From the “War on Poverty” to a “war on welfare”...a brief history of U.S. Work and Welfare support Programs
Early in 1964 President Johnson’s Council of Economic Advisors (CEA) gave him the report President Kennedy had requested in 1963...

- The 1964 CEA report included the first official estimates of America’s poverty rate... 22% in poverty– making less that $3000 per year in 1964 dollars...

- 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)

- But, the CEA report 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.”
The War on Poverty, 1964-68 begins-- Johnson determined to focus on job training and education along with aggressive civil rights enforcement..

- During the 1960s boom unemployment was very low it seemed education and training would be all workers needed—rising wages and a low unemployment led most to argue problem was not a lack of jobs, but a lack of training...

- Discrimination against women minority groups was also a problem, but the Civil Rights Movement would taking care of that.

- Problem workers and community involvement would also involve and “empower” community groups in the War on Poverty programs such as Headstart the Job Corps – the Office of Economic Opportunity was set up to run these programs.
What went wrong?

• Education and training was a disappointment— and a flood of young inexperienced workers, minorities, women showed up in the early 1970s...

• Economy slowed after 1973.. demand for workers slowed...real wages for male factory workers stagnated, young families w/ children did not do well.

• The civil rights movement spurred a welfare rights movement as social workers and the Supreme court eased restrictions on AFDC and expanded caseloads.. rising divorce rate and more SPFs.

• In kind benefits not included in official poverty measure...no credit for where most money was spent.
What went Right?

• Severe poverty largely eliminated by expanded safety-net – housing quality up, basic necessities... food stamps Medicaid (Medicare), WIC, few “shoeless” children left
• Education and training helped women and minority groups get jobs and increase their hours worked
• Some education programs survive: Job Corps, Headstart.
• Elderly Americans benefited from expanded social security benefits and Medicare... poverty fell through postwar period—for them poverty almost ended by 2000 (indexed social security).
Poverty Rates by Race and Hispanic Origin: 1959 to 2001

Poverty rate increased for Whites and non-Hispanic Whites; unchanged for other groups between 2000 and 2001.

- Black
- Hispanic (of any race)
- Asian and Pacific Islander
- White
- Non-Hispanic White

Note: Data for Blacks are not available from 1960 to 1965. Data for other race and Hispanic origin groups are shown from the first year available.

Employment and Training Programs

• **1962 -- MDTA-- Manpower Development and Training Act**—targeted displaced male heads of households.

• **1964 Great Society Programs**—Equal Opportunity Act targeted “structural” unemployment: Job Corps, Neighborhood Youth Corps, Operation Mainstream.

• **1971- Comprehensive Employment & Training Programs (CETA)** a workfare program aimed at AFDC recipients.

• **1980s” Job Training and Partnership Act (JTPA)** – focus on the job training...
War on Poverty Education and Training Strategy, largely failed...

- **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: women were able to work more hours but not for much higher pay (not a good investment)....

- **Lessons:** Build up traditional schools (anti-dropout campaigns, counseling). For adults **work first train later** works 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.
Women close the earnings gap...

Women’s-to-Men’s Median Earnings Ratio: 1960 to 2001
(Full-time, year-round workers)

Women’s earnings increased 3.5 percent; men’s earnings did not change. Women’s-to-men’s earnings ratio at all-time high.

Welfare discouraged work and family formation in the 1970s and 1980s

- **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
  - **1st 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.


- See Bane and Ellwood, *Welfare Realities* Chapter 1
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

0% 1% 2% 3% 4% 5% 6%

1972-88 Bureaucratization of Eligibility

- Preoccupation with error rates - caseloads
- Many social workers, less discretion, less training.
- In 1986 1.6 million WIN registrants, but 200,000 received services and just 130,000 left welfare.
Headed in the wrong direction...
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* is a response to Murray’s *Losing Ground*

- **High unemployment, a falling minimum wages and declining welfare benefits** cause the poverty rate to rise from 11% to 15% during the 1980s, it was not welfare (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.

- **Welfare reform is definitely needed**... *everyone hates welfare... recipients, tax payers, social workers*–

- **Tough Love phase starts in 1979: steady decline in benefits for welfare families** – right through 1993.
Ellwood’s Poor Support, on American values

1. **Individual Autonomy:** “Americans believe that... people can provide for themselves if they are willing to make the necessary sacrifices. The rags-to-riches American dream pervades our culture. Rugged individualists win respect even if their behavior borders on the eccentric or even the criminal.”

