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Congressional Testimony

THE GOOD NEWS ABOUT WELFARE REFORM

Hearing before
the Subcommittee on Competitiveness
Committee on Education and the Workforce

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THE GOOD NEWS ABOUT WELFARE REFORM

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Five years ago last month, President Bill Clinton signed legislation overhauling part of the nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) replaced the failed social program known as Aid to Families with Dependent Children (AFDC) with a new program called Temporary Assistance to Needy Families (TANF). The reform legislation had three goals: 1) to reduce welfare dependence and increase employment; 2) to reduce child poverty; and 3) to reduce illegitimacy and strengthen marriage.

At the time of its enactment, liberal groups passionately denounced the welfare reform legislation, predicting that it would result in substantial increases in poverty, hunger, and other social ills. Contrary to these alarming forecasts, welfare reform has been effective in meeting each of its goals.

- **Overall poverty, child poverty, and black child poverty have all dropped substantially.** Although liberals predicted that welfare reform would push an additional 2.6 million persons into poverty, there are 4.2 million fewer people living in poverty today than there were in 1996, according to the most common Census Bureau figures.
- **Some 2.3 million fewer children live in poverty today than in 1996.**
- **Decreases in poverty have been greatest among black children.** In fact, today the poverty rate for black children is at the lowest point in U.S. history. There are 1.1 million fewer black children in poverty today than there were in the mid-1990s.
- **Conventional figures exaggerate the poverty rate.** The poverty rate is even lower when the Earned Income Tax Credit (EITC) and non-cash welfare benefits, such as Food Stamps and public housing, are counted as income in determining poverty. This more accurate assessment shows that the overall poverty rate

in 1999 was 8.8 percent, down from 10.2 percent in 1996.

- **Hunger among children has been almost cut in half.** According to the U.S. Department of Agriculture (USDA), there are nearly 2 million fewer hungry children today than at the time welfare reform was enacted.
- **Welfare caseloads have been cut nearly in half and employment of the most disadvantaged single mothers has increased from 50 percent to 100 percent.**
- **The explosive growth of out-of-wedlock childbearing has come to a virtual halt.** The share of children living in single-mother families has fallen, and the share living in married-couple families has increased, especially among black families.

Some attribute these positive trends to the strong economy in the late 1990s. Although a strong economy contributed to some of these trends, most of the positive changes greatly exceed similar trends that occurred in prior economic expansions. The difference this time is welfare reform.

Welfare reform has substantially reduced welfare's rewards to non-work, but much more remains to be done. When TANF is re-authorized next year, federal work requirements should be strengthened to ensure that states require all able-bodied parents to engage in a supervised job search, community service work, or skills training as a condition of receiving aid. Even more important, Congress must recognize

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that the most effective way to reduce child poverty and increase child well-being is to increase the number of stable, productive marriages. In the future Congress must take active steps to reduce welfare dependence by rebuilding and strengthening marriage.

PREDICTIONS OF SOCIAL DISASTER DUE TO WELFARE REFORM

Five years ago, when the welfare reform legislation was signed into law, Senator Daniel Patrick Moynihan (D-NY) proclaimed the new law to be “the most brutal act of social policy since reconstruction.”¹ He predicted, “Those involved will take this disgrace to their graves.”²

Marian Wright Edelman, President of the Children’s Defense Fund, declared the new reform law an “outrage ... that will hurt and impoverish millions of American children.” The reform, she said, “will leave a moral blot on [Clinton’s] presidency and on our nation that will never be forgotten.”³

The Children’s Defense Fund predicted that the reform law would increase “child poverty nationwide by 12 percent ... make children hungrier ... [and] reduce the incomes of one-fifth of all families with children in the nation.”⁴

The Urban Institute issued a widely cited report predicting that the new law would push 2.6 million people, including 1.1 million children, into poverty. In addition, the study announced the new law would cause one-tenth of all American families, including 8 million families with children, to lose income.⁵

The Center on Budget and Policy Priorities asserted the new law would increase the number of children who are poor and “make many children who are already poor poorer still. ... No piece of legislation in U.S. history has increased the severity of poverty so sharply [as the welfare reform will].”⁶

Patricia Ireland, president of the National Organization for Women, stated that the new welfare law “places 12.8 million people on welfare at risk of sinking further into poverty and homelessness.”⁷

Peter Edelman, the husband of Marian Wright Edelman and then Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services, resigned from the Clinton Administration in protest over the signing of the new welfare law. In an article entitled “The Worst Thing Bill Clinton Has Done,” Edelman dubbed the new law “awful” policy that would do “serious injury to American children.”⁸

Peter Edelman believed the reform law would not merely throw millions into poverty, but also would actively worsen virtually every existing social problem. He stated, “[t]here will be more malnutrition and more crime, increased infant mortality, and increased drug and alcohol abuse. There will be increased family violence and abuse against children and women.” According to Edelman, the bill would fail even in the simple task of “effectively” promoting work because “there simply are not enough jobs now.”⁹

1. Cited in Arianna Huffington, “Where Liberals Fear to Tread,” August 26, 1996, at <http://www.arianaonline.com/columns/files/082696.html>
2. Cited in “Welfare as They Know It,” *The Wall Street Journal*, August 29, 2001, p.A14.
3. Children’s Defense Fund, “Edelman Decries President’s Betrayal of Promise ‘Not to Hurt Children,’” July 31, 1996.
4. Children’s Defense Fund, “How the Welfare Bill Profoundly Harms Children,” July 31, 1996.
5. Cited in “Urban Institute Study Confirms that Welfare Bills Would Increase Child Poverty,” Center on Budget and Policy Priorities, July 26, 1996.
6. David A. Super, Sharon Parrott, Susan Steinmetz, and Cindy Mann, “The New Welfare Law,” Center on Budget and Policy Priorities, August 13, 1996.
7. Quoted in Lisa Bennet-Haigney, “Welfare Bill Further Endangers Domestic Violence Survivor,” *National NOW Times*, January 1997.
8. Peter Edelman, “The Worst Thing Bill Clinton Has Done,” *The Atlantic Monthly*, Vol. 279, No. 3 (March 1997), pp. 43–58.
9. *Ibid.*

WHAT ACTUALLY HAPPENED

In the half-decade since the welfare reform law was enacted, social conditions have changed in exactly the opposite direction from that predicted by liberal policy organizations. As noted above, overall poverty, child poverty, black child poverty, poverty of single mothers, and child hunger have substantially declined. Employment of single mothers increased dramatically and welfare rolls plummeted. The share of children living in single-mother families fell, and more important, the share of children living in married-couple families grew, especially among black families.¹⁰

Reform opponents would like to credit many of these positive changes to a “good economy.” However, according to their predictions in 1996 and 1997, liberals expected the welfare reform law to have disastrous results *during* good economic times. They expected reform to increase poverty substantially even during periods of economic growth; if a recession did occur, they expected that far greater increases in poverty than those mentioned above would follow. Thus, it is disingenuous for opponents to argue in retrospect that the good economy was responsible for the frustration of pessimistic forecasts since the predicted dire outcomes were expected to occur even in a strong economy.

