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POVERTY AND WELFARE POLICY IN THE POST-CLINTON ERA

*Peter Edelman**

I feel privileged to participate in this symposium, and I want to congratulate Professor Deborah Bell and all of the sponsors and everyone who had a part in making it happen. I also want to congratulate Professor Bell and the law school on the important and effective poverty clinic that is available to students here. It gets concrete assistance to people and is a model for three significant propositions about lawyering for the poor: one, that improving public policy is an appropriate part of poverty lawyering; two, that effective lawyering for the poor should be synergistic with efforts to empower and organize people to advocate on their own behalf; and three, that the right agenda is fairness for all lower-income people, whether or not their income is technically below the poverty line.

This is an important time to talk about people in need. There have been major changes recently in public policy toward those in need, and we have seen enough of their effect to be able to discuss the next steps. We have a new President and Congress. A recession is looking more probable by the day. And the 1996 welfare law is coming up for reauthorization in 2002. So this is a good time to look at how we are doing and what we need to do.

The issue frame for policy debate and action should not be just welfare or even just poverty. Even if poverty were appropriately defined, and I believe the correct figure would be much higher than the current \$13,000-plus poverty line for families of three, it would still be apparent that millions of

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people who are not poor are nonetheless struggling just to get by even though they are working as hard as they can. Everyone who does not get a fair shake in this country should be the focus for action, without losing special attention to those who are worst off. One child in six is still poor even by the inadequate way poverty is measured and even after the phenomenal prosperity of the past few years. Forty percent of the poor, or more than twelve million people, have incomes below half the poverty line, or below about \$6750 for a family of three.

The Kerner Commission warned in 1968 that we were in danger of becoming two societies permanently divided by race. We have made progress on that front, but we have become two societies in a different way, divided by huge gaps in income that are getting worse rather than better. It is past time to focus on the injustice of this.

How did this come to pass? Why are we making such inadequate progress?

The answer lies heavily in what has happened to the American economy over the past thirty years, compounded by continuing disparities based on race and ethnicity, and compounded further by the failure of public policy to respond adequately. Everyone knows that manufacturing jobs have disappeared to other countries and to automation and have been replaced by much lower paying service jobs. We have not digested fully that this is directly connected to why such a large number of people are working and still losing ground. The American labor market is structured so that millions of jobs do not pay enough to sustain an average-size family.

A surprising proportion of the work force actually earns less, after inflation is taken into account, than they did three decades ago. The further down the income ladder one goes, the greater the loss has been. Seventy percent of poor children live in a home where someone has income from work. Twenty-five percent live in a family where someone has a full-time job and the family is still poor. We may have a mental picture that poor people are people who do not work. That is not the case. Poverty is heavily associated with work.

African-Americans and Hispanics continue to lag behind.

Nearly a quarter of each group is still poor. These numbers are better than they used to be, but the gap is still large. The poverty rate among whites is around ten percent. Non-Hispanic whites constitute the largest number of the poor, but poverty is significantly associated with race and ethnicity.

The changes in the economy have eroded the income and security of millions, but the conservative position has been to offer a much simpler explanation: welfare. The conservative argument is that poverty is simply a failure of individual responsibility, encouraged and reinforced by the availability of welfare. If welfare is removed, the argument continues, then the poor will go out and get jobs. This explanation, pushed assiduously by conservative advocates, finally carried the day politically in 1996 with the enactment of a new national policy structure for welfare.

The previous welfare system did need to be reformed. Too many people stayed on the rolls too long, primarily because too little was done to help them get and hold on to jobs. A three-dimensional antipoverty strategy focusing on jobs and education, and on improving the conditions of life in neighborhoods where poverty is concentrated, would have reduced the welfare rolls (and poverty) in a constructive way. The left and the right can agree there was too much welfare. The difference is in the remedy.

