



## Welfare Reform and Extreme Poverty

# What to Do?

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**A**dozen years have now elapsed since Pres. Bill Clinton and Congress decided to end “welfare as we know it,” replacing it with the “system” known as Temporary Assistance for Needy Families (TANF). “Poverty” has recently crept back into public discourse, but “welfare” remains off the political screen. Most public officials and the media—and, as both cause and effect, the general public—consider TANF a success. People closer to everyday reality, such as low-income individuals themselves and others who work with them, tend to have a more textured view, to say the least. TANF, along with the hot economy of the late 1990s, did result in millions of single mothers going to work (although many did not escape poverty), but less noted by the broader audience was the significant number who lost welfare without obtaining work and, over the years, the many who sought help and were turned away at the door.

There has been relatively little public discussion of TANF’s deficiencies, especially since its 2006 reauthorization which exacerbated the problems caused by the program. Nationally and in most states, bringing up the subject has seemed futile and has maybe even been seen as posing risks akin to poking a stick into a hornet’s nest.

Yet twelve years of experience do have policy implications, and there will be a new administration and a new Congress in 2009. It is time to discuss some changes in TANF and related policies, looking toward repair of at least some of the holes in the safety net, especially for those at the very lowest income levels, and toward moving forward more broadly to confront the strikingly large problem of people with very low incomes.

The question is not merely TANF but rather what to do to assist the millions of people who live in “extreme poverty”—a group that has grown sharply during the current decade. Three million more people have joined this category since 2000.<sup>1</sup> This group has an income below half the poverty line, or \$8,000 for a family of three.<sup>2</sup> The current total of more than fifteen million individuals living in extreme poverty exceeds 5 percent of America’s total population.<sup>3</sup> Even taking into account food stamps and other in-kind benefits, the figure is still in excess of 3 percent of the population, or nearly ten million people.<sup>4</sup>

### TANF and Extreme Poverty

TANF is certainly one cause of this spike. One in three recent welfare leavers in 2002 had income below half the poverty level.<sup>5</sup> The portion of recent welfare leavers reporting that they had neither a current or recent job, welfare, and disability benefits nor a working spouse went up from 17.1 percent in 1997 to 20.8 percent in 2002.<sup>6</sup> Comparable figures are reflected for low-income single mothers who have never been on welfare.<sup>7</sup>

Cash assistance would help these families, and in the past it did. In 1995 nine

million of the fourteen-plus million children then poor were in families that received welfare. In 2006 only 4 million children out of the 12.8 million poor children were in families getting TANF.<sup>8</sup> The proportion of eligible families receiving welfare went from 84 percent in 1995 to 42 percent in 2004.<sup>9</sup> Welfare payments, even when combined with food stamps, never sufficed to pull families out of poverty, and in many states benefit amounts were (and still are) abysmally small, with the two sets of benefits combined not reaching even half the poverty line in the lowest-paying states. Nonetheless, whatever other problems it created in promoting dependency for some of its recipients, welfare had an antipoverty effect.

The welfare caseload nationally is now at about 4.5 million people, or about 2 million families, having been cut by almost two-thirds since its peak at 14.3 million in 1994.<sup>10</sup> This is less than 2 percent of the population. Some of these 5 million are in the midst of a short stint. The number of longer-term recipients at the present time is neither large absolutely nor very costly in terms of how much the cash assistance they receive costs the public treasury.

<sup>1</sup>U.S. Census Bureau, Annual Social and Economic Supplement, Historical Poverty tbl. 22, [www.census.gov/hhes/www/poverty/histpov/hstpov22.xls](http://www.census.gov/hhes/www/poverty/histpov/hstpov22.xls) (last visited Sept. 9, 2008).

<sup>2</sup>The most recent poverty threshold for a family of three is \$16,537 (U.S. Census Bureau, Preliminary Estimates of Weighted Average Poverty Thresholds for 2007, [www.census.gov/hhes/www/poverty/threshld/07prelim.html](http://www.census.gov/hhes/www/poverty/threshld/07prelim.html) (last visited Sept. 9, 2008)).