Less Poverty

Since the enactment of welfare reform in 1996, the conventional poverty rate has fallen from 13.7

percent in 1996 to 11.8 percent in 1999. Liberals predicted that welfare reform would push an additional 2.6 million people into poverty, but there are actually 4.2 million fewer people living in poverty today than there were when the welfare reform law was enacted.¹¹

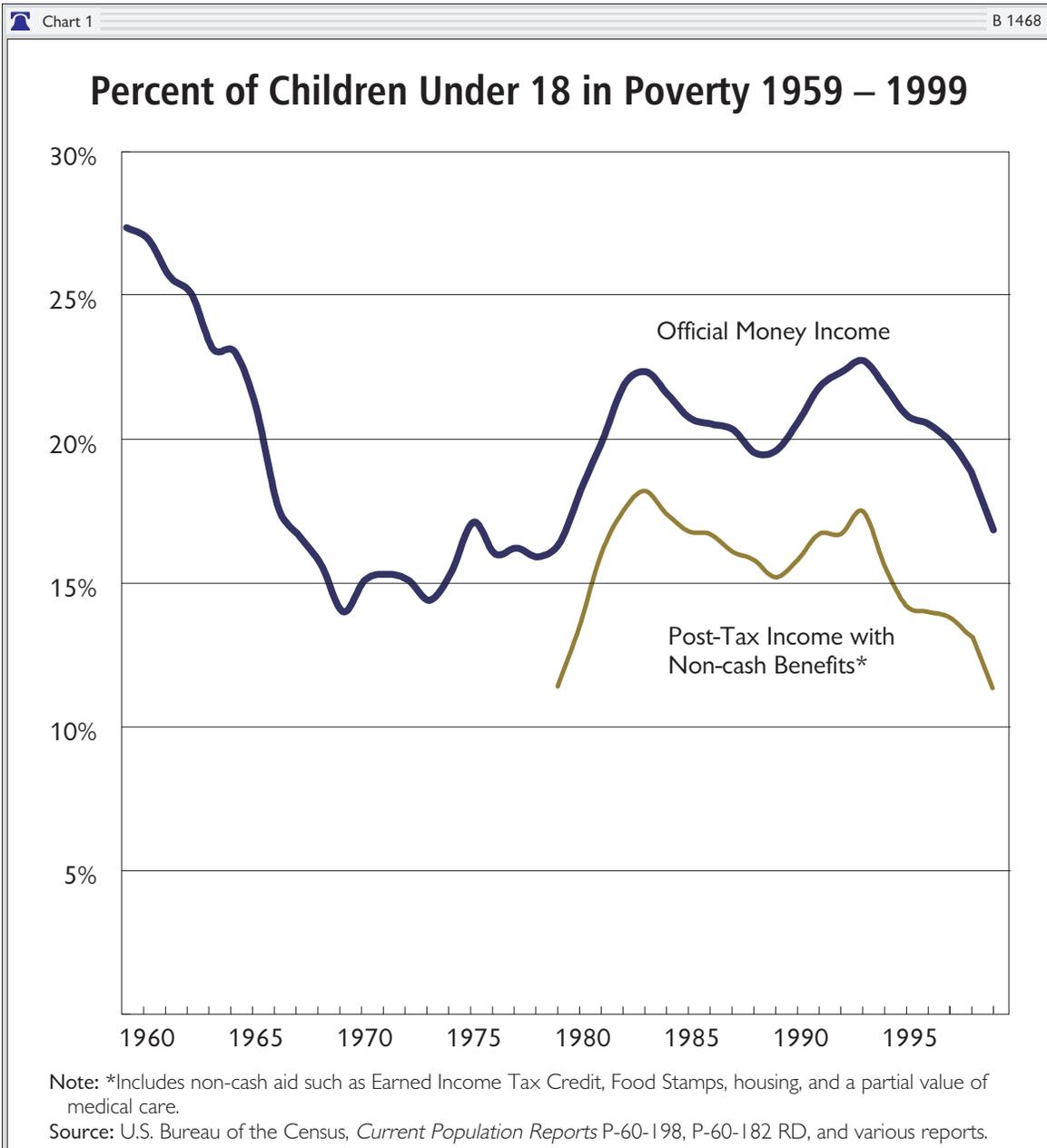
When the Earned Income Tax Credit and non-cash welfare benefits, such as Food Stamps and public housing, are counted in determining poverty, the poverty rate in 1999 was even lower: 8.8 percent, down from 10.2 percent in 1996.¹²

Less Child Poverty

The conventional child poverty rate has fallen from 20.5 percent in 1996 to 16.9 percent in 1999. In 1996, there were 14.4 million children in poverty compared with 12.1 million in 1999. Though liberals predicted that welfare reform would throw more than 1 million additional children into poverty, there are actually some 2.3 million fewer children living in poverty today than there were when welfare reform was enacted.¹³ (See Chart 1.)

