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WHY STRONG WORK REQUIREMENTS ARE IMPORTANT IN MARYLAND'S WELFARE SYSTEM

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Compared to other states in the mid-Atlantic region, Maryland has done comparatively well in reducing welfare caseloads over the past several years.¹ The welfare system in Maryland, however, can and should be improved. This analysis looks at the issue of why work requirements should be directly tied to welfare receipt, and how Maryland's program can be strengthened through strong work requirements.

BACKGROUND

Nationwide, welfare reform is widely considered to be the most successful piece of social policy in recent memory. Since President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996² into law, the following pro-social outcomes followed:

- Poverty rates for virtually all demographic segments of society have dropped substantially, with decreases in poverty greatest among black children;

- Hunger among children has been cut roughly in half;
- Welfare caseloads nationwide have been cut by around 60 percent, and caseloads in Maryland are at their lowest levels in four decades;³
- The explosive growth of out-of-wedlock child-bearing has come to a virtual halt.⁴

Much of the reason for these substantial outcomes was that the new Temporary Assistance for Needy Families (TANF) program, which replaced the old Aid to Families with Dependent Children (AFDC) program, changed the incentives of the system. Instead of being a traditional entitlement program, TANF shifted to a reciprocal agreement. The government would agree to provide cash and in-kind welfare benefits to those in need so long as able-bodied recipients agreed to do work or other productive activities in return for those benefits.

States were then given a great deal of latitude and discretion in setting work requirement standards and determining how the requirements would be enforced. To that end, they could exempt certain

1. See Kirk A. Johnson, Ph.D., "Improving the Social Safety Net in the Old Line State," *Maryland Policy Report* No. 2004-5, The Maryland Public Policy Institute, June 1, 2004, available at www.mdpolicy.org/publications/policy_report/policyreport2004-5.pdf.
2. Personal Responsibility and Work Opportunity Reconciliation Act of 1996, available at wdr.doleta.gov/readroom/legislation/pdf/104-193.pdf.
3. Associated Press, "State Welfare Rolls Lowest in Four Decades" *Baltimore Sun*, July 21, 2005, available at www.baltimore-sun.com/news/local/bal-welfare0721,1,5715322.story?coll=bal-local-headlines.
4. For more on this, see Robert Rector and Patrick F. Fagan, "The Continuing Good News about Welfare Reform," Heritage Foundation *Backgrounders* No. 1620, February 6, 2003, available at www.heritage.org/Research/Welfare/bg1620.cfm.

recipients from the requirements and determine the level of sanctions they would impose if recipients did not meet their work requirements.⁵ For the first time in the history of anti-poverty programs, recipients could find their benefits cut for not keeping up with their end of the bargain.

IMPORTANCE OF STRONG WORK REQUIREMENTS

Over the ensuing years post-reform, increasing evidence emerged that these work requirements were linked to higher incomes in welfare-receiving families. Because different states established different rules and procedures regarding the implementation of work requirements—as the law gave them leave to do—several analysts researched how different levels of work requirements affected participant outcomes.

For example, Dr. Rebecca Blank, a former economic adviser in the Clinton administration, wrote an important analysis of the role of work requirements on income.⁶ Among her findings, three are particularly relevant to this discussion.

- Economic wellbeing for nearly all children rose in the post-welfare reform era:
 - Income expanded (relative to needs) at virtually all points in the income distribution among families with children. Only among the bottom 4 percent of children is there less than a 10 percent increase in income, and only among the bottom 2 percent does income decline.⁷

- The research indicates that the income of poor families rose faster than that of non-poor families during that time frame.
- The income gains for single parent or parentless families were more pronounced in states with strong work requirements:

States that adopted strong work incentives in the mid-1990s as part of their welfare-reform package appear to have produced greater increases in the income of children living in families without two parents present. These gains appear to arise both from policies that provide cash incentives for women to work and policies that provide penalties for women who do not move quickly into employment.⁸

Largely because of what the research has shown, both left- and right-leaning policy analysts now accept the role of work in alleviating poverty. Ron Haskins and Isabel Sawhill of the Brookings Institution, for example, noted that work requirements, rather than more welfare benefits, would be far more effective in alleviating poverty.

The reform of welfare in 1996 has had far more positive effects on employment, earnings, and poverty rates than almost anyone anticipated. The data summarized in this brief suggest this is because work is a powerful antidote to poverty and that, in its absence, no politically feasible amount of welfare can fill the gap as effectively.⁹

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5. One of the consequences of this is that some states have seen fit to establish exceptionally weak work requirements that go against the spirit of the reform legislation. See Jason Turner, “Don’t Let California and New York Undermine Welfare Reform’s Work Requirements,” Heritage Foundation *Executive Memorandum*, No. 819, June 13, 2002, available at www.heritage.org/Research/Welfare/EM819.cfm.
 6. Rebecca M. Blank and Robert F. Schoeni, “Changes in the Distribution of Children’s Family Income over the 1990s,” *American Economic Review*, Vol. 93, No. 2, pp. 304–308.
 7. *Ibid.* p. 304.
 8. *Ibid.* pp. 307–308.
 9. Ron Haskins and Isabel Sawhill, “Work and Marriage: The Way to End Poverty and Welfare,” Brookings Institution, *Welfare Reform and Beyond*, No. 28, September 2003, p. 8.