<sup>3</sup>U.S. Census Bureau, Annual Social and Economic Supplement tbl. POV01, [http://pubdb3.census.gov/macro/032008/pov/new01\\_000.htm](http://pubdb3.census.gov/macro/032008/pov/new01_000.htm) (last visited Sept. 9, 2008)).

<sup>4</sup>CENTER FOR AMERICAN PROGRESS TASK FORCE ON POVERTY, FROM POVERTY TO PROSPERITY: A NATIONAL STRATEGY TO CUT POVERTY IN HALF 61 (2007), [www.americanprogress.org/issues/2007/04/pdf/poverty\\_report.pdf](http://www.americanprogress.org/issues/2007/04/pdf/poverty_report.pdf).

<sup>5</sup>PAMELA LOPREST & SHEILA ZEDLEWSKI, THE CHANGING ROLE OF WELFARE IN THE LIVES OF LOW-INCOME FAMILIES WITH CHILDREN 36 (2006), [www.urban.org/UploadedPDF/311357\\_occa73.pdf](http://www.urban.org/UploadedPDF/311357_occa73.pdf).

<sup>6</sup>*Id.* at 46.

<sup>7</sup>*Id.* See also Rebecca M. Blank & Brian Kovak, *The Growing Problem of Disconnected Single Mothers* 45 (University of Michigan, Working Paper No. 2007-28, 2008), [www.npc.umich.edu/publications/u/working\\_paper07-28.pdf](http://www.npc.umich.edu/publications/u/working_paper07-28.pdf). The percentages are somewhat lower for these groups than for the recent welfare leavers: 12.4 percent in 2002 for the data set used by Loprest and Zedlewski and 13.7 percent in 2005 and 14.6 percent in 2003 for the data sets used by Blank and Kovak. This is because the denominator of those studied who had never been on welfare was larger: all single mothers with incomes below 200 percent of the federal poverty level.

<sup>8</sup>U.S. CENSUS BUREAU, CURRENT POPULATION REPORTS tbl. 691, [www.census.gov/compendia/statab/tables/08s0691.pdf](http://www.census.gov/compendia/statab/tables/08s0691.pdf).

<sup>9</sup>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, INDICATORS OF WELFARE DEPENDENCE: ANNUAL REPORT TO CONGRESS II-5 (2007), <http://aspe.hhs.gov/hsp/indicators07/ch2.pdf>.

<sup>10</sup>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, ADMINISTRATION FOR CHILDREN AND FAMILIES tbl. 546 (2005), [www.census.gov/compendia/statab/tables/08s0546.pdf](http://www.census.gov/compendia/statab/tables/08s0546.pdf).

Why does the number receiving TANF remain so low despite recurring economic turmoil since 1997? Probably more important than the number reaching the time limit, and the number rationing their need against the looming of the time limit, are the number sanctioned or otherwise pushed off, the number turned away when seeking help, and those who do not even bother to ask because of the hassle involved.<sup>11</sup> Is the need less? Of course not. Just look at the trends in the food stamp rolls: 17.2 million in 2000 and 28.4 million now.<sup>12</sup> But the welfare rolls do not rise. People have a federal right to food stamps if their income is low enough. They have no federal right to welfare.

Numerous studies document that those who currently stay on welfare for longer periods often confront serious barriers to success in the workforce: physical limitations, learning disabilities, drug or alcohol problems or both, and lack of a car or license or both.<sup>13</sup> Other barriers include low educational attainment, having a very young child or a disabled child, limited English proficiency, being a victim of domestic violence, and a variety of physical and mental problems. Add to that the people in rural areas who live far away from available work and want to continue living where they and their families have lived for generations.

Some of these people can succeed in a job (if there is one available) if they receive a serious measure of individual attention, support, and assistance—much more than we have devoted to them up to now. While some states and some individual counties have worked hard to do just that, national policy has gone in the other direction. When TANF was reauthorized in 2006, we not only failed to heed experience and extend additional individualized help to those who needed it but instead tough-

ened the work participation rules in the law—not to help more people move successfully into the workforce but, I would say, to push more people off the rolls and discourage others from applying.