The child poverty rate is even lower when the EITC and non-cash welfare benefits, such as Food Stamps and public housing, are counted as income; the 1999 child poverty rate in this more accurate assessment was 11.2 percent, down from 14 percent in 1996.¹⁴

10. The beginning of welfare reform actually occurred in stages during the mid-1990s; therefore it is somewhat arbitrary to assign a single date to mark the start of reform. During 1993 and 1994, some states experimented with workfare programs using federal waivers. In January 1995, Republicans took control of both houses in Congress and many states began implementing reforms in anticipation of the federal legislation that was finally enacted in August 1996. Overall, the onset of reform could be said to have occurred over a three-year period from 1994 through 1996; thus, some of the positive changes from welfare reform may predate the actual signing of the bill in 1996.
11. U.S. Bureau of the Census, *Poverty in the United States 1999: Current Population Reports Series P60-210* (Washington, D.C.: U.S. Government Printing Office, 2000), p. B2.
12. The U.S. Census Bureau defines a family as poor if its annual “income” falls below specified poverty income thresholds. For example, the poverty income threshold for a family of four in 1999 was \$17,029. The conventional or most common poverty measure counts most cash as income but excludes welfare benefits, such as the Earned Income Tax Credit, Food Stamps, and public housing. When these benefits are counted, the number of persons deemed poor drops substantially. Poverty figures including EITC and non-cash aid are from U.S. Bureau of the Census, *Poverty in the United States 1999*, p. 29, and *Poverty in the United States 1996, Current Population Reports Series P60-198* (Washington, D.C.: U.S. Government Printing Office, 1997), p. 25. The figures use income definition 14.
13. U.S. Bureau of the Census, *Poverty in the United States 1999*, p. B2.



Less Black Child Poverty

According to the Census Bureau, the decreases in poverty have been the greatest among black children. Today, the poverty rate for black children has fallen to the lowest point in U.S. history. The conventional black child poverty rate has fallen by one-third, from around 43.8 percent in the mid-

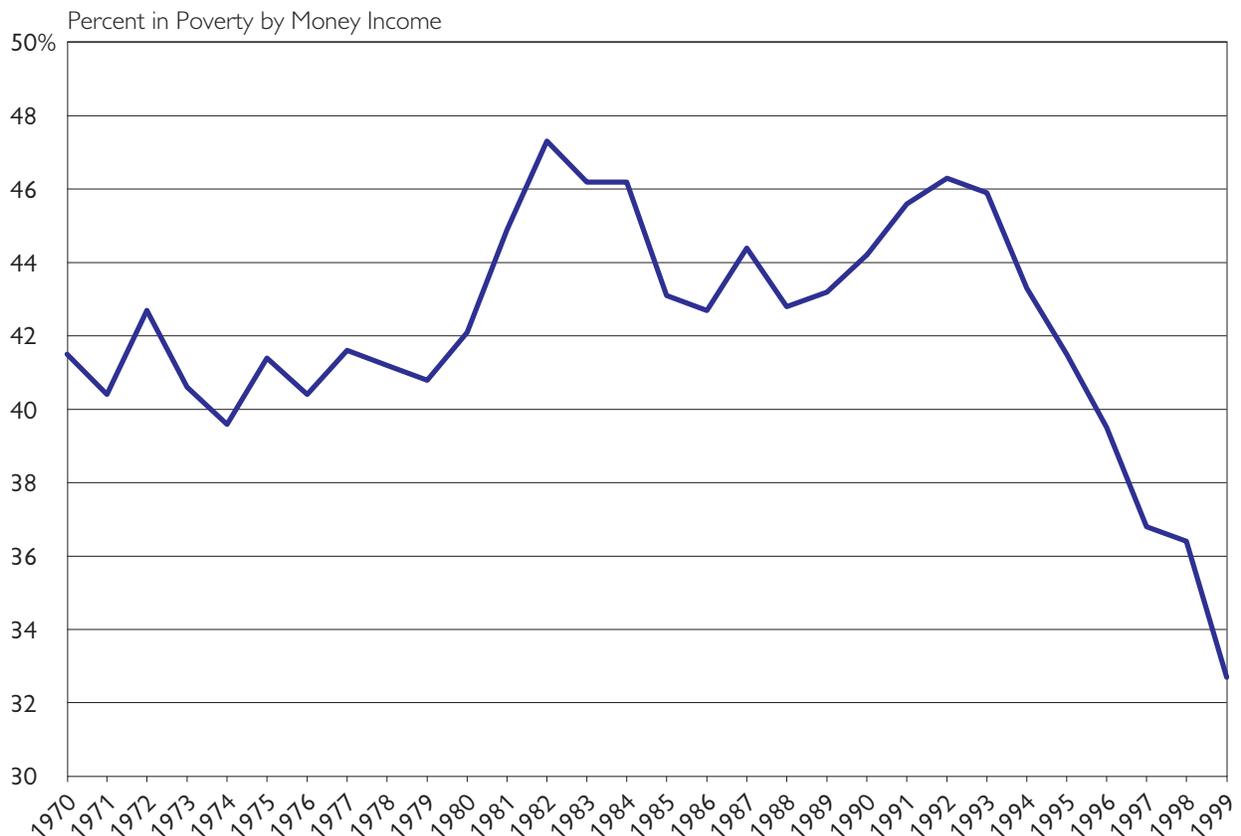
1990s to 33.1 percent in 1999. There are 1.1 million fewer black children in poverty today than there were in the mid-1990s.¹⁵ (See Chart 2.)

When the EITC and non-cash welfare benefits, such as Food Stamps and public housing, are counted as income, the black child poverty rate is even lower. According to this more accurate mea-

14. Poverty figures including EITC and non-cash aid are from U.S. Bureau of the Census, *Poverty in the United States 1999*, p. 29, and *Poverty in the United States 1996*, p. 25. The figures in the text use income definition 14.

15. U.S. Bureau of the Census, *Poverty in the United States 1999*, p. B-9.

Black Child Poverty 1970 – 1999



Source: U.S. Census Bureau, *Poverty in the United States 1999*.

sure, the black child poverty rate in 1999 was 21.6 percent, down from 31.1 percent in the mid-1990s.

