Welfare Reform Mostly Worked

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As assistant secretary for children and families in the Clinton administration, my job was to implement welfare reform across the United States. Now, directing the Urban Institute's assessment, I have had the rare opportunity to see how it all turned out.

My conclusion? An important -- though partial -- success has largely escaped notice. In particular, it isn't widely known how hard most low-income parents are now working to support their families, even though increasing work and reducing reliance on government cash assistance were key goals of 1996's welfare overhaul.

And because we haven't recognized this dramatic change, we haven't taken the next step: building on success to improve the lives of the next generation. Even though their parents are working more, children in low-income families are doing just about the same as they were before welfare reform. That means they fare worse on a whole range of measures, including physical health, emotional health, family stress and school engagement, than children in better-off families.

We studied the experiences of families, especially low-income ones, since 1997, through three national surveys and case studies in Florida and 12 other states.

First, here's what has changed. In less than a decade, welfare has faded as a means of support for impoverished families. Many of these families are working long hours despite low wages, shrinking health-insurance coverage and serious trade-offs between work and decent care for their children. Yet, neither our politics nor our policies have adjusted to our success at bringing more of these parents into the labor force.

Though researchers can argue about the exact contribution of each factor, the combination of welfare reform, a strong economy and stronger policy incentives to work (such as the earned-income tax credit) cut welfare caseloads in half during the second half of the 1990s -- from 4 million families in 1996 to 2 million in 2000 and about the same today. In Florida, the decline was even greater: from 201,000 families in 1996 to 56,000 in 2003, according to the federal government.

Nationally, the economic picture for families who left welfare is mixed. Though many are connected to the labor market, others are not. Wages are low although comparable to those of low-skill workers who have not been on welfare. And the overall picture for these families, as for other needy families, got worse as the economy weakened in the early years of this decade.

On the one hand, most families that leave welfare have a working adult. In 1997 and 1999, about two-thirds of former welfare recipients who had not returned to welfare were working, and an additional tenth had a working spouse. In the tougher 2002 labor market, however, work by those off welfare declined to 57 percent from 1999's 63 percent.

At the same time, the proportion of welfare leavers who returned to welfare within two years increased, from 20 percent in 1999 to 26 percent in 2002. This boomerang effect may reflect overall job loss in a weaker economy, as well as the instability of employment for these individuals and the difficulty those with significant barriers have keeping jobs. These barriers include significant physical and mental-health problems, limited education, little or no work experience, and caring for a child with a disability. Another problem may be not having the supports needed to keep a job: Research by the Urban Institute's Assessing the New Federalism Project suggested that welfare leavers who had subsidized child care, health insurance and other supports were less likely to return to welfare.

Further, a minority of former welfare recipients is disconnected from both the labor market and the welfare system, and the size of this group has grown over time. Individuals with no employment income, no working spouse and no cash welfare or public disability benefits increased from 10 percent of those leaving welfare in 1999 to 14 percent in 2002. People in this group are substantially more likely to be in poor physical and mental health and to be less ready for employment than those who left welfare for jobs.

Florida's picture similar

Based on early information by other researchers, the Florida picture is generally consistent with the nation as a whole, although the evidence doesn't yet cover the recent recession and its aftermath. Florida requires recipients to leave the rolls more quickly than do many other states, and there was concern that families cut off through time limits would do the worst. However, early studies of families hitting time limits in Florida found that, though some were struggling financially, they did not appear to be worse off than families who left welfare for other reasons. It will be important to find out whether these results held as greater numbers of families hit time limits and through the weak economy.

To complete the national picture, the median hourly wage for former welfare recipients hovered about $8 in 2002. This wage rate, while low, is well above the federal minimum wage of $5.15 and is in keeping with the skills and experiences that former welfare recipients bring to their first job after leaving welfare. It is around the 20th percentile of wages for all female workers, which means that about one-fifth of female workers earn less than this amount.

What does this mean for the future? As fewer and fewer families are ever on welfare, it becomes especially important to think about all low-wage workers who are seeking to raise families, both those who have been on welfare and those who have not. During the same years that welfare caseloads shrank, low-income mothers, particularly single mothers, sharply increased their levels of work -- whether or not they had ever been on welfare. The employment rate for all single mothers rose from 59 percent in 1994 to 74 percent in 2001, with less-educated single mothers experiencing the biggest increase.

