effort. America needs to do the same. The idea that claiming disability is a legitimate way to opt out of working sounds humane, but it must be questioned.

Other Impediments

As these comments suggest, raising work levels on welfare is primarily an *administrative* problem. If our programs seriously demand work from recipients, they will get it. Others who might be eligible will choose work over welfare if work clearly is the norm. Some other impediments are commonly thought to impede working, especially by the low-skilled, but the evidence for all of them is weak. They do not deserve the attention they receive, at least in designing welfare policy.

¹⁷ "The waiting wounded," *The Economist*, March 23, 2013, p. 33.

¹⁸ Jeffrey B. Liebman and Jack A. Smalligan, "An Evidence-Based Path to Disability Insurance Reform" (Cambridge, MA: Harvard University, Kennedy School of Government, September 2012).

Disincentives

Many believe that recipients on welfare are discouraged from working because of the benefits they would lose if they raised their earnings. They might emerge little if any better off than if they did not work. The usual advice is to strengthen work incentives—to allow working recipients to keep more welfare for longer as their earnings rise.

However, there has never been strong evidence that whether recipients enter jobs is much affected by incentives, either for or against work. That is partly because work incentives have offsetting effects. They make it more worthwhile for a nonworking recipient to take a job, but they also allow a recipient who is already working to cut back working hours and still cover the family budget, producing little change in work levels overall.¹⁹ It is also doubtful that many low-skilled workers understand the payoffs of work incentives well enough even to respond to them.

No experimental trial of work incentives in welfare has ever shown any notable effect on work levels.²⁰ For decades, work effort by AFDC mothers never responded to the work incentives in that program.²¹ In the 1990s, some statistical studies suggest that increased benefits in EITC helped to motivate the rising work levels seen during welfare reform.²² But at the local level, there is almost no sign of this. Local and state officials whom I interviewed in Wisconsin in 1995, when the rolls were plummeting, never mentioned wage subsidies as a cause; rather, they cited rising work requirements, a good economy, and support services.²³

Among the better-off population, the response to incentives is stronger. Therefore, disincentives to work are likely to be a more serious problem in Unemployment Insurance, where benefits have recently increased. In welfare, however, analysts should focus on strengthening *administrative* work tests.

Lack of jobs

Another common belief is that jobs may be unavailable to the poor, so there is little point in expecting them to work. Many conclude simply from the high unemployment rates of recent years that jobs must be insufficient for those seeking them. But the jobless rate shows only what percent of the labor force is looking for work without accepting a job, not whether jobs are available. Even the

¹⁹ In economists' lingo, the income effect offsets the substitution effect.

²⁰ The most important case was the income maintenance experiments of the 1960s-80s. See Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in *Lessons from the Income Maintenance Experiments: Proceedings of a Conference Held In September 1986*, ed. Alicia H. Munnell (Boston: Federal Reserve Bank of Boston, n.d.), pp. 22-52.

²¹ Robert Moffitt, "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30, no. 1 (March 1992): 1-61.

²² Bruce D. Meyer and Dan T. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," *Quarterly Journal of Economics* 116, no. 3 (August 2001): 1063-1114.

²³ Mead, *Government Matters*, pp. 178-81.

multiple of job seekers to job openings tells us little, for job availability depends on how quickly the jobs turn over, with new openings replacing those filled.²⁴

For several reasons, at least low-paid, low-skilled jobs appear to be readily available, notwithstanding our still-high jobless rates. Although the flow has diminished, many illegal immigrants still seek to come to America to do jobs that, apparently, the native-born do not seek. In ethnographic studies, poor adults rarely suggest that they cannot find work; rather, they chastise one another for failing to take and hold the jobs available.²⁵ I asked local child support and criminal justice officials in six states in 2008-9, when the Great Recession was at its worst, whether low-skilled men could find work; they nearly all said yes, although jobs were less available than in better times.

In 2007, when asked why they are not working, only 5 percent of jobless poor adults blamed inability to find a job. That rate rose only to 12 percent in the next four years, right through the recession. Impediments in private life—illness, retirement, or family obligations—were always more important.²⁶ Very few of the nonworking poor are blocked from jobs by the economy. Rather, they must organize themselves to work, and then must hold the jobs they are able to get.

In TANF, the vast majority of recipients who satisfy current work participation standards do so through actual employment. If jobs were unavailable during the recession, one would expect this proportion to have fallen in favor of other activities that also count toward participation, such job search or training. But the share who met the standards by working remained over 60 percent right through 2007 to 2009, while job search was only 10-20 percent.²⁷ Clearly, most welfare mothers who wanted to work were able to do so.