Less Poverty Among Single Mothers

Like the rate for black children, the poverty rate for children living with single mothers also is at its lowest point in U.S. history. The rate fell from 44 percent in the mid-1990s to 35.7 percent in 1999. There are 700,000 fewer single mothers living in poverty today than there were in the mid-1990s.¹⁶

When the EITC and non-cash welfare benefits, such as Food Stamps and public housing, are

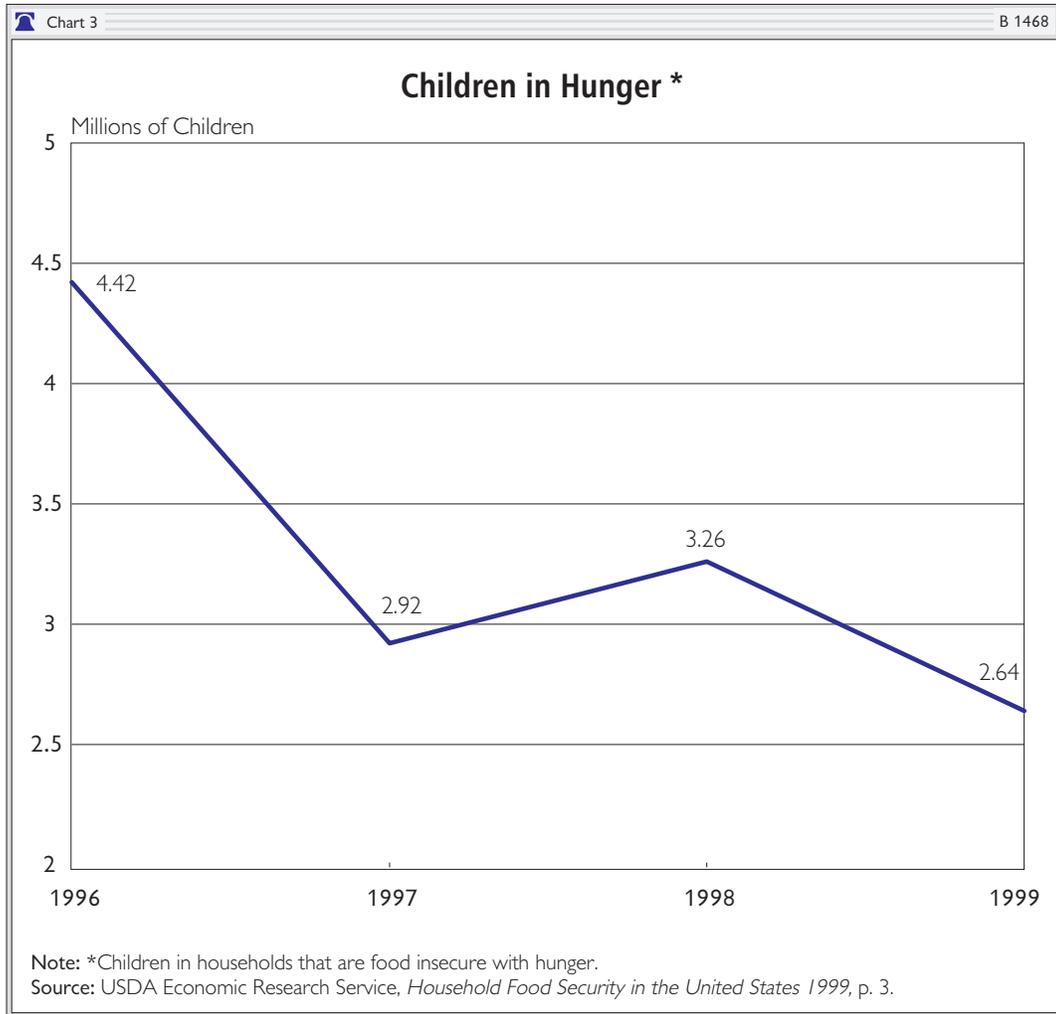
counted as income, the poverty rate for single mothers is substantially lower. According to this more accurate measure, the poverty rate for single mother families was 25.7 in 1999, down from 34.4 percent in the mid-1990s.

Dramatic Reduction in Child Hunger

The number of children who are “hungry” has been cut nearly in half since the enactment of welfare reform, according to the U.S. Department of Agriculture. The USDA reports that in 1996, 4.4 million children were hungry; by 1999, the number had fallen to 2.6 million.¹⁷ Thus, there are

16. *Ibid.*, p. B-12.

17. The figures reflect the number of children living in households that were “food insecure with hunger.” See Margaret Andrews, Mark Nord, Gary Bickel, and Steven Carlson, *Household Food Security in the United States, 1999*, U.S. Department of Agriculture, Economic Research Service, 2000, p. 3.



nearly 2 million fewer hungry children today than at the time welfare reform was enacted. (See Chart 3.)

Decrease in the “Severity of Poverty”

Liberals, like those at the Center on Budget and Policy Priorities, predicted that welfare reform would increase “the severity of poverty.” Specifically, it would increase the so-called poverty gap for families with children by over \$4 billion.¹⁸

(The poverty gap is the measure of total income that is needed to lift the income of all poor families exactly to the poverty line.) In reality, the poverty gap for families with children has decreased by \$4.5 billion.¹⁹

Similarly, the number of children living in “deep poverty” has declined appreciably. (Families in “deep poverty” have incomes that are less than half the poverty income level.) In 1996, there were 6.3 million children living in deep poverty; by 1999,

18. Center on Budget and Policy Priorities, “Urban Institute Study Confirms That Welfare Bills Would Increase Child Poverty.”

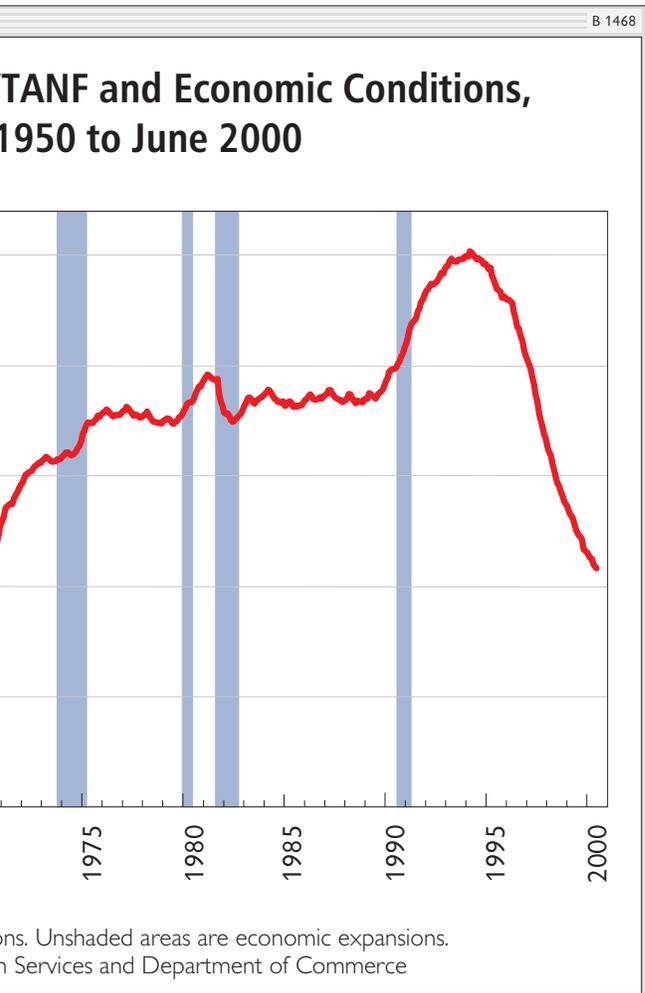
19. U.S. Bureau of the Census, *Poverty in the United States 1996*, p. 21, and *Poverty in the United States 1999*, p. 23. Confusingly, the average poverty gap per poor family has actually increased by \$428 per year. Ironically, this is largely a result of the substantial reduction in the number of poor families. If the typical family exiting from poverty historically tended to have a higher income than those remaining in poverty, then as the number of poor families shrinks, the average income of those who are still in poverty may actually appear to decrease, since it is the relatively poorer families which remain within the poverty group. This statistical mirage of declining income of the poor can occur even if everyone’s income is rising.