We need to provide more help to those who have a reasonable chance to succeed if they receive more help. There are two policy aims at play here: getting more help to the hard-to-employ to assist them in getting jobs (which then may require an income supplement because the wage being paid is so low); and finding ways to get a rudimentary income floor for those not in a position to work, or at least for all families with children. The more encompassing version of the second aim is to make the existing Child Tax Credit fully refundable, which means extending it to people who have zero income from other sources. I discuss this more below. However, TANF should play a role as well. We need to acknowledge that a relatively small number of adult TANF recipients are not good candidates for work and should be allowed to continue receiving cash assistance—in return, perhaps, for participating in some useful activity in their community.

There is a dilemma as to the latter, perhaps one of policy and certainly one of politics. Our national policy since 1996 has essentially been premised on the idea that no parent has a justifiable case for long-term cash assistance unless he or she is legally disabled. Is it politically possible for us to decide as a nation that a modest number of families should be allowed to keep on receiving cash assistance indefinitely? A fair number of states have in fact made such a decision for themselves and the sky has not fallen, and of course there is no time limit on food stamps, Medicaid, housing vouchers, child care assistance, and so on.

<sup>11</sup>DAN BLOOM ET AL., *WELFARE TIME LIMITS: AN UPDATE ON STATE POLICIES, IMPLEMENTATION, AND EFFECTS ON FAMILIES* 50 (2008), [www.mdrc.org/publications/51/full.pdf](http://www.mdrc.org/publications/51/full.pdf). Notice, however, that in some states a substantial number of cases have been moved to a “child-only” category instead of being terminated due to the time limit. This allows cash assistance to continue but without inclusion of the parent. The family stays on the rolls but at the price of a significant cut in the amount of help it receives.

<sup>12</sup>U.S. Department of Agriculture, Food and Nutrition Service, *Characteristics of Food Stamp Households: Fiscal Year 2000*, [www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/2000Characteristics.htm](http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/2000Characteristics.htm) (last visited Sept. 9, 2008); *id.*, *Monthly Program Data for May 2008*, [www.fns.usda.gov/pd/34fsmthly.htm](http://www.fns.usda.gov/pd/34fsmthly.htm) (last visited Sept. 9, 2008).

<sup>13</sup>See, e.g., Lesley J. Turner et al., *Failing the Transition from Welfare to Work*, 87 *SOCIAL SCIENCE QUARTERLY* 227, 244 (2006).

I do think welfare should be more work-connected than it was before 1996. But I think, as I have written many times, that we have painted with too broad a brush. There are safety valves in the law now, but many states do not use them. States can use federal money to keep up to 20 percent of the caseload on the rolls, but many do not. They may continue families on the rolls if they exclude the parent or parents from the calculation of benefits, but many do not. And they may make exceptions if they pay out of their own money, but many do not. (And, to make the latter two items more difficult to use, the 2006 reauthorization of TANF applied the percentage work participation requirements for current recipients to both child-only cases and much of what states do with their own funds to help people with continuing needs.)<sup>14</sup>

The message emanating from Washington is still “Be tough.” The small print may be modestly otherwise, but the metamessage is, keep whacking away at the welfare rolls.

The larger question is, What are we going to do about the more than fifteen million people who have incomes below half the poverty line? The lesser included question is, what role should TANF play (along with food stamps, housing assistance, health coverage, help with child care, and other measures) in providing assistance to the lowest-income people in the nation?

### 2009 Initiatives Regarding TANF and Other Ways to Reduce Extreme Poverty

One can hope that a new president or a revitalized Congress or both will take a visible interest in the question of extreme poverty. And advocates can continue to go to their state legislatures, as they have been free to do since 1996, to pursue progressive changes in state law (that are not barred by federal law) and increased state appropriations in important areas such as child care (including for people

who never were on TANF), income support in ways not covered by TANF, mental health and substantive abuse treatment services, and so on.