Inequality

Overwhelmingly, the problem the poor have with the labor market is not lack of jobs but low wages. It is simply a fact that people with low skills find it very difficult to find a job paying a middle-class income, and this has been true for decades. Some will connect this to the growing inequality of incomes. Some commentators suggest that a new redistribution of wealth or opportunity is needed before one can expect lower-income Americans to get ahead on their own.

Nevertheless, the worst economic problem the poor have is still failure to work steadily at any job, not working at low wages. In 2011, a third of poor adults were working yet still poor, but two-thirds of them did not work at all. It would certainly help low-income Americans if they had more education and could command higher wages, but nothing can substitute for their simply putting in more working hours.²⁸ The public is not unsympathetic. It endorses limited redistribution as

²⁴ John C. Weicker, “The Labor Market Movie,” *American Outlook*, Winter 1999, pp. 51-3.

²⁵ Edin and Kefalas, *Promises I can Keep*; Edin and Nelson, *Doing the Best I Can*.

²⁶ March Current Population Survey, table POV 24, for the indicated years.

²⁷ Data from the U.S. Administration for Children and Families.

²⁸ Isabel Sawhill, and Quentin Karpiow, “Strategies for Assisting Low-Income Families” (Washington, DC: Brookings, May 15, 2013).

practiced by social programs, including costly social insurance programs. It strongly supports the EITC and other “work supports.” But this whole structure presumes that the needy will first of all get ahead through their own efforts. They must “play by the rules.” They must take the first step by working, and then government will help them.

Some see welfare reform as a poor substitute for more serious redistribution. Actually, welfare must be reformed before inequality can be addressed. Equality can be pursued only among citizens in full standing, which means that they must fulfill the work ethic and other social norms. By enforcing work, welfare reform took a long step in that direction. Reform was the doing largely of conservatives, yet it moved social politics to the left. As the welfare rolls shrank, Congress enacted the State Child Health Insurance Program (SCHIP)—to be sure that children leaving welfare would have health coverage—and then expanded Medicare to cover prescription drugs. And in 2010, the Affordable Care Act greatly expanded health coverage for adults. These steps would have been unimaginable if 14 million Americans still lived on cash welfare, as they did prior to reform.²⁹

Those who want to reverse growing inequality must first reverse the work decline among less privileged Americans. The best way to do that is another welfare reform to promote employment.

Welfare itself

Despite welfare reform, many conservatives still believe that the fundamental evil is welfare itself. Any program that pays benefits to families in trouble seems to place a bounty on those problems. But it is implausible that the mere existence of welfare explains the difficulties that bring families onto the rolls. Wide swings in the availability of welfare in fact have only a limited effect on the problems of the poor. When AFDC was at its most generous, in the late 1960s, nonwork, unwed pregnancy, and other social problems escalated in low-income neighborhoods, seeming to conform the anti-welfare view. But when millions left the rolls due to welfare reform in the 1990s, those problems mostly continued with little change.³⁰

Even if welfare were totally abolished, there would still be a class of poor Americans absorbed in the struggles of private life, engaged in surviving from day to day, and not “getting ahead” in the conventional sense. And society has only limited influence over that lifestyle. America is rich, affording many sources of income. Poor families typically get by not only with public benefits but with sporadic earnings, on or off the books, as well as child support, charity, help from friends, and other sources.³¹ They have many ways to survive, even if they do not progress over time. Government has no general power to prevent families living unproductive lives.

The purpose of welfare, then, is not primarily to support people in need, important though that is. Sheer destitution is uncommon in America today, either on or off welfare. Rather, welfare should

²⁹ Mead, *Beyond Entitlement*; idem, *New Politics of Poverty*.

³⁰ The one favorable change that some connect to welfare reform is the recent fall in teen pregnancy. The majority of statistical studies, although not all, suggest that there is little connection between the generosity of welfare and unwed pregnancy or other social problems.

³¹ Kathryn Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997).

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direct the poor toward more productive lives where possible—lives they themselves seek. Those who are expected to work—men or women—should indeed do so. The one thing welfare reform clearly changed about the poverty lifestyle was to raise poor mothers' work levels. That was not an accident. The poor respond to what society clearly expects of them. The purpose of a new welfare reform must be to implement the TANF reform more consistently, and then extend work stipulations to other welfare programs, and to men. Society must clearly will that change, and then the poor will respond.

We think of welfare as helping the poor fend off adversities, and so it does. In that sense it makes the dependent more free. But it must also make them less free—more committed to the organized life needed to achieve their own goals. Freedom is more than an abstraction. It is a way of life. It requires discipline. Those who would be free must shoulder the burdens of freedom. That above all can empower them to move forward.³²

³² Lawrence M. Mead, "Dependency and Democracy," *National Affairs*, no. 2 (Winter 2010): 92-104.