

***America's war on poverty and  
Single Parents: how the "war on  
poverty" became a "war on welfare"...***

**U.S. Poverty Policy  
ECRG 3240 World Poverty  
D. McLeod Fall 2006**

***President Johnson's 1964 Council of Economic Advisors report on poverty was prepared at the request of then President Kennedy...***

- **The 1964 report included first official estimates of America's poverty rate... 22% in poverty— making less than \$3000 per year in 1964 dollars... (M. Orshansky)**
- ***The report pointed out that “It would be cost only \$11 billion-- less than 2% of GNP -- to eliminate poverty using transfers” (note the poverty deficit measure)***
- ***But, the CEA emphasized: “Americans want to earn the American standard of living by their own efforts and contributions. It would be far better, even if more difficult to permit the poor of the nation to earn the additional \$11 billion.”***

***War on Poverty begins 1964-66-- Johnson determined to focus on job training, education and civil rights, no cash transfers allowed..***

- During the 1960s job-war boom it seemed education and training would be all workers needed— rising wages and a low unemployment led most to believe problem was not a lack of jobs, but a lack of training...
- Discrimination against women and minority groups was a problem, but Johnson's Civil Rights bills helped here.
- “Empowered” community groups to run Headstart and Job Corps programs— Office of Economic Opportunity (OEO) ran these with Sargent Shriver at head.

## Goal to “end severe poverty by the year 2000”: what went wrong?

- Education and training disappointing– baby-boom floods job market with young inexperienced workers, including many minorities, women in early 1970s...
- Economy slows after 1973.. Job growth stalls, male factory wages stagnate, women, minorities and young families with children hit by higher unemployment
- The civil rights movement spurs welfare rights as the Supreme court eases restrictions on AFDC caseloads and divorce rate rise leading to more SPFs.

# What went Right?

- Expanded safety-net ended eliminated severe poverty—no “shoeless” children... food stamps Medicaid (Medicare), WIC, housing programs: **in-kind benefits not included in official poverty** measure...much spending had no visible impact on official poverty rate.
- **Education and training did help women and African Americans** get jobs and increase hours worked (affirmative action) Some programs still with us: Job Corps, Headstart.
- **Elderly Americans benefit from** social security and Medicare... elderly poverty fell to virtually zero by 2000 (big factor: Nixon indexed social security to wrong CPI).