What was enacted in 1996 is not good policy. It is a block grant, which means that states do not have to have a system of cash assistance for families with children at all, and if they do they can deny assistance to anyone they like. Some states have done so, with gusto. No family can receive federally financed cash assistance for more than five years during the time any given mother's children are growing up, regardless of recession or other reasons for continuing need. (There is an exception for twenty percent of the remaining caseload once the time limits are effective, but most experts believe this will be inadequate, and states have no obligation to make use of it in any event.) Because the new law is a block grant, states are free to have shorter time limits, and many do. They can have virtually any sanction and termination policy they want to push people off the rolls, and virtually any policy they want to

deny aid to applicants when they walk in the door asking for help.

The welfare rolls have been pared by more than half since their peak at a little over fourteen million people in 1994. Based on this fact alone, adherents of the new law have proclaimed its success. In fact, the story is more complicated. One would like to know how many of those who left the rolls are working and whether they have escaped poverty, and how many former recipients have neither a job nor cash assistance. One would wish to know how many are better off and how many are worse off.

An amalgam of the "leaver" studies that have been conducted around the country suggests, with variation among the states, that on any given day perhaps sixty percent of the former recipients have a job and forty percent do not. Because people get jobs and lose jobs all the time, the number who have a job in the course of a year is larger than sixty percent, but because many of the sixty percent will lose the jobs they now have, the number whose employment will be steady is much less than sixty percent.

The average wage of those "leavers" who have a job at a given moment is about \$7.00 an hour, and the average amount of work they have is around thirty-two hours a week. This means that many people working part-time are counted as employed, and are unlikely to have gotten out of poverty, and many working full-time are still poor, especially if they have three or more children. The Earned Income Tax Credit gets a single parent with two children who has a full-time year-round minimum-wage job out of poverty, but not a family with three or more children. It is not difficult to articulate policies that would raise the income of these low-wage workers, so the problem they present is a better one than the problem of a person who has no work at all, but their situation can hardly be called a smashing success. And it is far from clear that the political will currently exists to see that even this "deserving" group receives an adequate income.

Of the relatively small number who are steadily employed and earn an income that exceeds the poverty line, many are experiencing a new problem: the loss of benefits at a rate that

exceeds the growth in their income. This tends to happen, depending on the size of the family, at incomes of about \$15,000 to \$20,000. The phase-down of the Earned Income Tax Credit, food stamps, child care, health coverage and housing assistance can add up to a tax rate in excess of 100% for people who had thought their lives would be much better with their increased income. This problem is only now coming into focus, and deserves careful study and action. In addition, many of the former recipients who are success stories in income terms get there only by holding down two jobs, and end up with little time to be good parents to their children.

The most disturbing group are those at the bottom, who have little work or no work at all and were either sanctioned off the rolls or found they could not get assistance when they went to the welfare office. The latter, a practice in many states, is called "diversion." Because there is no longer any legal entitlement to assistance, the front-line worker can tell a person to look for a job before her application for help will be considered. In some places the policy is to require a person to show she has been turned down for thirty or forty jobs before she can even apply for welfare.

The forty percent who have neither work nor welfare on the date they were queried add up to a large contingent nationally: more than a million women and more than two million children. Government figures show that the ten percent of single-parent households with the lowest income actually lost about fourteen percent of their income from 1996 through 1998 because their losses of cash assistance and food stamps exceeded their gains in earnings. The average income of the forty percent of the poor with incomes below half the poverty line, those in what is called "extreme poverty," went down over the same period of time. It is difficult to say that a policy is a success when it produces this much injury.

The losses of food stamps and Medicaid are often illegal. The 1996 law did not change the eligibility of families with children for food stamps and Medicaid. Nonetheless, the food stamp rolls have declined from about twenty-eight million people nationally to about eighteen million at present, and experts estimate that only about half of this drop is due to the

improvement in the economy. The Medicaid declines are smaller, partly because they have been offset by enrollment drives for the Child Health Insurance Program (CHIP), which was enacted in 1997. Front-line workers, pressed to push recipients into the labor market, are often confused about what is allowed under the new system, and recipients, believing that all eligibility rules have changed, think they no longer qualify. In some places the story is more nefarious, with front-line workers instructed not to tell people of their rights unless a specific question is asked.