MARYLAND SHOULD NOT WAIT FOR CONGRESS TO ACT

Since they have been so successful over the past several years, enhanced work requirements will almost certainly be integrated into the reauthorization legislation, although it is unclear when that will take place. Instead of offering a full reauthorization of the 1996 law, Congress has delayed action on several occasions by passing a series of extensions, and President George W. Bush signed the latest one on July 1, 2005.¹⁰ The inability of Congress to reauthorize the law spawns a great deal of consternation across the country. As Maryland's own Kevin M. McGuire, Executive Director of the Family Investment Administration, told the U.S. House Ways and Means Subcommittee on Human Resources earlier this year,

What is most important in this round of debate on TANF Reauthorization is that we finally get a bill. The past string of continuing resolutions has hindered our ability to plan for whatever comes out of the legislative process. Having one foot in the old program and another lifted moving toward an uncertain new one is a difficult position to hold for over two years.¹¹

While Mr. McGuire is correct that the TANF program should get a standard reauthorization that improves upon the foundation set by the original 1996 law, Maryland does not need to wait for Congress to act. Maryland should continue to implement its own innovative programs that strengthen the state's TANF work requirements and therefore continue to increase its work participation rate.

The most effective way that the state can assure high rates of work participation is by building on its "Universal Engagement" program. The goal of this program is to place substantially all able-bodied TANF recipients into work or some other constructive activity as soon as possible.¹² Indeed, Maryland has nearly doubled its low work participation rate from 8.3 percent in 2002¹³ to 16.3 percent in 2004¹⁴ in response to this program without a full reauthorization of the law. One could argue, however, that Maryland's work participation rate could only go up; in 2002 the state had the second lowest work participation rate among the 50 states, with only Georgia and Oregon lower.

Such programs requiring work for welfare benefits have been greatly effective in increasing work and decreasing idleness and dependency. As Jason Turner, welfare commissioner for former New York City Mayor Rudy Giuliani, notes:

New York City's 'high engagement' policy resulted in a steep decline in the welfare dependency rate. Between August 1996 and February 2003, the caseload declined by 57 percent...Moreover, as New York's 'high engagement' efforts reached ever greater numbers of previously idle recipients, employment rates jumped. Near the beginning of the Giuliani reforms in 1996, 42 percent of single mothers in New York City were employed. As the Giuliani work-based reforms took effect, by 2001, the employment rate had soared to 61 percent. The impact of reform was even more dramatic among the group most likely to be on welfare—single mothers without a high school degree. Employment in this group jumped from 16 percent in 1996 to 42 percent in 2001. Overall, compared against all U.S. central

10. The latest TANF Extension Act of 2005 (P.L. 109-19), signed into law on July 1, 2005, is set to expire on September 30, 2005 (see www.congress.gov/cgi-bin/bdquery/z?d109:H.R.3021). Congress will have to pass yet another extension or a full reauthorization by that time.

11. House Committee on Ways and Means, Kevin M. McGuire, Executive Director, Family Investment Administration, Maryland Department of Human Resources, Baltimore, Maryland; testimony before the Subcommittee on Human Resources, February 10, 2005.

12. Maryland's Universal Engagement program seeks to place recipients in a productive activity within 30 days of entry into TANF.

13. Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services, "Sixth Annual TANF Report to Congress," Table 3:1:a, available at www.acf.hhs.gov/programs/ofa/annualreport6/chapter03/0301a.htm.

14. McGuire testimony, February 10, 2005.

city areas, Census Bureau information shows that, between 1995-96 and 2000-01, New York City increased its employment of single mothers at twice the national rate.¹⁵

While Maryland should be lauded for establishing a Universal Engagement policy, the risk is that the policy may be watered down. Placing TANF recipients into work and other productive activities should be the central goal of welfare reform, not just reducing caseloads. The current system, however, tends to put more emphasis on the latter outcome, with the most recent statistics bearing this out. Irrespective of what Congress ultimately does, Maryland should emphasize a strong work requirement/Universal Engagement strategy in its program. Such a policy will best create the conditions necessary for recipients to gain self-sufficiency for themselves and their families.

CONCLUSION

While Maryland has succeeded in reducing caseloads, the state has done a comparatively poor job of requiring work in consideration of benefits received.¹⁶ It is therefore encouraging to see that the state has recognized this, and has begun to intensify work requirements in its TANF programs. Over the long term, work is the only way for individuals to achieve true independence and self-sufficiency.

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15. Jason Turner, "Universal Engagement' of TANF Recipients: The Lessons of New York City," Heritage Foundation *Backgrounder*, No. 1651, May 8, 2003, available at <http://www.heritage.org/Research/Welfare/bg1651.cfm>.

16. See Kirk A. Johnson, Ph.D., "Improving the Social Safety Net in the Old Line State," *Maryland Policy Report*, Maryland Public Policy Institute, No. 2004-5, June 1, 2004, available at http://www.mdpolicy.org/publications/policy_report/policyreport2004-5.pdf.