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POLICY BRIEF

Rebuilding the Ladder to Self-Sufficiency: Workfare and Welfare Reform

by Gregory W. Sullivan and Charles D. Chieppo

Massachusetts' 1995 Welfare Reform Law

In 1995, the Massachusetts Legislature passed and then-Governor William Weld signed groundbreaking welfare reform legislation. Under the law, recipients can collect benefits for a maximum of 24 months in any 60 month period. The law also includes a work requirement that requires those subject to it to be working at least 20 hours per week within 60 days of beginning to receive benefits. Those unable to find work must perform at least 20 hours per week of community service.

Not all of those receiving public assistance are subject to the time limits and work requirement. Recipients whose youngest child is under two years old are exempt from both. Those whose youngest child is less than six years old are exempt from the work requirement, but the clock starts ticking for purposes of time limits when the recipient's youngest turns two.

Even recipients of public assistance who are exempt from the work requirement can enter job training and education programs paid for by the state Employment Services Program. The program is available to all welfare recipients, but those subject to the work requirement who want to participate in the programs must do so in addition to work.

Welfare reform also addressed the child care needs that are a prerequisite for many parents who seek work. The commonwealth provides child care vouchers for any recipients who participate in approved activities like work, job training, school or actively seeking employment. When a case is closed due to time limits or because the recipient's earnings have increased, he or she remains eligible for transitional medical assistance, child care, transportation subsidies, access to a structured job-search program and possibly food stamps for at least a year.

The full implementation of welfare reform in Massachusetts required a waiver from the federal government. The commonwealth requested such a waiver to allow for the work requirement, time limits, job training, and the centralization of its public assistance system. The waiver was granted for all except time limits.

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Federal Reform

Massachusetts' welfare reform law became a model for federal reform, which was enacted in 1996. The federal law ended Aid to Families with Dependent Children (AFDC) as an entitlement and replaced it with Temporary Aid to Needy Families (TANF). Under reform, states received federal block grants that they can use in any manner reasonably calculated to accomplish the purposes of TANF, as long as they maintain certain program funding levels.

With the passage of federal welfare reform, Massachusetts received permission to implement time limits on welfare benefits, the one part of the commonwealth's waiver request that had previously been rejected. Massachusetts' welfare reform law was more aggressive than the federal counterpart it inspired in terms of time limits, but less so when it came to the work requirement; the feds require 30 hours per week for those subject to the work requirement, while Massachusetts requires 20. The waiver allowed Massachusetts to follow its own path.

The commonwealth was at the forefront of a highly successful revolution in welfare reform. In 1995, Massachusetts' welfare caseload was 103,000 families and 273,000 individuals. By 2005 the rolls were down to 46,000 families and 80,000 individuals. State and federal taxpayers paid $706 million for the old AFDC program in fiscal 1994. That slipped to $315 million in fiscal 2011, a 55 percent drop in nominal dollars and a 70 percent drop in real dollars. The number of people on welfare didn't just go down, it stayed down through good times and bad.

More importantly, studies show that child poverty declined substantially. According to one 1999 study from the Massachusetts Department of Transitional Assistance, 71 percent of families responding to a survey had full-time workers earning more than twice the typical welfare cash one year after leaving the rolls.

Backsliding

In one sense, welfare reform has been a victim of its own success. The 1996 federal law includes "caseload reduction credits" under which states can reduce their work participation requirement by one percentage point for each point drop in the average monthly welfare caseload. Originally the base year for comparison was 1995. It was later changed to 2005, but the American Recovery and Reinvestment Act of 2009 allows states to use fiscal 2007 or 2008 as the base years – two years in which a bad economy led to increases in the numbers of those on public assistance.

