

The Claim:

“It turns out that the welfare reform bill has been an absolute disaster.”¹

BERNIE SANDERS

The Reality:

By replacing government benefits with paychecks, welfare reform has helped move millions of families out of poverty.

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**In Reality**

Poverty among children—and female-headed families—is much lower today than in 1996, when President Clinton signed a historic welfare reform bill. This drop would not have happened without that law and the way it interacted with an expansion of work supports.

An increasing number of commentators have claimed that child poverty has been on the rise since 2000.² This supposedly proves that welfare reform was bad for the poor, although this effect was initially hidden by the 1990s economic boom. But child poverty fell to a historic low in 2009—well after the 1990s boom—and then increased only slightly during the Great Recession. Critics also point to the dramatic decline in the welfare rolls over time to argue that the 1996 legislation was a mistake. That misses the point: less poverty with lower welfare rolls should be the goal of antipoverty policy.

Key Findings

- Welfare reform, in tandem with refundable tax credits for workers, helped to bring about a permanent, 10-percentage-point drop in child poverty.
 - ◆ The child poverty rate—the proportion of all U.S. children living in families below the poverty line—in 1993 was 29 percent, unchanged from 29 percent in 1967. By 2000, the rate had declined to 18 percent, subsequently falling to 17 percent in 2009 and climbing back to only 19 percent in 2012 despite the country’s close brush with worldwide depression.
- Welfare reform accomplished this by moving female-headed families *away* from government benefits, instead of adding more families to the rolls.
 - ◆ In 1994, there were 58 families on welfare for every 100 female-headed families. By 1998, this figure had fallen to 34; by 2008, it had fallen to 17.
 - ◆ Employment rates among never-married mothers rose less than 10 percentage points from 1980 to 1996 but jumped 15 points from 1996 to 1999.
 - ◆ As a result, the share of single mothers living below the poverty line has declined, even when including government cash benefits in income before welfare reform but excluding all government benefits today. In other words, the income from work, cash benefits, and other family members was enough to reduce poverty below pre-reform levels—without food stamps, refundable tax credits, or health care benefits.

In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The legislation converted the primary federal cash welfare program, Aid to Families with Dependent Children (AFDC), to a new one—Temporary Assistance for Needy Families (TANF). After vetoing two previous iterations of the bill, President Bill Clinton signed PRWORA into law less than three months before the presidential election. Whereas any family qualifying for AFDC was entitled to benefits by law, states now received a fixed amount of money for TANF, and beneficiaries faced time limits and work requirements.

Welfare reform dramatically reduced the number of families with children receiving cash assistance. In 1996, there were 50 AFDC families for every 100 female-headed families with children, down from 58 per 100 in 1994. Just two years later, that ratio was down to 34. By 2000, it had fallen to 25 TANF families per 100 female-headed families with children. The numbers continued to fall. On the eve of the Great Recession, in 2008, there were 17 TANF families per 100 female-headed families with children.³

A common refrain on the left this campaign season is that welfare reform has been a disaster—in the words of *New York* writer Annie Lowrey, for example, it was “a punitive policy whose consequences were papered over by an economic expansion, during which time everybody in Washington declared victory and walked away.”⁴ It is true that cash welfare benefits fewer families than it used to, but poverty has declined since welfare reform, and the evidence strongly suggests that welfare reform was a crucial factor in this decline.

Poverty Is Lower Today than in 1996

Critics of welfare reform such as the Center on Budget and Policy Priorities point to official statistics showing that the number of poor families with children is higher today than when welfare reform passed.⁵ However, the number of Americans is also higher today than in 1996. Assessing how poverty has changed requires looking at the *share* of families with children that are in poverty.

That share, according to the Census Bureau’s official definition, was only slightly higher in 2013 than in 1996 (16.9 percent versus 16.5 percent), and the share of female-headed families with children that are in poverty fell slightly.⁶ The poverty rate among single mothers also was a bit lower in 2013 than in 1996.⁷

These numbers may appear to show hardly any progress or improvement. But official poverty statistics have well-known shortcomings that underestimate the extent to which hardship has declined.