# Basic housing conditions improved

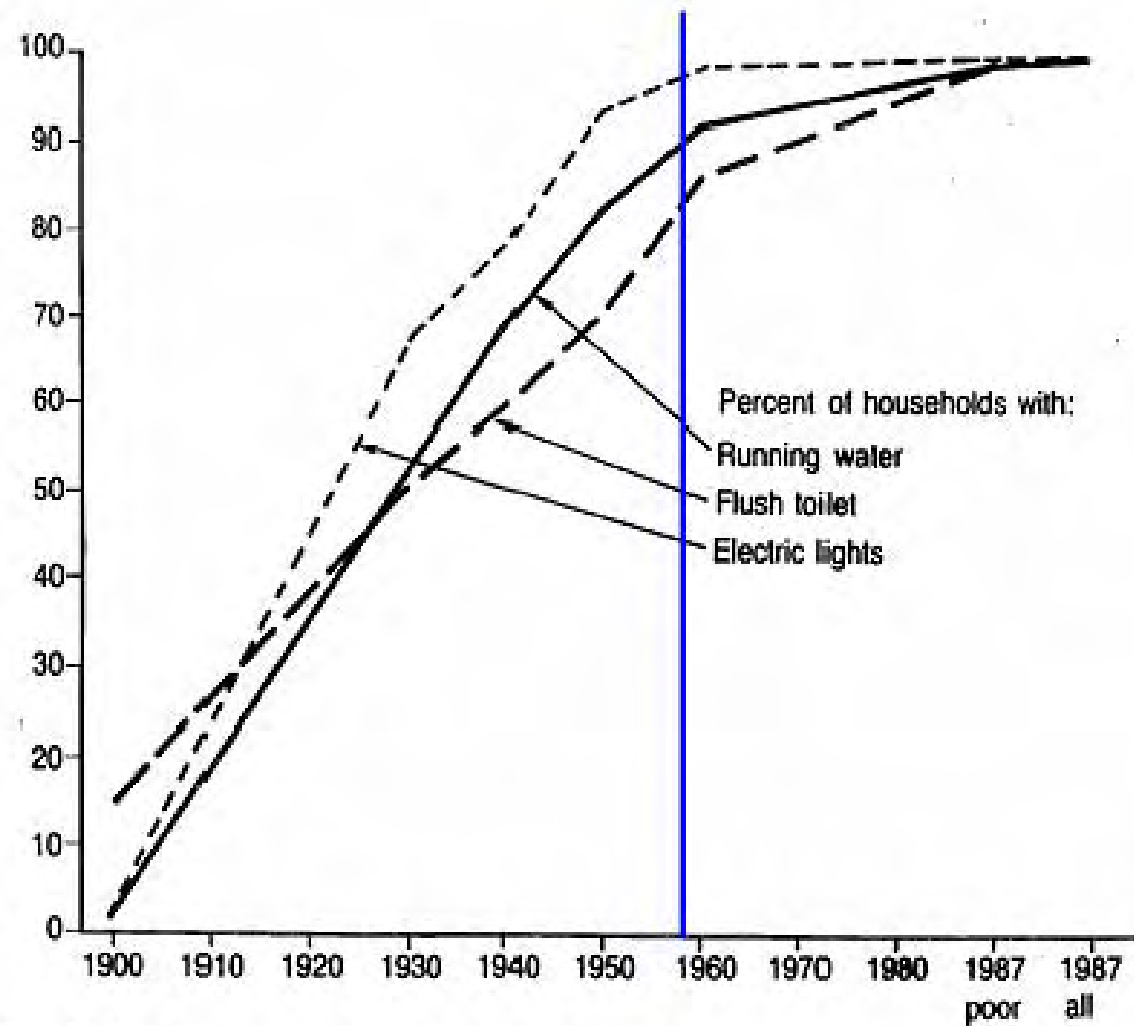