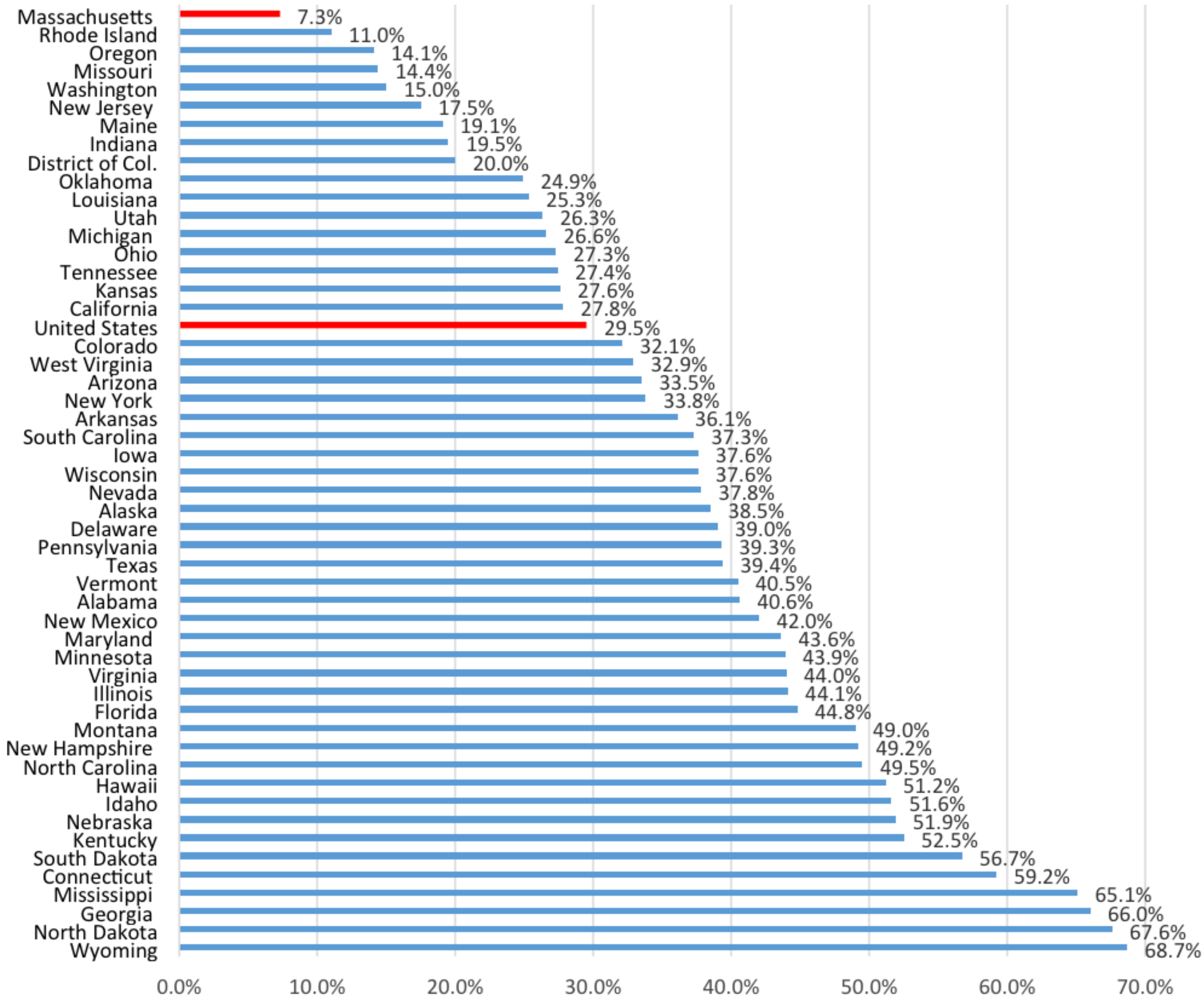
No state has been more aggressive in using caseload reduction credits to gut workfare than Massachusetts. As Figure 1 shows, by fiscal 2011, only 7.3 percent of state welfare recipients were working. The national average was 29.5 percent that year. The commonwealth had the lowest work participation rate among the 50 states and Washington, D.C.

In addition to having the lowest work participation rate, the rate was also declining more in Massachusetts than any other state. As Figure 2 exhibits, work participation among welfare recipients in the Commonwealth fell from 22.2 percent in fiscal 2010 to 7.3 percent in fiscal 2011 – a drop of more than two-thirds in a single year.

In addition, a 2013 state audit found that Massachusetts was handing out $18 million annually in questionable benefits and was providing benefits to more than 1,160 people who were either deceased or using dead people's Social Security numbers.

The U.S. Department of Health and Human Services further facilitated the retreat by some states from welfare work requirements. In 2012, Secretary Kathleen Sebelius issued an order allowing states to reduce work requirements as long as they moved at least 20 percent more people from the welfare rolls compared to the state's past performance. On its face the change seems reasonable, but upon closer inspection a disturbing picture emerges.

Figure 1.
TANF Work Participation Rates, 50 States, FY11



Source: U.S. Dept. of Health and Human Services-Office of Family Assistance: Combined TANF and SSP-MOE work participations rate - Fiscal Year 2011; published April 15, 2014; http://www.acf.hhs.gov/sites/default/files/ofa/wpr2011tab01a.pdf

In a typical month, about 1.5 percent of the TANF caseload leaves the rolls. Increasing that to 1.8 percent (the 20 percent increase) is something that is happening automatically in most states as the economy improves.