If more than three million people have disappeared in the sense of having neither a job nor welfare, and if we know they are poorer than they were before, what happened to them? Obviously they are not all homeless. Most of them probably moved in with extended family, but one wonders how stable those arrangements can possibly be, especially with a recession looming and layoffs more than possible for those in the extended household who do have work. Some no doubt married. Some moved in with men they should not have moved in with. Some resorted to illegal activity. And the homeless shelters for women and children are overflowing in nearly every major city. This has also occurred because of the recent extensive inflation in the cost of rental housing, but the loss of assistance is a major factor.

About six million people remain on the welfare rolls. A disproportionate number of the two million adults involved have been unable to find work, or have clung to welfare because they have a disabled or chronically ill child or aged or infirm relative. They are, on the whole, less educated, and have less work experience and more personal problems. There is considerable depression here, much learning disability and more of a problem with alcohol or illegal drugs. Time limits loom and a recession seems imminent. Experts believe the twenty percent exception to the time limit will be inadequate to respond to this group.

All of this is a composite national picture. There are better states and there are worse states because the new law is a block grant which gives states great flexibility (even though its prevailing ethos is a strong suggestion that states

push hard to reduce the size of their welfare rolls by whatever means possible). The better states respond to people as individuals. They encourage and even push people to work, but they make a serious effort to see that people get the training, the child care, the health coverage, the transportation help and whatever else they need to succeed in the work world. And they are sensitive to the reasons why some people are not in a position to work. The worse states have time limits much shorter than the federal five years, feature sanction, termination and diversion policies designed to pare the rolls regardless of whether a recipient or applicant has a job, do little to provide the supports that would enable new workers to keep their jobs and get out of poverty and are insensitive to individual family and personal situations that get in the way of work outside the home.

It is important to understand that the better states were experimenting with new welfare-to-work initiatives before the new law was enacted and had received waivers of then-applicable restrictions from the federal government so they could try out their ideas. What the new law did was give permission to the more punitive states to undertake policies that the federal government was unwilling to permit under the old system.

Perhaps the biggest issue of all is what happens to the children. The individual stories emanating from the field commonly feature jobs lost because of nonexistent or faulty child care, problems arising because a child is sick or disabled and terrible tensions and worries for mothers torn by impossible conflicts between the need for long hours of work and the commitment to love and care for children. From Congress all the way down to front-line workers, concerns about what happens to the children have not been on the front burner.

All of that said, what are the challenges now? The immediate challenges for national policy come in chronological order: President Bush's current proposal for a huge tax cut (which will most likely be enacted before these remarks are published), incremental changes in policies and programs that can be enacted on a bipartisan basis and reauthorization of

the 1996 welfare law, which will occur in 2002. The broader challenge is to create a movement of wider public support for fairness for lower-income people, to support better public policy at all levels and to participate more in civic efforts to improve outcomes for children and families and everyone who is less well off.

The problems with President Bush's tax cut are mammoth. It is so massive, even as slightly reduced by objections coming mainly from Democrats, that it will severely hamper the capacity of the federal government to contribute to meeting longstanding needs, like the still unfulfilled hope for national health coverage. Its design favors the wealthy so extensively that one might have thought it would elicit a widespread political backlash, but that has not occurred. The after-tax income of the wealthiest taxpayers rose by forty-seven percent during the boom of the 1990s, while the after-tax income of the remaining ninety-five percent rose by only eight percent. Yet the wealthy will receive disproportionate relief. The relief for people at the bottom is a pittance. The Earned Income Tax Credit illustrates that tax policy can be used constructively for antipoverty purposes. Making the current child tax credit of \$500 a child fully refundable – that is, payable to all families regardless of whether they owe federal income taxes – would lift a million children out of poverty. The idea has substantial support in Congress, but so far does not command a majority.

The tax cut will make finding money for increasing the federal investment in helping low-income people more difficult. Nonetheless, there is a feasible agenda for incremental action at the present time. Increased federal funding for child care, extending federally funded health coverage to low-income parents whose children are currently covered, putting more money toward the education of poor children and doing more about the excruciating crisis in affordable rental housing are all matters where there has been bipartisan support in recent years. How much progress is made on these fronts in the immediate future depends in part on the attitude of the Bush Administration and in part on the degree of support expressed by people around the country.