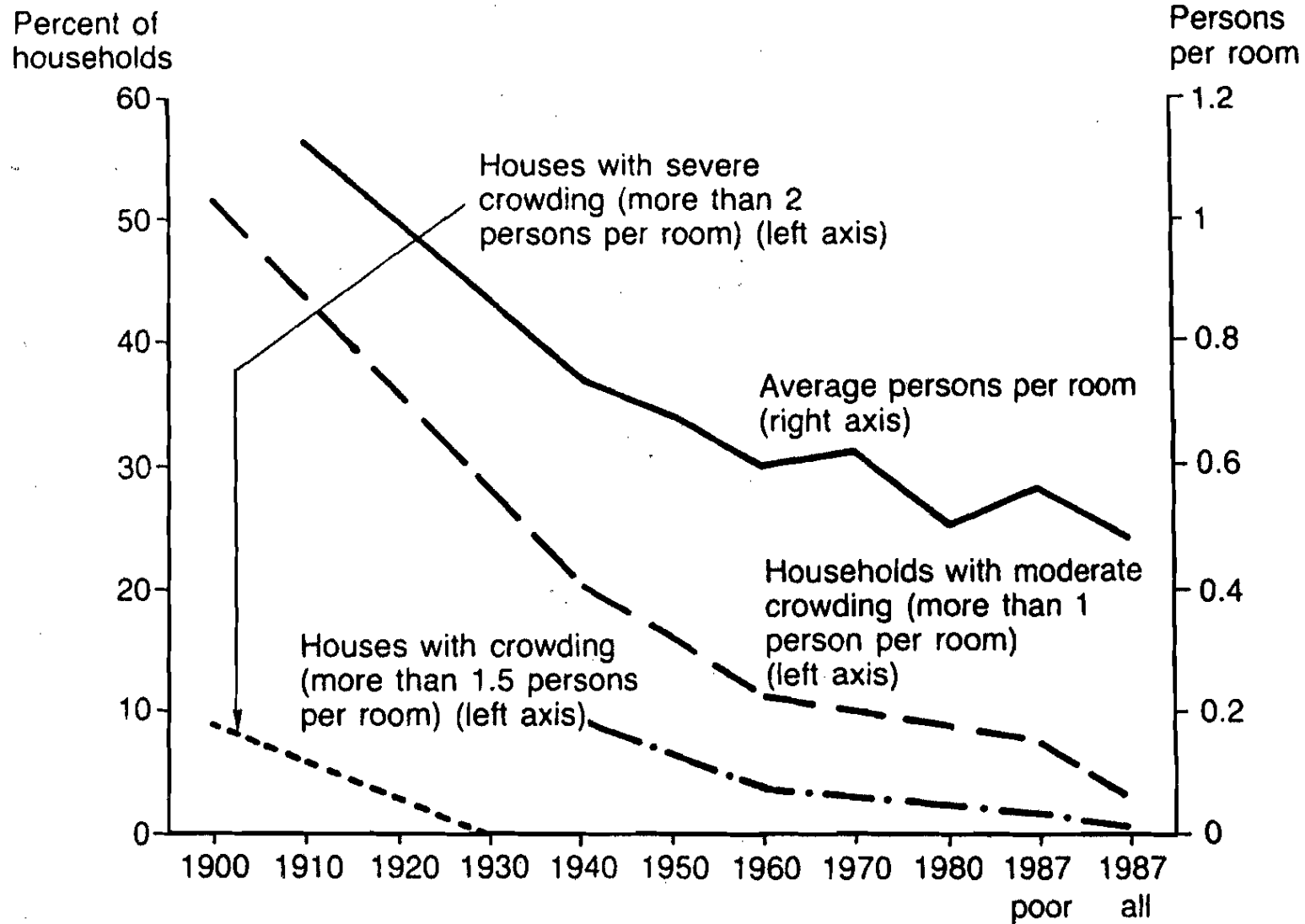