the number had fallen to 4.9 million.²⁰

Plummeting Welfare Dependence

The designers of welfare reform were concerned that prolonged welfare dependence had negative effects on the development of children. Their goal was to disrupt intergenerational dependence by moving families with children off the welfare rolls through increased work and marriage. Since the enactment of welfare reform, welfare dependence has been cut nearly in half. The caseload in the former AFDC program (now TANF) fell from 4.3 million families in August 1996 to 2.2 million in June 2000. (See Chart 4.)

Contrary to conventional wisdom, the decline in welfare dependence has been greatest among the most disadvantaged and least employable single mothers—the group with the greatest tendency toward long-term dependence. Specifically, dependence has fallen most sharply among young never-married mothers who have low levels of education and young children.²¹ This is dramatic confirma-



tion that welfare reform is affecting the whole welfare caseload, not merely the most employable mothers.

Increased Employment

Since the mid-1990s, the employment rate of single mothers has increased dramatically. Again, contrary to conventional wisdom, employment has increased most rapidly among the most disadvantaged, least employable groups:

- Employment of never-married mothers has increased nearly 50 percent.
- Employment of single mothers who are high school dropouts has risen by two-thirds.

20. U.S. Bureau of the Census, *Poverty in the United States 1996*, p. 2, and *Poverty in the United States 1999*, p. 2.

21. June E. O'Neill, and M. Anne Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," *Manhattan Institute Civic Report No. 17*, July 2001, pp. 8, 9.

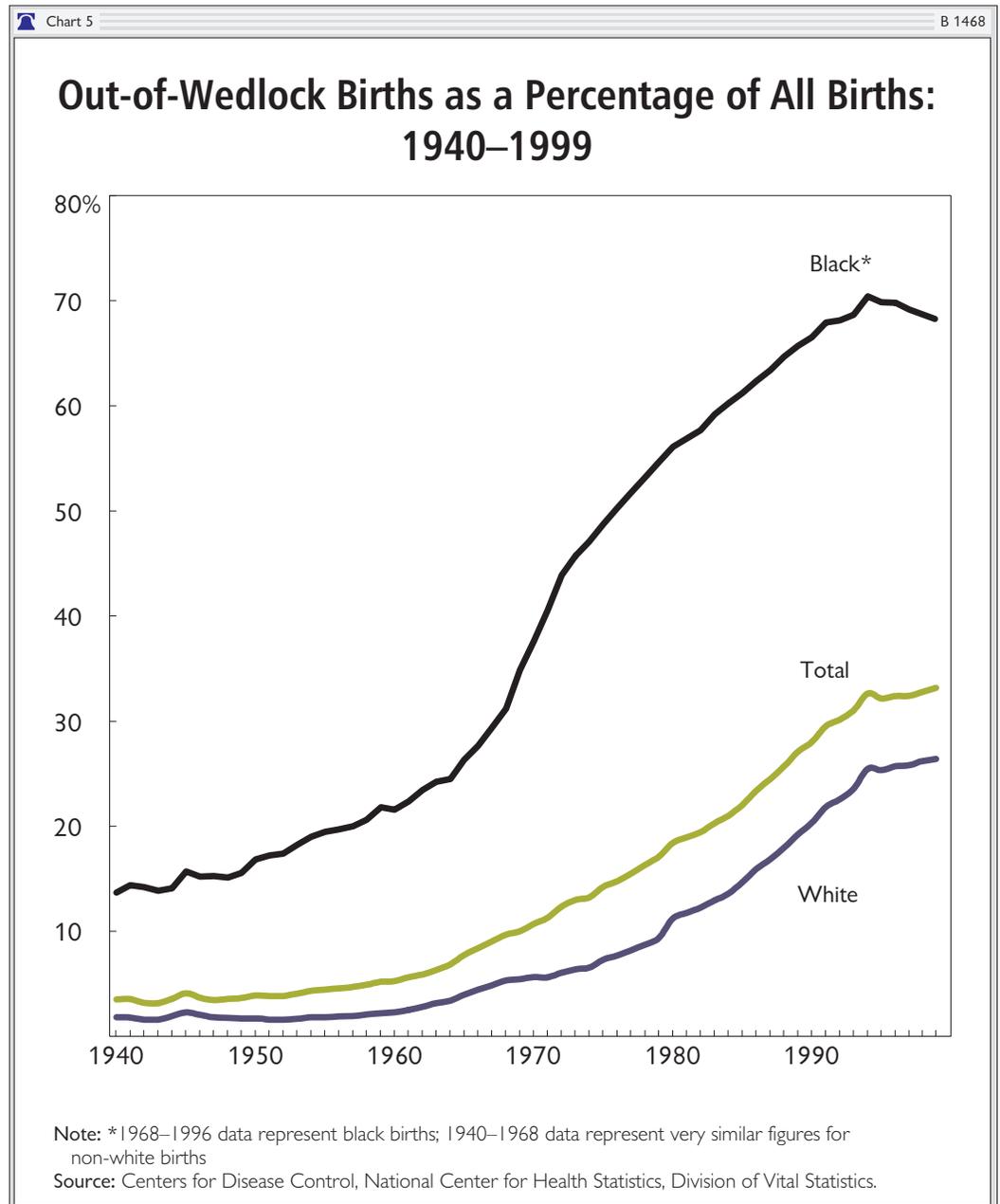
- Employment of young single mothers (ages 18 to 24) has nearly doubled.²²

Thus, against conventional wisdom, the effects of welfare reform have been the greatest among the most disadvantaged single parents—those with the greatest barriers to self-sufficiency. Both decreases in dependence and increases in employment have been most dramatic among those who have the greatest tendency to long-term dependence, that is, among the younger never-married mothers with little education.