The broad challenge about TANF, encompassing all low-income families with children, is to transform it into an antipoverty program that dovetails with the rest of an antipoverty/living-income strategy which is built around a primary emphasis on helping people find and keep jobs, but also offers a decent safety net for those who need it. The national “culture” of TANF, the overarching goal of the program (although not in every state), has been caseload decline—ever-continuing decreases in the number of income-eligible parents and children who actually receive assistance. In too many states, applicants are turned away when they apply or discouraged from applying at all and are sanctioned off welfare by either formal or informal means. Too frequently the front door of the welfare office is barred to most who come seeking help, and the back door sees a steady stream of forced exits.

The program should be rebuilt with performance measures instead of work participation rates confined to those currently on the rolls. We should be asking not solely about the size of the caseload but also about how many people have achieved stable and sustainable employment, and how many people have escaped poverty. This is what we should be measuring. Predominantly through helping people succeed in the job market, TANF should be a key piece in an antipoverty/living-income policy framework.

My main purpose here is to concentrate on TANF and other policies as elements in a more effective safety net for the lowest-income portion of the population.

**Funding.** Federal funding for TANF has been flat since the law was originally enacted, so by now the \$16.5 billion appropriated annually has lost more than 15 percent of its purchasing power.<sup>15</sup> For the first few years after 1996, the flat

<sup>14</sup>Deficit Reduction Act of 2005, Pub. L. No. 109-171, 120 Stat. 4 (2006).

<sup>15</sup>GENE FALK, THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) BLOCK GRANT: RESPONSES TO FREQUENTLY ASKED QUESTIONS 1, 4 (2007), [https://www.policyarchive.org/bitstream/handle/10207/2336/RL32760\\_20070123.pdf?sequence=1](https://www.policyarchive.org/bitstream/handle/10207/2336/RL32760_20070123.pdf?sequence=1).

funding was of somewhat less concern because the number of families on the rolls dropped so precipitously, but in recent years inflation has taken its toll and states have had to cut back on child care and other funding that helps former recipients succeed in the job market. Nor has federal child care funding, already far from meeting the needs of those currently eligible, kept pace. Advocates and public officials should seek increases in TANF and child care funding, at least to stay even with inflation and, as much as possible, to make up for the cuts in purchasing power of TANF dollars over the past twelve years and the failure of child care funding to keep up. Of course, increased TANF and child care funding will not by themselves help the lowest-income people among the poor, but more resources create a more conducive environment for relevant advocacy and action at the state level.

**Assisting the Hard-to-Employ.** There is an intricate web of acts of both commission and omission in federal (and many states') policies regarding the hard-to-employ. The issue is interactive with policy concerning continually receiving cash assistance. There is a cadre of recipients (and nonrecipients) who are not good candidates for work no matter what, but the number of those who cannot surmount the barriers they face to getting and keeping work will be much larger if we fail to make a full effort to reach the employable but hard-to-serve. And we have never made such an effort as a nation.

This is a task that entails interwoven responsibility among numerous agencies and actors, both nationally and at the state and local level. Much of what needs to be done involves reaching people who never applied for cash assistance or have

long since been disconnected from such help, whether involuntarily or by their own decision.

For openers, the U.S. Department of Health and Human Services (HHS) in the next administration should engage in a meticulous review of the final rule it issued in early 2008 implementing the 2006 reauthorization of TANF.<sup>16</sup> Numerous restrictive provisions in the rule were within the agency's discretion but not required by the statute. These could be eliminated and replaced by provisions, also consistent with the statute, that encourage states to be much more proactive in carefully identifying individual impairments and other barriers to employment and then deciding on an appropriate plan geared toward employment or excuse of the individual from participation in work-related activities (and, with periodic review, excuse from being subject to the time limit on receiving benefits).

The problems, a combination of limitations imposed by the regulation and problems stemming from additional state policies, begin with screening. Most TANF agencies say they screen for physical and mental health impairments, but most of those that screen depend on self-disclosure to identify problems.<sup>17</sup> Some screen by sending applicants out on job searches to see who comes back after multiple fruitless efforts to find work (a policy that also results in pushing away people who simply get tired of all the bureaucratic hurdles).<sup>18</sup> Fifteen states have no exemptions at all from work requirements for recipients with illness or disability.<sup>19</sup> In many states sanctions for noncompliance with work requirements are applied to individuals who have barriers to work that have never been identified.<sup>20</sup>

<sup>16</sup>Reauthorization of the Temporary Assistance for Needy Families (TANF) Program, 73 Fed. Reg. 6772 (Feb. 5, 2008) (to be codified at 45 C.F.R. pts. 261–263, 265).

