

# *Welfare Reform: No Vacation from Poverty*

by Daniel C. Hudgins and Fred Broadwell

*In 1988, Congress adopted the Family Support Act, the culmination of years of effort at serious welfare reform. The act, which puts emphasis on preparing the poor for work, will help to lessen some poverty and poverty-related crises, but it will fail to have any major impact on poverty unless it is used as a catalyst for more significant changes in national and state welfare policy.*

Columnist Nancy Amidei recalls a meeting of Washington officials discussing welfare systems in European countries.<sup>1</sup> No surprises emerged in the meeting until participants mentioned that some countries offer vacations to welfare recipients. Amidei wryly comments, "Vacations are for people who work; people we like; people like us. Americans who get welfare are seen as none of the above; they're a breed apart, subject to different rules."

Poverty is no vacation anywhere, and in North Carolina there's not even a three-day pass. Yet some changes are in the offing. The state government of North Carolina is in the midst of planning the implementation of the Family Support Act of 1988<sup>2</sup> — which many are calling the most significant welfare reform since public assistance programs began under Franklin D. Roosevelt in 1935. What kinds of changes will this reform bring to North Carolina welfare policy? Will it help to alleviate poverty and engender an attitude of equal citizenship and respect for North Carolina's poor, or will it be business as usual? While the picture remains cloudy, it looks as though we are approaching another face-off between the concerns of the poor and the forces of the bureaucracy.

## **Reform: The Noblest of Intentions**

The welfare reform initiatives which resulted in the Family Support Act began with the noblest of intentions. Advocates such as

the American Public Welfare Association and the National Anti-Hunger Coalition began to publicize the enormity of the childhood poverty problem in this country. Drawing from a number of studies of poverty programs, especially in the field of employment and training, advocate groups aided legislators in drafting a bill which provided a comprehensive approach to the problem of child and family poverty. The bill which eventually passed the U.S. House of Representatives contained Aid to Families with Dependent Children (AFDC) benefit increases; money for training and education; money for support services such as day care, transportation, and extended Medicaid coverage; better work incentives; and improvements in child support policy. The bill encouraged simplification of welfare red tape. Most importantly, the bill represented a new attitude toward poor people. It said that they deserved a minimum standard of living and a fair chance to re-enter the labor market. The poor would become, in Amidei's words, "people we like; people like us."

But the tab for this proposal was expensive, and in our budget-tight times, the House version did not survive a joint House-Senate conference committee. Instead, Sen. Daniel Patrick Moynihan's (D-N.Y.) weaker Senate version became law, and what remains is welfare reform on a shoestring budget. A better term would be welfare revision, not welfare reform.

## **The Family Support Act**

It is important to realize that the provisions of the Family Support Act will be implemented

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by *both* the federal and state governments. For example, federal officials will direct the National Academy of Sciences to study a guaranteed minimum income standard for all families, and federal officials will write the key regulations. By and large, however, the implementation of the law rests with state administrators who have been given a large degree of flexibility. Therein lies a challenge for North Carolina government officials.

In December 1988, the N.C. Division of Social Services convened its first meeting of an advisory welfare reform task force. The group, comprising administrators and advocates from within and outside the welfare field, is assisting the division in drafting its implementation plan. In North Carolina, changes in three areas must be ironed out: Aid to Families with Dependent Children; child support; and employment and training programs.<sup>3</sup> What are the key issues involved?

### **AFDC Payment Levels**

Welfare reform could have changed the AFDC program drastically, by combining AFDC and food stamps and turning both programs into a comprehensive family support system. Many advocates and professionals hoped that would happen, but the administrative and cost hurdles of such a program were too high. Instead, the new act provides only a few, albeit worthy, changes in the existing program.

First, the act creates better work incentives for AFDC recipients. A new budgeting formula will be used to determine the amount of AFDC payments for those with earned income. Standard monthly deductions for work-related expenses and for work incentives also will increase, which will boost the amounts of AFDC payments to the working poor. The standard work deduction will increase from \$75 to \$90 per month. The monthly allowance for child care will increase from \$160 per child to a maximum of \$175 or \$200 for a child under 2. And a complicated work incentive formula also will increase the amount available to a working parent. For instance, a working mother with two children, who earns \$750 a month on the job, gets a \$157-per-month AFDC check under the old rules. Under the new formula, she will

get \$243 per month — a net increase of \$86, thanks to welfare reform. Equally significant, beginning in April 1990, the state must provide 12 months of child care and a Medicaid transition benefit for AFDC recipients who go off welfare and into a job.