But the problem of using the number of people leaving the rolls as an indicator of success goes deeper. Not only is it meaningless as a measure of success, but it can in fact be a reverse indicator. As the welfare caseload increases, so, typically, does the number of people leaving the rolls in any given month.

Conclusion

During the 1990s, Massachusetts led a welfare reform revolution. One of the pillars of reform was workfare – giving able-bodied individuals recipients the tools to become self-reliant by making work a condition of receiving benefits. It was an overwhelming success. Welfare rolls dropped by more than half and stayed down through good times and bad. More importantly, indicators of well-being like child poverty rates dropped even as the welfare rolls dwindled.

But less than two decades later, workfare exists at a nominal level in Massachusetts, with only 2,732 work-able TANF recipients meeting minimum workfare requirements in fiscal 2011, down from 18,203 in fiscal 2009. Nationwide, the number of work-able TANF recipients meeting minimum workfare requirements increased between fiscal 2009 and fiscal 2011, from 275,943 to 306,495. Given the results of a 1999 study by the Massachusetts Department of Transitional Assistance showing that workfare and welfare reform had triggered a substantial decline in child poverty, the subsequent phasing down of the program means the commonwealth hasn't been doing enough to help citizens escape from poverty. Avoiding such a tragedy will require that elected officials and state leaders refocus on the policies that have already proven successful.

Figure 2.
TANF Work Participation Rates, 2010-2011

	2010	2011	+/-
UNITED STATES	29.0%	29.5%	0.5%
ALABAMA	37.1%	40.6%	3.5%
ALASKA	33.3%	38.5%	5.2%
ARIZONA	29.1%	33.5%	4.4%
ARKANSAS	34.1%	36.1%	2.0%
CALIFORNIA	26.2%	27.8%	1.6%
COLORADO	33.6%	32.1%	-1.5%
CONNECTICUT	37.2%	59.2%	22.0%
DELAWARE	38.8%	39.0%	0.2%
DIST. OF COL.	15.0%	20.0%	5.0%
FLORIDA	47.5%	44.8%	-2.7%
GEORGIA	67.5%	66.0%	-1.5%
HAWAII	47.6%	51.2%	3.6%
IDAHO	49.5%	51.6%	2.1%
ILLINOIS	49.1%	44.1%	-5.0%
INDIANA	19.2%	19.5%	0.3%
IOWA	34.8%	37.6%	2.8%
KANSAS	27.2%	27.6%	0.4%
KENTUCKY	46.4%	52.5%	6.1%
LOUISIANA	27.4%	25.3%	-2.1%
MAINE	19.7%	19.1%	-0.6%
MARYLAND	40.7%	43.6%	2.9%
MASSACHUSETTS	22.2%	7.3%	-14.9%
MICHIGAN	22.8%	26.6%	3.8%
MINNESOTA	40.2%	43.9%	3.7%
MISSISSIPPI	66.3%	65.1%	-1.2%
MISSOURI	17.5%	14.4%	-3.1%
MONTANA	51.6%	49.0%	-2.6%
NEBRASKA	49.5%	51.9%	2.4%
NEVADA	37.6%	37.8%	0.2%
NEW HAMPSHIRE	46.6%	49.2%	2.6%
NEW JERSEY	19.9%	17.5%	-2.4%
NEW MEXICO	42.5%	42.0%	-0.5%
NEW YORK	35.0%	33.8%	-1.2%
NORTH CAROLINA	37.1%	49.5%	12.4%
NORTH DAKOTA	68.7%	67.6%	-1.1%
OHIO	23.1%	27.3%	4.2%
OKLAHOMA	24.3%	24.9%	0.6%
OREGON	8.4%	14.1%	5.7%
PENNSYLVANIA	46.0%	39.3%	-6.7%
RHODE ISLAND	12.0%	11.0%	-1.0%
SOUTH CAROLINA	37.2%	37.3%	0.1%
SOUTH DAKOTA	61.4%	56.7%	-4.7%
TENNESSEE	26.5%	27.4%	0.9%
TEXAS	36.1%	39.4%	3.3%
UTAH	33.8%	26.3%	-7.5%
VERMONT	34.9%	40.5%	5.6%
VIRGINIA	42.9%	44.0%	1.1%
WASHINGTON	24.2%	15.0%	-9.2%
WEST VIRGINIA	25.9%	32.9%	7.0%
WISCONSIN	42.5%	37.6%	-4.9%
WYOMING	63.4%	68.7%	5.3%

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