<sup>17</sup>SHEILA R. ZEDLEWSKI et al., *HARD-TO-EMPLOY PARENTS: A REVIEW OF THEIR CHARACTERISTICS AND THE PROGRAMS DESIGNED TO SERVE THEIR NEEDS* 6 (2007), [www.urban.org/UploadedPDF/411504\\_employ\\_parents.pdf](http://www.urban.org/UploadedPDF/411504_employ_parents.pdf).

<sup>18</sup>*Id.*

<sup>19</sup>*Id.* at 7.

<sup>20</sup>*Id.* at 9.

Many of the problems are statutory, some imposed not by the original 1996 law but by the 2006 reauthorization. For example, the law requires disabled adults to be included in the denominator for the calculation to see who is meeting the requirement that 50 percent of the caseload be involved in work activities. Barrier-removal activities, which are needed most by the hard-to-employ, are severely limited—for instance, to six weeks a year of job-readiness assistance—and these activities include mental health counseling. Vocational training is limited to a lifetime total of a year.<sup>21</sup> Rewriting of the maze of restraints on state initiative should be undertaken promptly.

But eliminating the negative will not suffice. A proactive review of federal policy is needed. This would include examination of how to promote cooperation among job training and placement activities funded through the U.S. Department of Labor, career and technical education programs funded through the U.S. Department of Education, and mental health services, vocational rehabilitation, drug and alcohol treatment, and help for victims of domestic violence funded through HHS. State and local efforts to collaborate could be incentivized by new federal funding. Note in particular that this initiative should not be limited to current, previous, or potential TANF recipients but to all who could be assisted by such policies. However, a major design issue is lurking here: Do we want to have separate initiatives for hard-to-employ single mothers, disconnected youth, ex-offenders, dislocated workers, and so on, or is there a way of achieving efficiencies and economies of scale by pulling things together? We are to a large extent, after all, talking about the same employers, the same educational institutions, the same placement agencies, and the like. This is an issue that demands careful consideration.

**Reweaving the Safety Net.** Much can be done through a change in messages coming to the states from Washington. Too many states do not make use of the 20 percent exception to the five-year

time limit, although doing so costs them nothing. Too many have time limits shorter than five years, although making full use of the five years is permitted by law. And too many states do not make use of the child-only option for people who have exhausted their lifetime TANF time limit, although, again, there would be no cost to them in doing so.

All of these policies could reduce the number of people who end up in extreme poverty because they have no cash assistance as well as no job. Obviously any or all of them could cause a state to have to make choices as to how it spends its federal allotment, so increased federal funding for TANF is crucial. The basic message would still be one of helping those who can work outside the home to pursue employment, with a significant investment in transitional jobs to help people get into the labor market. But I believe that political leadership, backed by the mass of research on the subject that has been done since 1996, can educate the American people that there are families with children who need cash help on a continuing basis.

Some of what needs to be done legislatively is to place a floor under state behavior, to tell outlier states that there are certain policies that are unacceptable.

We should outlaw lifetime full-family sanctions and require states to make a face-to-face inquiry into a person's individual circumstances before imposing a sanction. The message needs to be that the purpose of sanctioning policy is not to reduce the rolls but to help those threatened with sanctions to come into compliance, and particularly to help them succeed in the workplace.

We should outlaw lifetime time limits shorter than five years, and we should require amelioration of the time limits (and, in some cases, work requirements) in a number of instances:

- Toll the running of the time clock for workers who are also receiving TANF because their wages are so low, as some states have done (or, putting it a little

<sup>21</sup>*Id.* at 12.

differently, tolling the running of the clock for recipients who are meeting TANF work requirements). In a number of states, women who received TANF as a wage supplement found to their consternation later on that the time clock had been running and they had unknowingly exhausted their lifetime eligibility. Encouraging states to use TANF as a wage supplement and requiring that there be no ticking of the time clock when this is done would allow a considerable number of very low-income people to cobble together an income that moves them out of the direst poverty.