Figure 24.3b Amenities in American housing, 1900–87

Sources: Data for 1900–60: S. Lebergott, *The American Economy: Income, Wealth, and Want* (Princeton: Princeton University Press, 1976). Data for 1987: US Dept of Commerce and US Dept of Housing and Urban Development, *American Housing Survey for the United States in 1987*, Current Housing Reports, H-150-87.



**Figure 24.2b** Declining crowding in American housing, persons per room, 1900–87

Sources: Data for 1900–60: S. Lebergott, *The American Economy: Income, Wealth, and Want* (Princeton: Princeton University Press, 1976). Data for 1987: US Dept of Commerce and US Dept of Housing and Urban Development, *American Housing Survey for the United States in 1987*, Current Housing Reports, H-150-87.

# Employment and Training Programs

- **1962 -- MDTA-- Manpower Development and Training Act (Appalachian Miners)** targets unemployed male household head.
- **1964 Great Society Programs--Equal Opportunity Act** seeks to upgrade workforce: **Job Corps, Neighborhood Youth Corps, Operation Mainstream.**
- **1971- Comprehensive Employment & Training Programs (CETA)** a workfare program aimed at AFDC recipients.
- **1980s above replaced with "Job Training and Partnership Act (JTPA) – focus on the job training...private sector partnerships**



***But Johnson's War on Poverty Education and Training Strategy was a disappointment..***

- **Education and training helps** but not in small doses—expensive programs like the Job Corps work, but cannot compensate for lack of basic education and job experience. A few thousand dollars and a few months of training cannot do much: ***though women were able to work more hours but not for much higher pay (not a good investment)....***
- **Lessons:** no easy fix for deficient schools (switch to anti-dropout campaigns, counseling). For adult workers ***work first train later*** seem to work best...

## War on Poverty Lessons, (cont.)

- **Qualifying for job training subsidies may create a social stigma against job seekers— not as bad as prison record, but similar-- in a Denver study participants in the Job Training Partnership Act did worse in getting jobs. Private business has difficulty provide social services.**
- **Short training programs or subsidies cannot compensate for lack of basic education or work experience: education and training spending should target poor neighborhood schools rather than poor workers.**

## Welfare did discourage work and family formation somewhat...

- **Social-Casework Model**-- home visits by caseworker -high burnout, expensive, cases rose 36% from 1962-67-- ended by WIN in 1967 and welfare rights movement
- **Eligibility Compliance Culture** during 1970s and 1980s dominates and limits client-caseworker-relations
  - 1<sup>st</sup> visit -- 60-90 minute interview, forms, need documents
  - Over 2 week period Agency determines eligibility
  - encourages passivity, limits questions,
  - discourages work-- work requires more monitoring.
- **Self-Sufficiency Culture:** Family Support Act of 1988 moved toward self-sufficiency, “child-care and work”
- See Bane and Ellwood, *Welfare Realities* Chapter 1

