

Three years of welfare ‘reform’: New studies show the poor are losing

by Marianna Wertz

On the third anniversary of the passage of Federal welfare reform legislation, signed into law in August 1996, new studies, utilizing data that are just now becoming available, indicate that the so-called reform policy is a tragic failure, harming most those poor women and children who are the most vulnerable.

As of August 1999, there were some 7.3 million people on welfare nationally—down from 14.1 million when President Clinton took office in 1993, and from 12.2 million when he signed the “Contract On America” policy into law in 1996. As *EIR* documented in its June 25 report, “America’s Missing in Action: Al Gore’s Genocide vs. the Poor,” the status of more than 4 million of those cut from the rolls is currently unknown—they’ve disappeared onto the streets or are barely making ends meet with dead-end jobs or, in many cases, criminal activity. The vast majority of those who have found “welfare-to-work” employment, have jobs at or slightly above minimum wage, with no benefits or long-term perspective for improvement.

The most recent study of the results of the welfare reform policy, “The Initial Impacts of Welfare Reform on the Economic Well-Being of Single-Mother Families With Children,” released on Aug. 22 by the Washington, D.C.-based Center on Budget and Policy Priorities (CBPP), found that the average disposable income of the poorest fifth of single-mother families—those most affected by the welfare reform—fell \$580 per family between 1995 and 1997, a decline of 6.7%. About 80% of that decline was due to declines in such means-tested assistance as food stamps, Medicaid, and cash assistance, assistance for which most of the families were still eligible but which, for many reasons, they were no longer receiving.

This finding contrasted sharply with the study’s finding of a substantial *rise* in the disposable income of that same poorest fifth of single-mother families in the two years *prior* to the passage of welfare reform.

A second study, released on Aug. 2 by the D.C.-based Urban Institute, also found a sharp drop in income from means-tested assistance. In addition, it found that only 60% of recipients who had left the rolls between 1995 and 1997 had jobs at the time of the interview—mostly entry-level

work, such as food handling or cleaning service or retail, earning an average of \$6.61 an hour. Thus, of the 2.1 million adults who went off welfare rolls in those two years, the study found, 840,000 did not have jobs. Counting their children, that is a total of 2.5 million people.

Both of these studies underplay the actual genocide against the poor which the grossly misnamed Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 has wrought, as *EIR* documented in June. However, given their source in establishment think-tank circles, these studies are important to note, because they indicate that the vicious reality of “welfare reform” is beginning to make itself felt among policymakers.

As the 2000 election debate begins to take shape, the welfare reform must become a significant factor if the next Congress is to undo the harm to what Lyndon LaRouche has identified as the “general welfare” of the nation, which is supposed to be guaranteed by our Federal Constitution.

More attention to working poor

On Sept. 8, *EIR* asked Dr. Wendell Primus, Director of Income Security at the Center on Budget and Policy Priorities and principal author of the center’s study, how he thought the study would impact the Clinton administration and the 2000 elections. A former official in the Department of Health and Human Services, Primus resigned from the first Clinton administration to protest Clinton’s signing PRWORA.

“I guess what I’d like to see, and to some extent we are seeing, is that more attention is given to making sure that the working poor actually get the food stamps and Medicaid to which they’re entitled,” Primus said. “The study found income losses, and the income losses were kind of directly associated with loss of assistance. I think that if we put a little less emphasis on caseload reduction and more emphasis on making sure families get the assistance to which they’re entitled, it would alleviate some of those income losses that our study found.”

As to the election campaign, Primus said he was optimistic, given recent statements about reducing poverty by both Bill Bradley and George W. Bush, that the issue would find prominence in the campaign. As to Al Gore, who crafted the

TABLE 1

Change in income amounts by source for single-mother families

(1997 dollars)

	Poorest quintile		Second quintile	
	1993-95	1995-97	1993-95	1995-97
Earnings	\$435*	-\$182*	\$1,642*	\$901*
EITC	\$228*	\$73*	\$517*	\$398*
Means-tested income	\$291	-\$458*	-\$34	-\$1,463*
Other	\$82	-\$10	\$189	\$274
Total change in disposable income	\$1,036*	-\$577*	\$2,314*	\$110

* Statistically significant, $\alpha = .01$

Source: Center on Budget and Policy Priorities, Washington, D.C.

Clinton policy in cahoots with “Rasputin” Republican Dick Morris, Clinton’s 1996 campaign adviser, Primus simply said that he thought Gore will “start to talk about it as well,” because the other candidates are.

Of course, the presence of Lyndon LaRouche as a Democratic Presidential contender will shape this and related campaign issues in a way that Primus and others are not now prepared to recognize. LaRouche denounced the welfare reform policy as slave labor when it was first announced in 1994 as part of the Newt Gingrich “Contract On America.” LaRouche warned Clinton against signing PRWORA in 1996, and called it a grievous error on the President’s part when he did sign it. LaRouche’s New Bretton Woods policy is aimed at creating the kind of international economic recovery that would guarantee productive employment for millions of those Americans now being thrown on the scrapheap by this welfare reform policy.