A Halt in the Rise of Out-of-Wedlock Childbearing

Since the beginning of the War on Poverty, the illegitimacy rate (the percentage of births outside of marriage) increased enormously.

For nearly three decades, out-of-wedlock births as a share of all births rose steadily at a rate of almost one percentage point per year. Overall, out-of-wedlock births rose from 7.7 percent of all births in 1965 to an astonishing 32.6 percent in 1994. However, in the mid-1990s, the relentless 30-year rise in illegitimacy came to an abrupt halt. For the past five years, the out-of-wedlock birth rate has remained essentially flat. (See Chart 5.)



Among blacks, the out-of-wedlock birth rate actually fell from 70.4 percent in 1994 to 68.8 percent in 1999. Among whites, the rate rose slightly, from 25.5 percent to 26.7 percent, but the rate of increase was far slower than it had been in the period prior to welfare reform

22. *Ibid.*, pp. 10–14.

A Shift Toward Marriage

Throughout the War on Poverty period, marriage eroded. However, since the welfare reform was enacted, this negative trend has begun to reverse. The share of children living with single mothers has declined while the share living with married couples has increased.

This change is most pronounced among blacks. Between 1994 and 1999, the share of black children living with single mothers fell from 47.1 percent to 43.1 percent, while the share living with married couples rose from 34.8 percent to 38.9 percent. Similar though smaller shifts occurred among Hispanics.²³

While these changes are small, they do represent a distinct reversal of the prevailing negative trends of the past four decades. If these shifts toward marriage are harbingers of future social trends, they are the most positive and significant news in all of welfare reform.

WHO GETS THE CREDIT? THE GOOD ECONOMY VERSUS WELFARE REFORM

Some would argue that the positive effects noted above are the product of the robust economy during the 1990s, rather than the results of welfare reform. However, the evidence supporting an economic interpretation of these changes is not strong.

Chart 4 shows the AFDC caseload from 1950 to 2000. On the chart, periods of economic recession are shaded while periods of economic growth are shown in white. Historically, periods of economic growth have not resulted in lower welfare caseloads. The chart shows eight periods of economic expansion prior to the 1990s, yet none of these periods of growth led to a significant drop in AFDC caseload. Indeed, during two previous economic expansions (the late 1960s and the early 1970s), the welfare caseload grew substantially. Only during the expansion of the 1990s does the

caseload drop appreciably. How was the economic expansion of the 1990s different from the eight prior expansions? The answer is welfare reform.

Another way to disentangle the effects of welfare policies and economic factors on declining caseloads is to examine the differences in state performance. The rate of caseload decline varies enormously among the 50 states. If improving economic conditions were the main factor driving caseloads down, then the variation in state reduction rates should be linked to variation in state economic conditions. On the other hand, if welfare policies are the key factor behind falling dependence, then the differences in reduction rates should be linked to specific state welfare policies.

In a 1999 Heritage Foundation study, “The Determinants of Welfare Caseload Decline,” the author examined the impact of economic factors and welfare policies on falling caseloads in the states.²⁴ This analysis showed that differences in state welfare reform policies were highly successful in explaining the rapid rates of caseload decline. By contrast, the relative vigor of state economies, as measured by unemployment rates, changes in unemployment, or state job growth, had no statistically significant effect on caseload decline.

A recent paper by Dr. June O’Neill, former Director of the Congressional Budget Office, reaches similar conclusions. Dr. O’Neill examined changes in welfare caseload and employment from 1983 to 1999. Her analysis shows that in the period after the enactment of welfare reform, policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence. By contrast, economic conditions explained only about one-quarter of the changes in employment and dependence.²⁵ Substantial employment increases, in turn, have led to large drops in child poverty.

Overall, it is true that the health of the U.S. economy has been a positive background factor

23. Allen Dupree and Wendell Primus, “Declining Share of Children Lived With Single Mothers in the Late 1990’s,” Center on Budget and Policy Priorities, June 15, 2001, p. 7.

24. Robert E. Rector and Sarah E. Youssef, “The Determinants of Welfare Caseload Decline,” Heritage Foundation *Center for Data Analysis Report* CDA99-04, May 11, 1999.

25. O’Neill and Hill, “Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work,” Table 4, p. 22.

contributing to the changes in welfare dependence, employment, and poverty. It is very unlikely, for example, that dramatic drops in dependence and increases in employment would have occurred during a recession. However, it is also certain that good economic conditions alone would not have produced the striking changes that occurred in the late 1990s. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

Out-of-Wedlock Child-Bearing and the Economy

Out-of-wedlock child-bearing and marriage rates have never been correlated to periods of economic growth. Efforts to link the positive changes in these areas to growth in the economy are without any basis in fact. The onset of welfare reform is the only plausible explanation for the shifts in these social trends. Welfare reform affected out-of-wedlock childbearing and marriage in two ways.

First, even before the passage of the law, the public debate about welfare reform sent a strong symbolic message that, in the future, welfare would be time-limited and that single mothers would be expected to work and be self-reliant. This message communicated to potential single mothers that the welfare system would be less supportive of out-of-wedlock child-bearing and that raising a child outside of marriage would be more challenging in the future. The reduction in out-of-wedlock births was, at least in part, a response to this message.

Second, reform indirectly reduced welfare's disincentives to marriage. Traditional welfare stood as an economic alternative to marriage, and mothers on welfare faced very stiff financial penalties if they did marry. As women leave AFDC/TANF due to welfare reform, fewer are affected by welfare's financial penalties against marriage. In addition, some women may rely on husbands to provide income that is no longer available from welfare. Thus, as the number of women on welfare shrinks,

marriage and cohabitation rates among low-income individuals can be expected to rise.

What Will Happen During a Recession?

There is considerable concern over what will happen to welfare caseloads and poverty during the current economic slowdown. No one at present can answer these questions, but a reasonable guess is that welfare caseloads and poverty will rise during the slowdown, though not as steeply as they did in prior slowdowns.