## Welfare Caseloads grew rapidly (despite Johnson's "no transfers" order) 1964-72 Caseworkers & Welfare Rights

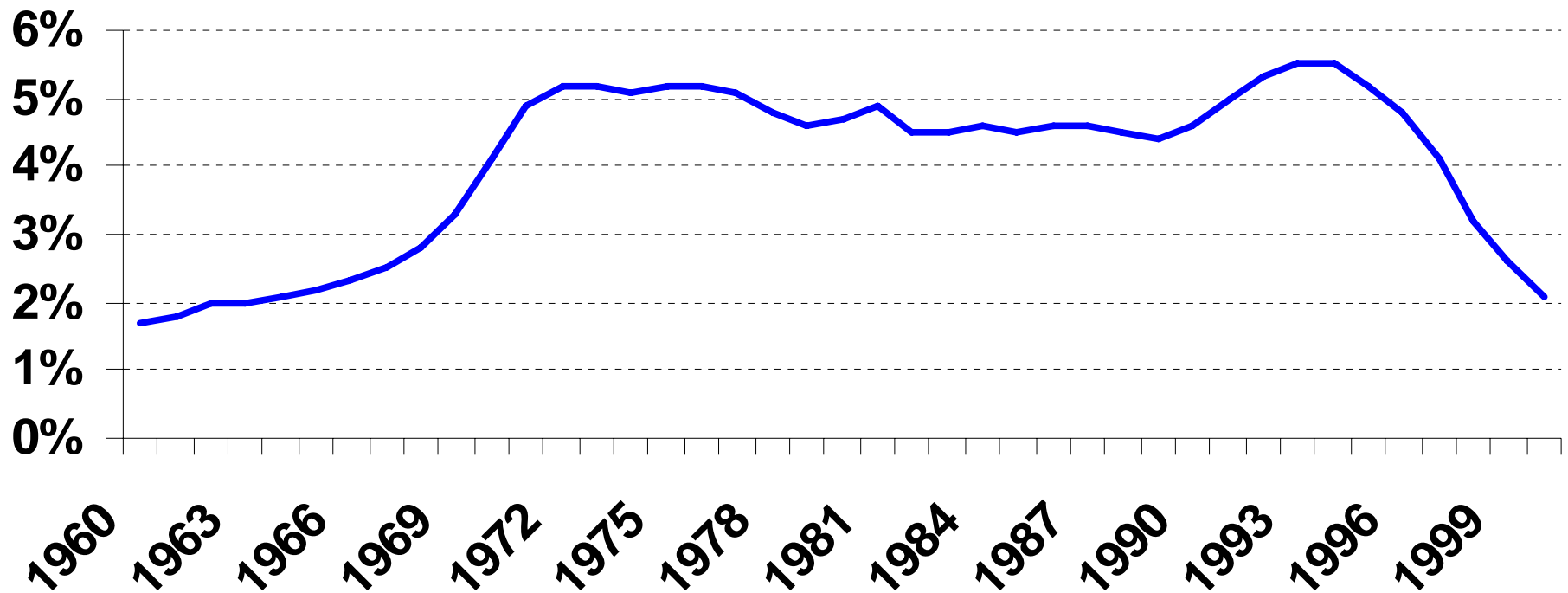
- **Social Security Amendments of 1962**-- more federal funds for administrative costs, a "social study" of 2.8 million AFDC children
- **Home Visits** caseworkers inspected homes, had discretion, sometimes discriminated -- but home visits caused high burnout among caseworkers and were expensive
- **Cases grew 7%** annually or 36% from 1962-67
- 1967 Limited workfare -- Wilber-Mills objects, Congress passes **WIN program or "work incentives"** to force AFDC mothers with children over 6 years to work

## **1967-72 Welfare Rights Movement**

- **Welfare Rights movement contributed to a doubling of welfare caseloads to double again during 1967-72 (17% growth per year)**
- **Courts struck down “man in house” rule in 1968, eligibility States were overwhelmed by the growth in caseloads, refusal rates fell.**
- **Social Workers were removed from eligibility determination process-- their discretion to hand out special benefits**

**Welfare roles shot up in the after 1968 into early 1970s...**

**U.S. Welfare Recipients % of Population**



## **Tough love ear 1976- 1989 harsh “bureaucratization” of welfare system**

- **Preoccupation with error rates- reducing caseloads catching welfare “cheats”**
- **Social workers given less discretion and less training – could not be advocates for recipients.**
- **In 1986 1.6 million WIN registrants, but 200,000 received services and just 130,000 left welfare.**

## The Tough-Love Index

Welfare benefits vary widely from state to state, but even before new Federal rules were passed in October all the states had decreased their maximum grants.