More work is positive trend

This increase in work is important good news. It means that low-income families now look much more like other American families: In most, parents are working many hours while also raising children. (Low-income families earn less than twice the federal poverty line, or about $38,000 for a family of four.) Among all low-income families, 59 percent have a full-time worker, and an additional 11 percent have one or more adults working half-time. Among families on the bottom rung (incomes less than $19,000 for a family of four), almost half had either a full-time or steady part-time worker.

But we have yet to face up to the daily challenges these families encounter -- and to the fact that one-quarter of our children (more than 16 million kids) are growing up in families that work a lot yet live with low incomes, few benefits, fragile economic stability and built-in obstacles to caring for them safely. Balancing child-raising with work is a bind that all working parents understand, whatever their income. But parents in low-wage jobs face many more barriers to getting the balance right.

For example, many middle-income parents, stressed as they are, take for granted that they can stay home for a day with a sick child without losing their jobs -- and in many cases, without losing income. But low-income parents are less likely to have paid leave, which can mean that their own or a child's illness leaves them with no good choices. A pediatrician told me recently that she had met with two families whose children had experienced acute episodes of asthma. In one, a parent had stayed home from work and lost a job as a result; in the other, the parents had gone to work and taken the child to day care, leading to a frightening and expensive emergency hospitalization.

And though middle-income parents too can be bankrupted by a health crisis, they are much less likely than their low-income counterparts to lack health insurance for themselves and their children. At the same time, low-income working parents are more likely to report being in fair or poor health and more likely to forgo health care for reasons of cost -- and these problems are even more severe for parents who work part-time or short-term jobs.

Simply stretching each paycheck to cover basic necessities engages many low-income working parents in a struggle they win in some months and lose in others. About one-quarter of low-income families with a full-time worker fail to pay the rent or mortgage at least once during the year, and a similar proportion report problems affording food.

Child care proves costly

Child care is a substantial expense for low-income parents who pay for it -- averaging 14 percent of income. That said, middle-income parents spend far more dollars on care, which raises worries about whether low-income parents are forced to compromise on quality or safety.

Quality is of particular concern given the sheer number of hours that children spend in out-of-home care: Among all children younger than 5 with employed mothers, about four in 10 spend 35 hours or more a week in such care.

Finally, finances this precarious mean that low-income working families are extremely vulnerable when a job ends. Our national unemployment-insurance system is supposed to provide a safety net for just this situation, but far too many families fall through the gaps. Unemployment insurance reaches only about one-third of the unemployed nationally (just one-fifth in Florida) and leaves a particularly high percentage of low-wage workers out in the cold. As a result, while single-parent families bore 37 percent of the decline in full-time work during the economic slowdown from 2001 to 2003, they got only 8 percent of the increase in unemployment-insurance benefits.

Unemployment insurance isn't the only example of public policy lagging behind our success in getting families to work. Take health insurance. Because low-wage work so often comes without coverage, states find themselves picking up the slack through Medicaid or public-health funding. And states face an uneven playing field, depending on their economy and the choices of employers.

Edge of catastrophe

For example, if Florida wants children and their parents to have health insurance, it must shoulder a greater public burden than the average state because its private sector contributes less than the average. Sixty-three percent of Florida's working-age adults and 54 percent of its children had insurance through work in 2002, compared with 71 percent and 63 percent nationally. And this problem is only worsening, as employer coverage of low-income adults nationally fell from 41.6 percent in 1999 to 37 percent in 2002.

Why worry about these gaps? One reason is fairness: When parents play by the rules, they ought to be able to provide the basic necessities for their families.

A second reason is that some of these issues affect all of us. Middle-income parents too can find themselves suddenly losing health insurance as an employer responds to growing health-care costs, and the loss of insurance followed by a health crisis can spiral into catastrophe even for families with some cushion.

Perhaps the most important reason is that the children in struggling families are America's future. If hardworking parents cannot assure their children a stable family life, decent and safe housing, and health care, a large proportion of America's children will continue to fall short of the educational success and economic productivity that the nation needs from them.

Our challenge now is to build on success. We dismantled the old safety net of welfare, which failed families by not demanding work and by not linking them to the work world. But we have not yet crafted the new safety net needed to replace it, a safety net built around work and the basic benefits, opportunities and protections that parents need to raise healthy children. Until we do, we will be placing the future of America's children and families at risk.

Other Publications by the Authors

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