2. **Virtue of Work.** “The work ethic is fundamental... People ought to work hard not only to provide for their families, but because laziness and idleness are seen as indications of weak moral character. The idle rich command as much disdain as jealousy; the idle poor are scorned.”

3. **Primacy of the Family.** “The nuclear (2 parent) family is still the primary social and economic unit, and, certainly, its foremost responsibility is to raise children. Families... socialize children, guard their safety, provide for their education, impose discipline and direction, and ensure their material well-being while they are young. The husband and wife are also expected to support each other.”

4. **Desire for and Sense of Community.** “The autonomy of the individual and primacy of the family tend to push people in individualistic and often isolating directions. But the desire for community remains strong in everything from religion to neighborhood.”

5. **Compassion and sympathy for others** “can be seen as flowing from a sense of connection with and empathy for others.” **Ellwood, 1986 page 16 Chapter 2**
How to help two-parent families: (see page Ellwood p.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.
America’s war on poverty and Single Parents: how the “war on poverty” became a “war on welfare”…
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 SPF's.
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
Figure 24.2b  Declining crowding in American housing, persons per room, 1900–87
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...
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...

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- **Eligibility Compliance Culture** during 1970s and 1980s dominates and limits client-caseworker-relations
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  - 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
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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.

<table>
<thead>
<tr>
<th>State</th>
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<th>% of pop. below poverty line*</th>
<th>Max. monthly welfare grant per family of 3</th>
<th>Max. income level before losing eligibility for welfare</th>
<th>% reduction in max. welfare benefits from 1970 to 1996, adj for inflation</th>
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<tbody>
<tr>
<td>Alaska</td>
<td>46.1</td>
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<td>$923</td>
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* The Federal poverty line is $12,960 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.
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
Elderly Poverty rates fall steadily poverty for young adults and especially for children rises after 1980

Poverty Rates by Age: 1959–1997

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

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

<table>
<thead>
<tr>
<th>Race</th>
<th>1996</th>
<th>1997</th>
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<tbody>
<tr>
<td>White</td>
<td>11.2%</td>
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<tr>
<td>Black</td>
<td>28.4%</td>
<td>26.5%</td>
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<tr>
<td>Asian and Pacific Islander</td>
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<td>14.0%</td>
</tr>
<tr>
<td>Hispanic Origin (of any race)</td>
<td>20.4%</td>
<td>27.1%</td>
</tr>
</tbody>
</table>

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

- White: 68.6%
- White, Hispanic: 22.2%
- Other races: 5.8%
- Black: 25.6%

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

- Key then entry and exit from welfare spells-- causes-- the role of work vs. family formation
- 35% of current recipients on welfare less than 2 years, only 20% on for 10 years or more.
- Half of all spells <2 years, only 14% >10 years-- but >5 year accounts for 50% of welfare outlays.
- Less than 15% of all recipients will be on welfare for 2 years or less, 48% will be on 10 more years.
- Ellwood and Bane Welfare Realities, Chapter 2. 28-30, 40-45, 53-66
Models of Dependency-Chapter 3

- **Rational Choice Models** -- fully informed individuals compare work to welfare, choose the most beneficial
- **Expectancy Models** -- people value control, success builds confidence, failure breeds dependence, loss of control, people may lack information-- make mistakes.
- **Cultural Models**: culture of poverty, underclass, often associated with race or ethnic background
- **Geographic or Spatial Models**: concentration effects, ghetto poverty. where you lives vs. who you are.
Poverty for the Elderly fell Steadily, Poverty among the young rose after 1980, especially for Children

Poverty Rates by Age: 1959–1997

In 1997 Black and Hispanic Poverty Fell Significantly.

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

- **White**: 11.2% (no change)
- **Black**: 28.4% → 26.5% (2.0% decrease)
- **Asian and Pacific Islander**: 14.5% (no change)
- **Hispanic Origin (of any race)**: 29.4% → 27.1% (2.3% decrease)

Proportion of People Below Poverty by Race: 1997

- **White**: 68.6%
- **White, not Hispanic**: 46.4%
- **White, Hispanic**: 22.2%
- **Black**: 25.6%
- **Other races**: 5.8%

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