- Toll the running of the time clock and the operation of the work requirements when a woman is caring for a chronically ill child or an aged or infirm relative. Care giving is certainly work, and while states have been free to take these steps, they should be required to do so.
- Toll the running of the time clock as well as the operation of the work requirements when a woman is in high school or college or participating in some other approved postsecondary or other job training program. Some states do this, and it makes complete sense. In too many others there are sad and indeed infuriating stories of women who were receiving welfare benefits and doing their best to make the most of themselves and were commanded by their caseworker to drop out of school and accept a make-work job.

Many other steps should be taken to improve TANF, but one that should be singled out is to make legal immigrants eligible for TANF and other means-tested federal programs upon their arrival in this country instead of making them wait five years, and even then leaving it to states to decide whether to extend them such benefits. Legal immigrants contribute to the economy and federal, state, and local treasuries and, subject to the same rules and limitations as everyone else,

should be able to receive assistance when they are in need.

Another is to require that states collecting child support on behalf of a current or recent TANF recipient pass through the entire payment to the children for whose benefit it has been paid. Some progress in this direction was made in the 2006 reauthorization, but more is needed. Moreover, for purposes of TANF benefit calculation, receiving child support should not result in a dollar-for-dollar reduction in benefits but should be treated like earnings, so that the total income of the family can increase as a result of receiving the child support.

The implications of these suggestions extend beyond the lowest-income people, but all would help to prevent people from being forced to impoverish themselves further by having to choose between receiving welfare and doing something else important to their families, and would allow cash assistance to continue, in ways the state can reexamine from time to time, to prevent their falling into extreme poverty.

Beyond TANF, it remains vital to do a far better job of reaching all of those who are eligible for various benefits—especially food stamps and Medicaid—and do not seek them. Food stamps, for example, reach only about 60 percent of those who are eligible.<sup>22</sup> Reaching 85 percent would reduce poverty by 1.4 million people.<sup>23</sup> The failure to extend the safety net to everyone who is currently eligible for help is a contributor to the incidence of extreme poverty.

Finally, and extremely important, it is time to renew the effort to make the federal Child Tax Credit available to every family all the way down to those with no income. The credit is currently refundable so that it helps people whose incomes are below the poverty line, but, in a somewhat odd political compromise when it was enacted in 1997, a person must have \$10,000 in earnings before becoming eligible

<sup>22</sup>CENTER FOR AMERICAN PROGRESS TASK FORCE ON POVERTY, *supra* note 4, at 52.

<sup>23</sup>*Id.* at 62.

for the credit (a threshold that actually increases with inflation—which makes little sense). To have its full antipoverty effect the Child Tax Credit should operate as a family allowance or a children’s allowance does in other nations. Making the credit refundable down to zero family income would by itself reduce poverty by 3.3 million people.<sup>24</sup> This would be a major step in America’s policy toward its children. With food stamps and Medicaid, the credit would provide for all of America’s families a basic income floor that would by itself come close to eliminating extreme poverty.



The presence and recent growth of extreme poverty in the United States is a national disgrace. Major progress in eliminating it would come from creating a national income floor comprising the Child Tax Credit, food stamps, and Medicaid, and significant movement forward would come from seeing that all of those eligible for existing benefits actually receive them. Steps to reverse the ways in which the TANF program exacerbates extreme poverty, and to restore cash assistance to a proper role as part of a safety net for the lowest-income people, would at the very least rescind the currently operative idea that having public policies that actually worsen and perpetuate poverty is acceptable.

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<sup>24</sup>*Id.* at 61. In the massive “bailout” legislation enacted recently, Congress reduced the threshold income for eligibility for the Child Tax Credit to \$8,500 (see Emergency Economic Stabilization Act of 2008, H.R. 1424, 110th Cong. § 501 (2008)). This is certainly a step in the right direction.