- ◆ While many government programs improve the well-being of low-income families, official poverty statistics count only “cash transfers” like TANF, unemployment insurance, Social Security, workers’ compensation, and Supplemental Security Income (SSI). The poverty statistics ignore three of the four largest means-tested programs: food stamps (the Supplemental Nutrition Assistance Program, or SNAP), the Earned Income Tax Credit (EITC; a payout to low-income households with earnings), and Medicaid. All three have expanded since 1996.
- ◆ Official poverty statistics are based on pretax income, which means that they do not reflect the increase in disposable income that has resulted from the decline in taxes since 1996. Federal taxes amounted to 6.4 percent of pretax income in 1996 among households in the bottom fifth of income but just 1.9 percent by 2011.⁸ This decline is partly due to the Earned Income Tax Credit.
- ◆ The official “poverty line” is adjusted each year to account for inflation but at a rate that grows faster than the actual cost of living.⁹ As a result, families with ever-higher standards of living fall into the category of “in poverty” each year. A standard of living above the poverty line in 1996 would be defined as below the line today.

Poverty estimates that take these factors into account indicate that child poverty is substantially lower today than it was in 1996. Moreover, the drop came after years in which child poverty failed to decline. According to the best available estimates, 29 percent of children were poor in 1993—no lower than in 1967. But child poverty then fell strongly, reaching 18 percent in 2000 and 17 percent in 2009. As of 2012, emerging from the Great Recession, 19 percent of children were poor.¹⁰ Furthermore, even these estimates use a cost-of-living adjustment for the poverty thresholds that overstates the rise in inflation.

On the Record

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The Role of Welfare Reform in the Decline of Poverty

Why did poverty fall even though welfare receipt plummeted? Other safety-net programs played a role. Even in 1996, AFDC was a smaller means-tested program than Medicaid, SSI, food stamps, and the EITC—and those programs expanded after welfare reform.

Much more important was the increase in work among single mothers. From 1980 to 1996, employment among never-married mothers rose by less than 10 percentage points. In the three years from 1996 to 1999, the rate jumped by roughly 15 percentage points. After 2000, employment among never-married mothers drifted downward; but in 2013, their employment rate was still over 10 percentage points higher than in 1996.¹¹

Now that more single mothers work—and qualify for not only the EITC but the Child Tax Credit (and unemployment benefits, if they lose their job)—they rely on cash welfare much less. Using the decline in welfare rolls to argue that low-income families are worse off distracts from the real bottom line, which is that they are actually better off. The flawed official poverty rate for single mothers was roughly the same in 2013, before taking transfers into account, as it was in 1996 after adding in all cash benefits.¹² The additional earnings from work, as well as unemployment benefits, the expansion of SSI, and income from other family members were enough to reduce poverty even without SNAP or health-care benefits or tax credits.

But was welfare reform responsible? Perhaps employment rates among single mothers would have risen anyway. Child poverty did begin to decline in 1994, and the number of families receiving cash welfare under the AFDC program started to fall in 1995. Many critics of welfare reform attribute the drop in poverty and rise in employment to the strong 1990s economic expansion.¹³ But this explanation makes little sense. Poverty remained relatively low after the 1990s boom ended and rose only very slightly during the 2001 recession and the Great Recession.¹⁴ If the 1990s economy were the explanation, then poverty should have risen back to 1996 levels once the economy turned south.

Furthermore, while employment among single mothers rose after 1993, employment among single women without children fell over the subsequent ten years, and employment among married mothers was flat.¹⁵

The EITC expansion in 1993 would have been expected to increase employment even without welfare reform—perhaps it deserves all the credit? The EITC was certainly important in reducing poverty—both by incentivizing work and topping off earnings with a work credit. Child poverty did begin to fall before welfare reform, but the decline stalled in 1996, as did the increase in employment among single mothers. The decline in child poverty and the increase in employment among single mothers resumed in 1997, after PRWORA passed.

No research suggests that the work-incentivizing effects of the EITC are strong enough to explain the unprecedented drop in welfare rolls during the 1990s. In truth, the EITC alone would not have increased employment or reduced poverty nearly as much if single mothers had not been confronted with greater pressure to work rather than receive welfare benefits.

Moreover, some of the decline in child poverty before 1996 should be attributed to welfare reform. The administrations of George H. W. Bush and Bill Clinton had already approved waivers to existing federal AFDC policy in more than 40 states by mid-1996. Thirty states had waivers related to work requirements, 32 had been granted waivers around time limits, and 19 states had waivers that limited benefits for additional children born to AFDC recipients.¹⁶

Furthermore, the writing was on the wall for welfare recipients long before welfare reform was signed into legislation. In the 1992 campaign, candidate Clinton emphasized that as president, he would “end welfare as we know it.” Clinton highlighted welfare reform early in 1994 in his State of the Union address, and he introduced legislation in mid-1994. Republicans swept the House and Senate later that year on an agenda that included welfare reform, and they spent 1995 moving legislation introduced at the start of the year. That legislation passed in September 1995 but was vetoed by Clinton, and a second bill passed in December (also vetoed).