	Max. welfare grant as % of its 1995 per capita income	% of pop. below poverty line*	Max. monthly welfare grant per family of 3	Max. income level before losing eligibility for welfare		% reduction in max. welfare benefits from 1970 to 1996, adj. for inflation
				In dollars	As % of poverty line*	
<b>Alaska</b>	46.1	10.2%	\$923	\$1,662	123%	-29%
<b>Vermont</b>	36.7	7.6	650	1,095	101	-38
<b>Hawaii</b>	34.7	8.7	712	1,188	95	-20
<b>Calif.</b>	30.3	17.9	607	1,215	112	-18
<b>Utah</b>	28.0	8.0	426	972	90	-39
<b>R.I.</b>	27.9	10.3	554	951	88	-39
<b>Wis.</b>	27.9	9.0	517	896	83	-29
<b>N.D.</b>	27.8	10.4	431	767	71	-49
<b>Montana</b>	27.6	11.5	425	932	86	-47
<b>Wash.</b>	27.6	11.7	546	939	87	-47
<b>Minn.</b>	26.6	11.7	532	918	85	-48
<b>S.D.</b>	26.4	14.5	430	881	81	-59
<b>N.H.</b>	25.8	7.7	550	945	87	-47
<b>N.M.</b>	25.6	21.1	389	704	65	-34
<b>Oregon</b>	25.5	11.8	460	810	75	-37
<b>N.Y.</b>	25.0 <sup>†</sup>	17.0	577 <sup>†</sup>	986 <sup>†</sup>	91 <sup>†</sup>	-48 <sup>†</sup>
<b>Maine</b>	24.9	9.4	418	950	88	-22
<b>Iowa</b>	24.4	10.7	426	759	70	-46
<b>Mass.</b>	24.2	9.7	565	968	89	-47
<b>Conn.</b>	24.0	10.8	636	1,428	132	-43
<b>Kansas</b>	23.6	14.9	429	764	71	-51
<b>Mich.</b>	23.0 <sup>¶</sup>	14.1	459 <sup>¶</sup>	809 <sup>¶</sup>	75 <sup>¶</sup>	-47 <sup>¶</sup>
<b>Pa.</b>	21.4	12.5	421	752	69	-60
<b>Colo.</b>	21.1	9.0	421	752	69	-45



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				In dollars	As % of poverty line*	
<b>Wyo.</b>	20.9	9.3	360	1,005	93	-29
<b>Neb.</b>	20.3	8.8	364	666	62	-46
<b>Ariz.</b>	20.3	15.9	347	641	59	-36
<b>Idaho</b>	20.1	12.0	317	596	55	-62
<b>Okla.</b>	19.8	16.7	307	581	54	-49
<b>Ohio</b>	18.2	14.1	341	632	58	-47
<b>Illinois</b>	17.9	12.4	377	686	63	-59
<b>Va.</b>	17.7	10.7	240	480	44	-60
<b>W. Va.</b>	17.2	18.6	253	500	46	-44
<b>Nevada</b>	17.1	11.1	348	642	59	-27
<b>N.J.</b>	17.0	9.2	424	785	73	-65
<b>Md.</b>	17.0	10.7	373	680	63	-42
<b>Ky.</b>	16.7	18.5	262	909	84	-55
<b>Indiana</b>	16.1	13.7	288	552	51	-39
<b>Mo.</b>	16.1	15.6	292	558	52	-29
<b>Florida</b>	15.8	14.9	303	575	53	-33
<b>Georgia</b>	15.5	14.0	280	756	70	-34
<b>Del.</b>	15.4	8.3	338	627	58	-47
<b>N.C.</b>	15.4	14.2	272	936	87	-53
<b>D.C.</b>	15.1	21.2	420	750	69	-46
<b>Ark.</b>	13.5	15.3	204	426	39	-42
<b>S.C.</b>	12.6	13.8	200	420	39	-41
<b>La.</b>	12.0	25.7	190	405	37	-45
<b>Texas</b>	10.7	19.1	188	402	37	-68
<b>Tenn.</b>	10.6	14.6	185	995	92	-58
<b>Alabama</b>	10.3	16.4	164	366	34	-36
<b>Miss.</b>	8.6	19.9	120	672	62	-46

\* The Federal poverty line is \$12,980 for a family of three, except in Alaska and Hawaii.