Declines exceed decreases in need

The central finding of the CBPP study is that the drop in participation in means-tested benefits—the food stamps, Medicaid, and cash assistance which are part of the welfare program—between 1995 and 1997 was much steeper than can be explained by increases in the earnings of poor households. In other words, caseloads declined more rapidly than economic need.

- From 1995 to 1997, the number of people receiving Aid to Families with Dependent Children (AFDC)/Temporary Assistance to Needy Families (TANF) benefits fell by 3 million, or 22.2%. But the number of people in single-mother families that were poor before receipt of means-tested benefits declined only 770,000, or 5.4%.

- Similarly, between 1995 and 1997, the number of people receiving food stamps fell 16.6%, while the number of people below the poverty line before receipt of means-tested

benefits fell 2.9%.

- In 1995, some 57 children received AFDC cash assistance for every 100 children who were poor before receipt of benefits from means-tested government programs. In 1998, only an estimated 40 children received cash assistance for every 100 such poor children, the lowest proportion of poor children receiving cash aid for any year since 1970. In the food stamp program, 88 children received food stamps for every 100 who were poor before receipt of means-tested benefits in 1995. By 1998, only an estimated 70 children received food stamp assistance for every 100 such poor children.

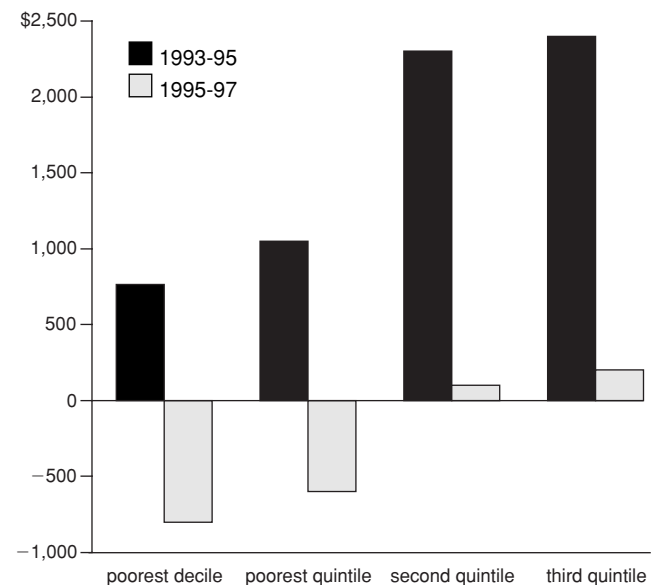
Declining disposable income

The second part of the CBPP analysis examined whether low-income single-mothers in families with children earned enough to offset the loss in income from means-tested programs, from 1993 to 1997. Their key findings include the following:

- Between 1993 and 1995, the average earnings and incomes of single-mother families rose substantially. Increases were particularly large among the bottom 60% of these families, with double-digit percentage gains in average disposable income. For the poorest 20%, disposable income increased an average of 13.7% per family between 1993 and 1995, or a little more than \$1,000. Earnings rose an average of \$430 per family among these families, an increase of one-third. Income

FIGURE 1

Changes in disposable income among single-mother families with children



Source: Center on Budget and Policy Priorities, Washington, D.C.

from means-tested benefit programs also increased.

- Between 1995 and 1997, by contrast, the poorest single-mother families experienced a significant *decline* in their average disposable incomes, largely due to sizable decreases in assistance from means-tested programs. These families also experienced a drop in earnings. Among the poorest 20% of persons in single-mother families (a group with incomes below 75% of the poverty line), average disposable income fell \$580 per family between 1995 and 1997, a decline of 6.7%. About \$460 of this income loss, or about 80% of it, was due to declines in means-tested assistance.

- The next-to-poorest fifth of single-mother families, which had incomes between 75% and 112% of the poverty line in 1997, experienced an average increase in earnings of \$900 from 1995 to 1997. Nevertheless, their overall disposable income failed to rise.

- Only the 2 million single-mother families with the highest incomes — that is, the top fifth of single-mother families — experienced income gains between 1995 and 1997.

So many children hurt

The Urban Institute study found that only 31% of families that have left the welfare rolls were receiving food stamps, though two-thirds of those families had incomes low enough

to continue to qualify for food stamps. As to Medicaid, the number of children and parents enrolled in Medicaid declined in 1996 for the first time in almost a decade, even as states continued to expand Medicaid eligibility for children. (Most children whose families leave welfare cash assistance remain eligible for Medicaid. In many cases, the entire family retains eligibility.) The Urban Institute study found only about 47% of children in families that were no longer receiving cash assistance had Medicaid coverage, and only 34% of the adults in these families did.

Peter Edelman, a former Clinton administration official who served in the Department of Health and Human Services, and who resigned in protest against Clinton's signing PRWORA and is now a professor at Georgetown University Law Center, wrote a letter to the editor of the *Washington Post*, entitled "Who Is Worrying About the Children?" which appeared on Aug. 11. In it, he scored the policy that has led to the Urban Institute's findings. "The Urban Institute study is in fact very unsettling. It implies a need for policy change, not satisfaction, especially because so many children are involved. The Post's story ('Welfare Reform Is on a Roll' [Aug. 3]) helped no one except the politicians who are trumpeting the success of a policy that has hurt so many poor children."

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