It is not unreasonable to say that some families would be better off today if welfare reform had not passed. But the evidence is conclusive that far more families were lifted out of poverty than were made poorer because of it.¹⁷ The 1996 welfare reform, in short, was no disaster. It was instead a landmark achievement in antipoverty policy.

Endnotes

- ¹ See <https://twitter.com/berniesanders/status/718574348315938816?refsrc=email&s=11>.
- ² For example, see Jordan Weissmann, "The Failure of Welfare Reform," *Slate.com*, June 1, 2016, http://www.slate.com/articles/news_and_politics/moneybox/2016/06/how_welfare_reform_failed.html.
- ³ Scott Winship, "Welfare Reform Reduced Poverty and No One Can Contest It," *Forbes.com*, January 11, 2016, <http://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/#2f37dd783062>.
- ⁴ Annie Lowrey, "It's Time for Welfare Reform Again," *New York Magazine Daily Intelligencer* blog, February 19, 2016, <http://nymag.com/daily/intelligencer/2016/02/bring-welfare-back.html>.
- ⁵ Center on Budget and Policy Priorities, "Chart Book: TANF at 19," 2016, <http://www.cbpp.org/research/family-income-support/chart-book-tanf-at-19>.
- ⁶ U.S. Census Bureau, <http://www.census.gov/hhes/www/poverty/data/historical/hstpov4.xls>.
- ⁷ Thomas Gabe, "Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987–2013," Congressional Research Service, 2014, <https://www.fas.org/sgp/crs/misc/R41917.pdf>, table C-11.
- ⁸ Congressional Budget Office, "The Distribution of Household Income and Federal Taxes, 2011," 2014, <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49440-Distribution-of-Income-and-Taxes-2.pdf>.
- ⁹ Scott Winship, "Debunking Disagreement over Cost-of-Living Adjustment," *Forbes.com*, June 15, 2015, <http://www.forbes.com/sites/scottwinship/2015/06/15/debunking-disagreement-over-cost-of-living-adjustment/#3b765f3870fc>.
- ¹⁰ Christopher Wimer et al., "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center Working Paper, December 2013, <https://courseworks.columbia.edu/access/content/group/c5a1ef92-c03c-4d88-0018-ea43dd3cc5db/Articles/Anchored%20SPM%20December7.pdf>. See also Bruce D. Meyer and James X. Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," *Brookings Papers on Economic Activity* (fall 2012), http://www.brookings.edu/~media/Projects/BPEA/Fall%202012/2012b_Meyer.pdf.
- ¹¹ Ron Haskins, testimony before the House Ways and Means Committee, Subcommittee on Human Resources, February 11, 2015, <http://www.brookings.edu/~media/research/files/testimony/2015/02/11-challenges-facing-low-income-families-haskins/2-11-15-lowincome-families-haskins-testimony.pdf>.
- ¹² Gabe, "Welfare, Work, and Poverty Status."
- ¹³ For example, see LaDonna Pavetti, "Why the 1996 Welfare Law Is Not a Model for Other Safety-Net Programs," Center on Budget and Policy Priorities, 2014, <http://www.cbpp.org/blog/why-the-1996-welfare-law-is-not-a-model-for-other-safety-net-programs>.
- ¹⁴ Wimer et al., "Trends in Poverty."
- ¹⁵ Heather Boushey, statement before U.S. Equal Employment Opportunity Commission, April 17, 2007. Estimates are for women aged 25–45; <https://www.eeoc.gov/eeoc/meetings/archive/4-17-07/boushey.html>.
- ¹⁶ U.S. Department of Health and Human Services, "Setting the Baseline: A Report on State Welfare Waivers," Office of the Assistant Secretary for Planning and Evaluation, 1997, <https://web.archive.org/web/20121021200744/http://aspe.hhs.gov/hsp/isp/waiver2/title.htm>.
- ¹⁷ Some indicators suggest that the number of extremely poor families with children has risen since 1996, though it is premature to conclude that this has occurred or that any rise is primarily due to welfare reform. I elaborate on these points in forthcoming work examining trends in deep poverty, extreme poverty, SNAP receipt, and other indicators.