† Figures are for New York City only.

‡ Figures are for Wayne County, which includes Detroit.

Source: House Ways and Means Committee, Commerce Dept.

## Poverty rises toward 15% in the 1980s...

1. Unemployment rose in the 1980s, wages to less skilled factory workers (men) fell in real terms (women catching up) however).
2. **Rising share of Single Parent Families (SPFs) increased risk** of poverty for children of working age adults
3. **Tough love:** government deliberately cut the **minimum wage and cash welfare benefits**– doesn't impact official poverty rates much.
4. **AFDC based Welfare** system not the main problem but not part of the solution either: discourages work, two parent families and adds **stigma, social isolation, & geographic immobility**
5. **In-kind benefits** not counted in the official poverty measure– plus CPI inflation overstated raising “real” poverty line.

## **1986: Ellwood's *Poor Support* responds to Murray's *Losing Ground* argument that welfare is creating poverty not reducing it...**

- ***High unemployment, a falling minimum wages and declining welfare benefits*** cause the poverty rate to rise from 11% to 15%, not AFDC or single mothers.
- ***Welfare (AFDC) is not a big cause of poverty problem, but it is not the solution either***– states with low benefits have more SPFs and even during “tough love” period 1987-96 children living in SPFs grew – though share on welfare did not– “working poor families” represented big increase in poverty.
- ***Ellwood says welfare reform is definitely needed... everyone hates welfare... recipients, tax payers, social workers–***
- ***Tough Love phase starts in 1977: steady decline in benefits for welfare families – right though 1993.***

# How to help two-parent families:

(see Ellwood page 105)

- ❑ **Universal Medical Insurance** (similar to auto insurance-- government insurer of last resort)
- ❑ **Make Work pay** – raise minimum wage & plus EITC (a personal wage subsidy)
- ❑ **Replace cash welfare payments (AFDC) and food stamps with transitional assistance program.**
- ❑ **Last resort jobs low wage or those who lose their transitional assistance.**

## **Ellwood: how to help single-parent families**

(see pp. Poor Support, 155 & 175)

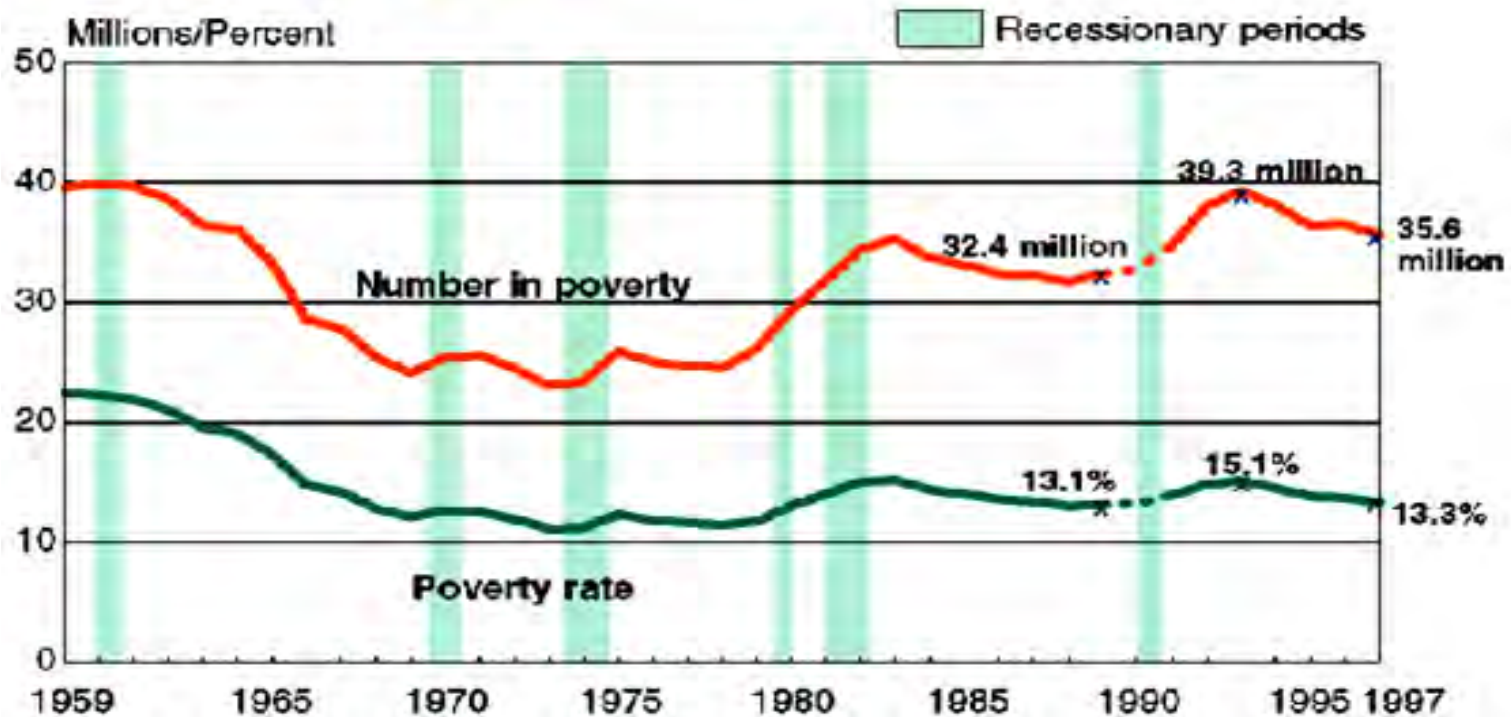
- Child support assurance– as opposed to welfare payments per child.**
- Universal Medical Insurance (gov. last resort)**
- Make Work pay – raise min wage & EITC**
- Replace welfare and food stamps with transitional assistance + Job Training California's GAIN prog.**
- Limited # of last resort jobs for those who lose their transitional assistance.**