The act also calls for states to re-evaluate AFDC payment levels every three years. If the state takes this provision seriously, the act can spur action on the worst omission of this welfare reform — the lack of an increase in the current AFDC level. A review may help encourage North Carolina legislators to raise North Carolina's pitifully low payment level (see page 14, for more). AFDC provides barely a third of the federal poverty level income, and even with food stamps, welfare recipients barely approach two-thirds of the poverty line. One other provision which is sure to stir controversy is whether the state should exercise a new option in 1989 to require minor parents to live with their parents as a condition for receiving AFDC.

### **Child Support Tightens Up**

From the beginning, the welfare reform movement stressed that parents should be responsible for their children. Accordingly, strengthening child support enforcement became a key element of the legislation. Moreover, the relative budget neutrality of the child support provisions — requiring little or no new tax funds — protected this part of the legislation through the compromise process.

Important changes will affect the child support program. The most dramatic change is mandatory withholding of child support payments from a responsible parent's wages, beginning in October 1990. Current estimates project that about 75 percent of parents are delinquent at some time in paying their child support.<sup>4</sup> This provision may not bring families out of poverty, but it will help prevent disastrous disruptions in a poor family's income.

A second major improvement is the requirement that states promptly respond to requests for child support assistance and that payments be distributed promptly. Currently in North Carolina, waits of up to two months exist be-

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tween the time a payment is made to a clerk of court and the moment it reaches the needy family. The new standard will reduce this to a few days.

Other changes in the child support program are designed to create consistent payment standards, force states to review child support awards more frequently, and set up more sophisticated monitoring and tracking systems. All of these changes will be helpful, but none of these reforms deals with the problems of inadequate income or parents who cannot be located. To handle these problems, the Jobs Opportunities and Basic Skills program (JOBS) was created.

### The Job for JOBS

The Jobs Opportunities and Basic Skills program is the key element of what remains of the original House of Representatives welfare reform effort. In it lies the hope for the transition of welfare recipients from public assistance into the labor market where they can find a decent-paying job. As early as July 1989, North Carolina can use the JOBS program to replace the old Work Incentive (WIN) program, which currently operates under the Community Work Experience Program name in 41 counties in the state (see page 64 for more).

The JOBS program would be coordinated by the leading welfare agency — in this case, the N.C. Department of Human Resources — but the actual program could be operated by the same agency operating the Job Training Partnership Act (now in the Department of Natural Resources and Community Development). Federal matching funds of 90 percent would be provided to each state in an amount up to the 1987 WIN payment levels, and greater amounts would be matched at up to 80 percent. In other words, the more serious a financial commitment to job training each state is willing to make, the more federal money it will receive.

And there are some incentives to succeed over the long run. By 1991, each state has to enroll at least 7 percent of its welfare recipients who are eligible for the JOBS program, a target already met by existing employment and training programs in North Carolina. By 1995, the

participation rate requirement rises to a more ambitious 20 percent, and if that goal is not achieved, the state's federal funding of the program would begin to decline.

It is difficult to determine what impact the potential new flow of money will have for poor people in North Carolina. Depending on how the state chooses to implement the program, JOBS could be either a boon or a bust in North Carolina. On the one hand, the new money could allow the state to serve more people with employment and training services, including more extensive counseling and wider availability of classes and courses. This would require a comprehensive plan, going beyond the program's minimum requirements and potentially entailing increased state spending to benefit from the federal match. On the other hand, the state could decide to serve the minimum number of recipients, restricted to certain counties and involving only certain prescribed activities.

On the bright side, however, two important accountability measures will be put in place. First, the state must target certain needy groups such as young families with no high school education. Second, the state must measure the outcomes of its program, and not just activity or participation.

The JOBS program also contains the greatest potential benefit from the new legislation. It provides the greatest opportunity for the state to show its determination to design a program which can work for North Carolina's poor citizens. □◡□

### FOOTNOTES

<sup>1</sup>Nancy Amidei, "Welfare," in *Preventing Need: A Long Way To Go*, The Study Group on Social Security of the Field Foundation, September 1988, p. 7.

<sup>2</sup>P.L. 100-485.

<sup>3</sup>Technical information about implementation in North Carolina was provided by the Division of Social Services, N.C. Department of Human Resources, Oct. 10, 1988. Note that certain provisions of the Family Support Act affect only certain states. For example, North Carolina is one of the states which already has an AFDC-Unemployed Parent program, extending AFDC to families where both parents are in the home. The new act requires the program in all states.

<sup>4</sup>Interview with Gary Meares, Child Support Supervisor, Durham County Department of Social Services, December 1988.