Throughout the slowdown or recession, TANF will provide support to parents without jobs.²⁶ Welfare reform was not designed to kick single mothers off welfare and abandon them if they cannot find a private-sector job. If the number of available jobs shrinks during the recession, mothers should be welcomed back onto the TANF rolls. However, while on TANF, all parents should be required to perform community service work, training, or supervised job search. Such performance requirements will increase the incentive to re-enter the labor market and will reduce the length of future stays on welfare.

The re-entry into TANF of large numbers of former recipients may seem to conflict with strict time limits on the receipt of TANF benefits. However, federal and most state time limits have sufficient loopholes that time limits should not serve as an obstacle to receipt of benefits in most cases. Under no circumstances should a state deny TANF benefits to a parent who genuinely cannot find private-sector employment.

LOOKING TO THE FUTURE

The trends of the past five years have led some of the strongest critics of welfare reform to reconsider their opposition, at least in part. In 1996, the Deputy Assistant Secretary for Human Services Policy, Wendell Primus, also resigned from the Clinton Administration to protest the President's signing of the welfare reform legislation, predicting that the new law would throw millions of children into poverty.

26. A recession is two successive quarters of negative economic growth in which the Gross National Product actually shrinks. A slowdown is a period of little or no economic growth. The U.S. economy is currently in slowdown rather than a full-fledged recession.

As Director of Income Security at the Center on Budget and Policy Priorities, Primus has spent the past five years analyzing the effects of welfare reform. The evidence has tempered his earlier pessimism. He recently stated,

In many ways welfare reform is working better than I thought it would. The sky isn't falling anymore. Whatever we have been doing over the last five years, we ought to keep going.²⁷

Wendell Primus is correct. When Congress reauthorizes the TANF program next year, it should push forward boldly to further promote the three explicit goals of the 1996 reform:

- To reduce dependence and increase employment;
- To reduce child poverty; and
- To reduce illegitimacy and strengthen marriage.

These three goals are linked synergistically. Work requirements in welfare will reduce dependence and increase employment, which in turn will reduce poverty. As fewer women depend on welfare in the future, marriage rates may well rise. Increasing marriage, in turn, is the most effective means of reducing poverty.

Next Steps in Reform

When Congress re-authorizes the Temporary Assistance to Needy Families programs in 2002, it should take the following specific steps.

1. Strengthen federal work requirements. Currently, about half of the 2 million mothers on TANF are idle on the rolls and are not engaged in constructive activities leading to self-sufficiency. This is unacceptable. Existing federal work requirements must be greatly strengthened so that all able-bodied parents are engaged continuously in supervised job search, community service work, or training.

In addition, some states still provide federal welfare as an unconditional entitlement; recipients who refuse to perform required activities

continue to receive most benefits. In re-authorizing the TANF program, Congress should ensure that the law will prohibit federal funds from being misused in this manner in the future.

2. Strengthen marriage. As Charts 6 and 7 show, the poverty rate of single-parent families is about five times higher than among married-couple families. The most effective way to reduce child poverty and increase child well-being is to increase the number of stable, productive marriages. This can be accomplished in three ways.

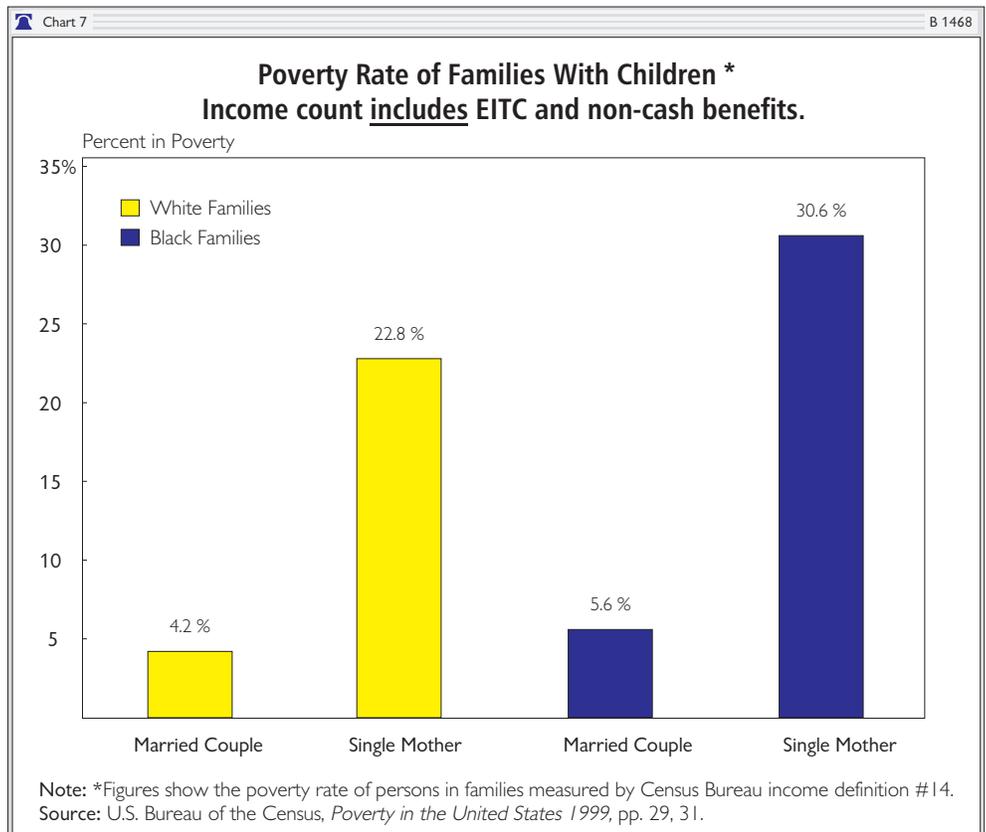
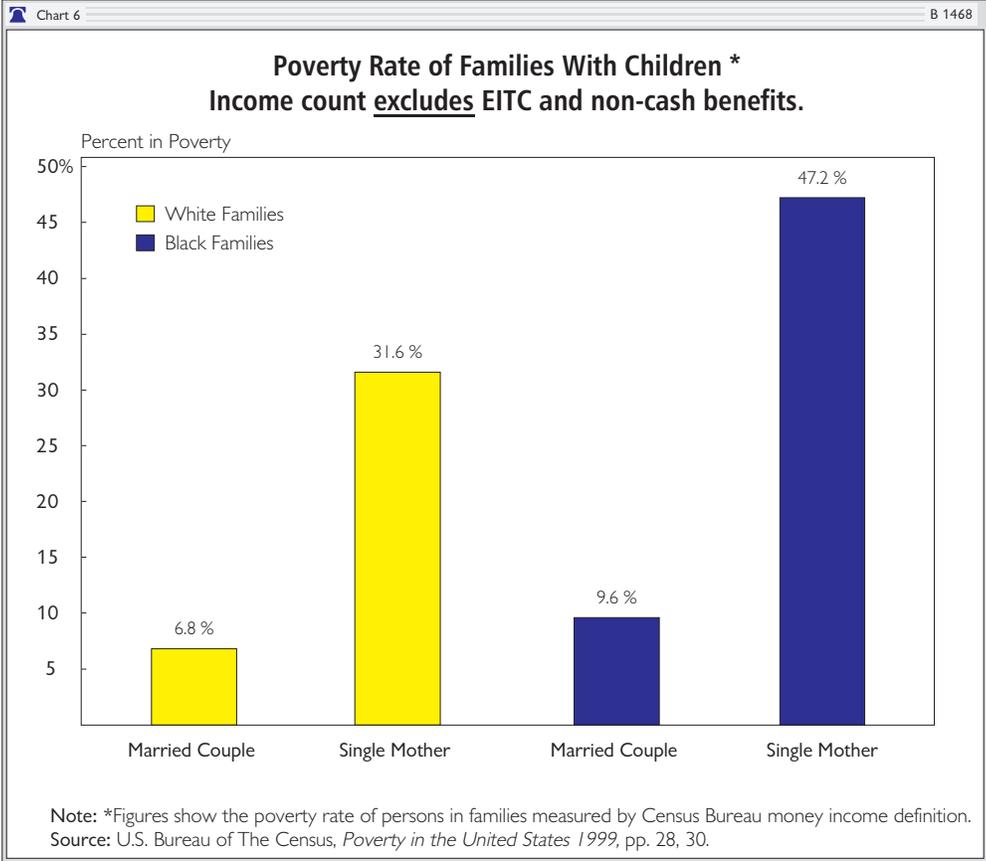
First, the substantial penalties against marriage in the overall welfare system should be reduced. As it is currently structured, welfare rewards illegitimacy and wages war against marriage. That war must cease.²⁸