## 1993-96– “Viola”– TANF+EIC + Minimum Wage Hikes+ very low unemployment rates

- **EIC and Minimum Wage** combine to reach over \$7 per hour in 1999, an historic high (work pays).
- **TANF-- Places 5 year limit** on welfare payments
- **Rising percentage of recipients** must engage in education, training job search and workfare programs– some still exempt from work.
- **Medical benefits** extend 6-12 months into employment– but no broad insurance.

## U.S. Poverty Fell until 1971, flattened and then rose in the 1980s

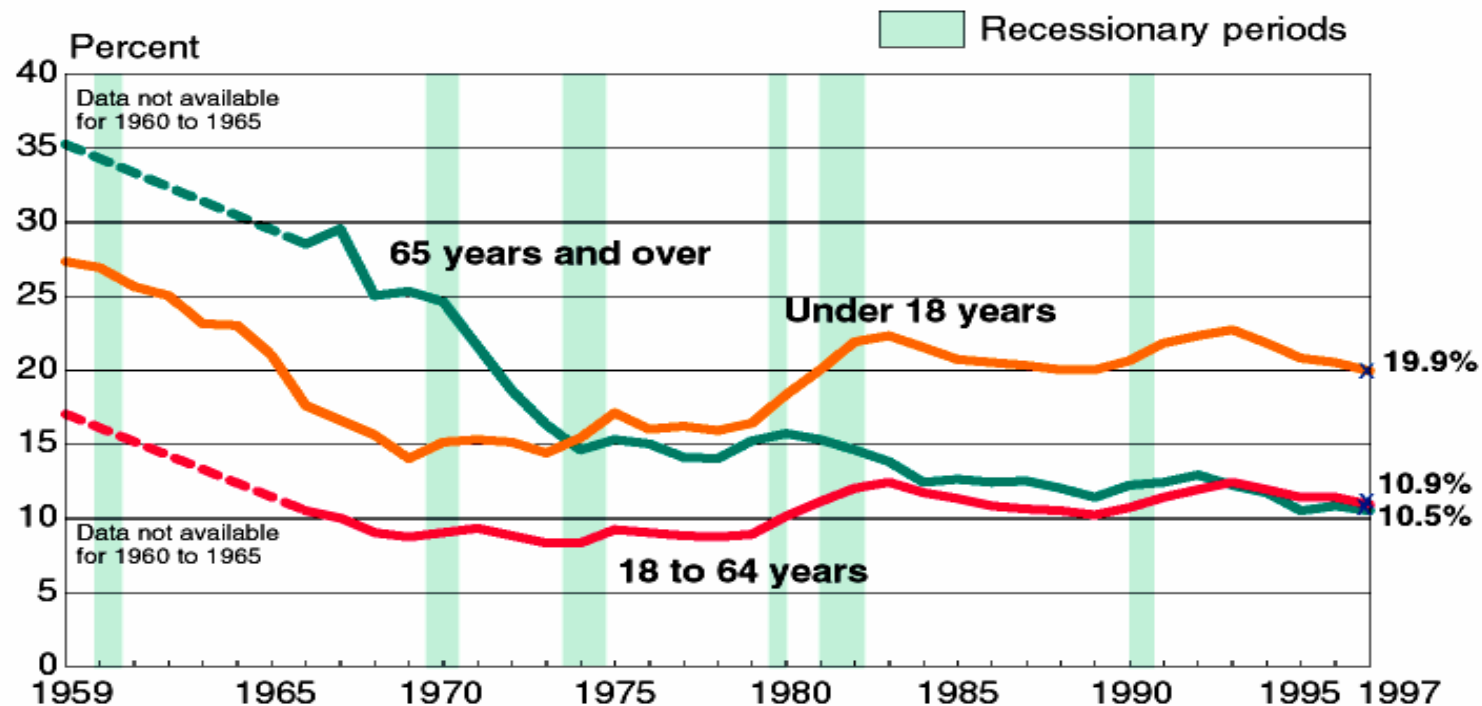
### Poverty: 1959-1997



Source: Census Bureau, March Current Population Survey.

# Elderly Poverty rates fall steadily poverty for young adults and especially for children rises after 1980

## Poverty Rates by Age: 1959-1997



Source: Census Bureau, March Current Population Survey.

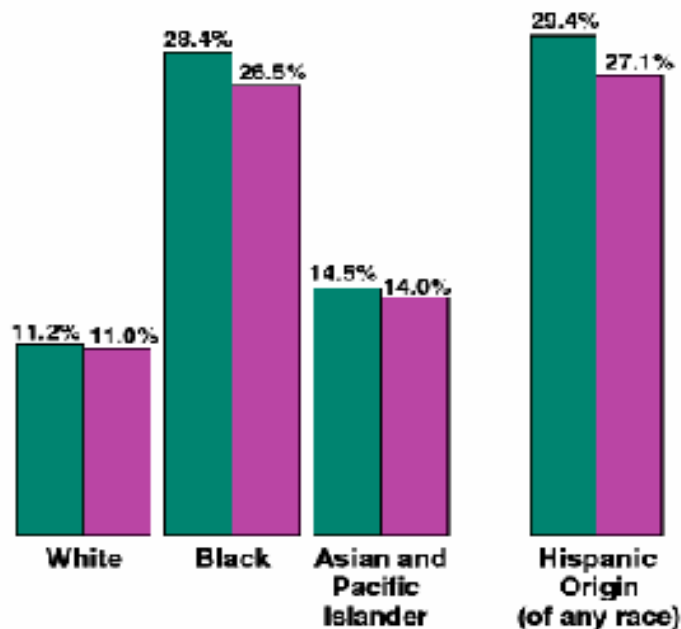


# In 1997 Black and Hispanic Poverty falls sharply (see 2000 CEA report)

**Poverty Rates of People by Race and Hispanic Origin: 1996 and 1997**

(Percent)

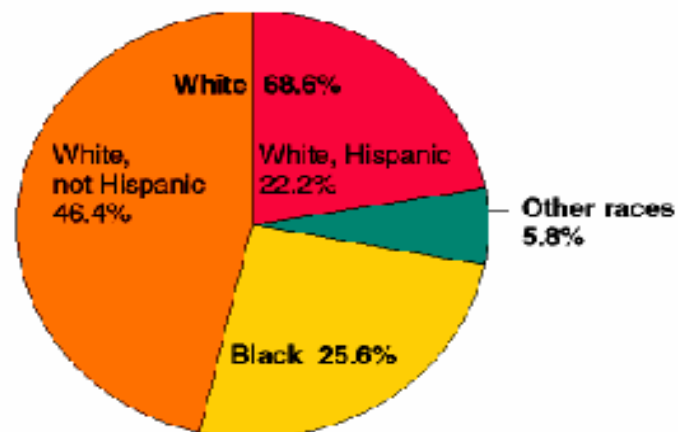
1996  
1997



(no change) (2.0% decrease) (no change) (2.3% decrease)

Source: Census Bureau, March Current Population Survey.

**Proportion of People Below Poverty by Race: 1997**



Note: People of Hispanic origin are 23.4 percent of the poor.