The third front for action in the current Congress is the reauthorization of the 1996 welfare law, which expires in 2002. Fundamental change in its framework is unlikely, but some improvements are possible.

The first fight will be over money. Some will argue that since the welfare rolls have been cut in half, the funds should be reduced, and the requirements for states to continue spending at least seventy-five percent of what they were previously spending should be eased. Antipoverty advocates will argue that the job is not finished until poverty is reduced, and that people recently employed will be in danger of being unable to hold on to those jobs without child care help and other supports. They will also point out that more funding is needed in a time of recession.

A second debate will be over marriage and fatherhood. Some conservatives will argue that the federal law needs to do more to push people into marriage. Liberals will argue that marriage and other stable relationships will be encouraged by helping fathers to get jobs and by changing current child support practices to assure that payments made by fathers actually inure to the benefit of their children instead of being kept by the state.

Advocates for the poor will pursue a number of other measures:

- Rewarding employment by creating exceptions to time limits for payments that supplement income from low-wage jobs;
- Exceptions to both time limits and work requirements for pursuit of postsecondary education, and during times of recession whether national or local;
- An increase in the percentage of the caseload (now twenty percent) permitted to receive federally supported assistance beyond five years;
- Rewards to encourage states to implement approaches that stress poverty reduction;
- Exemptions from requirements for full-time employment for people who have significant barriers to work, including the need to care for very young children;
- Incentives to encourage states to invest adequately in child care, health coverage, transportation, tailored job training,

literacy, mental health services, drug and alcohol treatment and other measures that help people get the best possible job and retain that job once they have it;

- Ending all restrictions on assistance to legal immigrants;
- Steps to assure that people get the food stamp and health coverage to which they are legally entitled; and
- Clearer support for responding to the needs of women who are victims of domestic violence.

The broader challenge is to change the political equation: to create a movement for economic justice. Without broader public involvement and support, progress will continue to be limited primarily to legislative steps that occur largely out of public view, advocated by a handful of outside experts and pushed inside by an equally small group of caring legislators. These will typically be incremental in nature and subject to backlash whenever conservatives decide it suits their political need to scapegoat the poor.

How does one create political momentum emanating from a broadened political base? There is of course no easy or surefire answer to the question, but the essential task is one of organizing. Deep recessions and wars create political change but at an unacceptable cost. Better national leadership helps, but it is limited in what it can accomplish without support from the electorate. So organizing is the answer. There are some good signs. The NAACP's voter registration drive this past year was remarkably effective. The labor movement shows signs of revitalization, with a particular interest in organizing low-income workers. People of faith on the progressive side are becoming more active, especially in ways that are oriented to affecting public policy. Young people are stirring, asking hard questions about globalization and sweatshop labor and demanding that universities pay all of their employees a living wage.

A movement is needed not only to affect national policy in the short run, but also to put on the table issues that are not addressed adequately in the current dialogue: the widening gaps between rich and poor, continuing issues of race and gender, a clear sense of the responsibility of each community for those who lack a fair share. The American people are

generous, volunteering in ways unheard of in other wealthy nations. Yet they often reflect a “disconnect,” a failure to see the connection between the problem they are ameliorating and the issues of structure and policy that create the problem or fail to solve it on a larger scale. Why is this person homeless? Why is this child behind in school? Why do these people need a meal from a soup kitchen or food from a food pantry? Is it just a personal deficiency or is there a housing shortage, a question of educational quality, a question of economic structure?

Not everyone will be the activists and the organizers, but everyone can ask, what can I do? How can I be more effective? What organizations and communities do I belong to that are already active and could use my participation or could be activated? These are the challenges.

All of us need to take heed of the words of President Franklin D. Roosevelt in his second Inaugural Address, carved in stone at the FDR Memorial in Washington, D.C. He said, “The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

Those words, perhaps more applicable than ever, should be our guide and our inspiration. Can we make progress? It really depends on us.