Second, the government should educate young men and women on the benefits of marriage in life.

Third, programs should provide couples with the skills needed to reduce conflict and physical abuse and to increase satisfaction and longevity in a marital relationship.

The 1996 TANF law established the formal goals of reducing out-of-wedlock childbearing and increasing marriage, but despite nearly \$100 billion in TANF spending over the last five years, the states have spent virtually nothing on specific pro-marriage programs. The slowdown in the growth of illegitimacy and the increases in marriage have occurred as the incidental by-product of work-related reforms and not as the result of positive pro-marriage initiatives by the states. The current neglect of marriage is scandalous and deeply injurious to the well-being of children. In future years, 5 percent to 10 percent of federal TANF funds should be earmarked for pro-marriage initiatives.

27. Quoted in Blaine Harden, "Two Parent Families Rise after Change in Welfare Laws," *The New York Times*, August 12, 2001, Section 1, p. 1.



CONCLUSION

More than 20 years ago, President Jimmy Carter stated, “the welfare system is anti-work, anti-family, inequitable in its treatment of the poor and wasteful of the taxpayers’ dollars.”²⁹ President Carter was correct in his assessment.

The 1996 welfare reform began necessary changes to the disastrous old welfare system. The rewards to non-work in the TANF program have been substantially reduced. But much more remains to be done. When Congress re-authorizes TANF next year, it should ensure that, in the future, all able-bodied welfare recipients are required to work or undertake other constructive activities as a condition of receiving aid.

But increasing work is not enough. Each year, one-third of all children are born outside of wedlock; this means that one child is born to an

unmarried mother every 25 seconds. This collapse of marriage is the principal cause of child poverty and welfare dependence. In addition, children in these families are more likely to become involved in crime, to have emotional and behavioral problems, to be physically abused, to fail in school, to abuse drugs, and to end up on welfare as adults.

Despite these harsh facts, the anti-marriage effects of welfare, which President Carter noted over two decades ago, are largely intact. The current indifference and hostility to marriage in the welfare system is a national disgrace. In reauthorizing TANF, Congress must make the rebuilding of marriage its top priority. The restoration of marriage in American society is truly the next frontier of welfare reform.

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28. While it is widely accepted that welfare is biased against marriage, relatively few understand how this bias operates. Many erroneously believe that welfare programs have eligibility criteria that directly exclude married couples. This is not true. Nevertheless, welfare programs do penalize marriage and reward single parenthood because of the inherent design of all means-tested programs. In a means-tested program, the benefits are reduced as non-welfare income rises. Thus, under any means-tested system, a mother will receive greater benefits if she remains single than if she is married to a working husband. Welfare not only serves as a substitute for a husband, it actually penalizes marriage because a low-income couple will experience a significant drop in combined income if they marry.

For example, the typical single mother on TANF receives a combined welfare package of various means-tested aid benefits worth about \$14,000 per year. Suppose this typical single mother receives welfare benefits worth \$14,000 per year while the father of her children has a low-wage job paying \$15,000 per year. If the mother and father remain unmarried, they will have a combined income of \$29,000 (\$14,000 from welfare and \$15,000 from earnings). However, if the couple marries, the father’s earnings will be counted against the mother’s welfare eligibility. Welfare benefits will be eliminated or cut dramatically and the couple’s combined income will fall substantially. Thus, means-tested welfare programs do not penalize marriage *per se*, but instead implicitly penalize marriage to an employed man with earnings. Nonetheless, the practical effect is to significantly discourage marriage among low-income couples. This anti-marriage discrimination is inherent in all means-tested aid programs, including TANF, Food Stamps, public housing, Medicaid, and the Women, Infants and Children (WIC) food program.

29. Quoted in Roger A. Freeman, *Does America Neglect Its Poor?* (Stanford, Cal.: The Hoover Institution, 1987), p. 12.

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