



CED IN BRIEF

A Policy Series From A Business Perspective

Welfare Reform: Emphasize Skill Development, Not Work Requirements

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA), the landmark legislation that radically reformed the welfare system, has been in a state of legislative limbo since 2002, when the law expired. Congress has been unable to agree on reauthorizing legislation. Instead, the program has been temporarily extended several times. This lack of action hinders states and localities in their long-range planning because of uncertainty regarding funding levels and program changes that may be mandated. Congress must reauthorize PRWORA now so that the progress of welfare reform may be advanced. The Committee for Economic Development (CED) issued proposals for reform that address the major issues in the current reauthorization debate in a report, *Welfare Reform and Beyond: A CED Policy Update*. That report updated a previous policy statement, *Welfare Reform and Beyond: Making Work Work*, which provided a comprehensive analysis of the progress of welfare reform.

CED argues that welfare reform is not only a matter of economic security to millions of families working their way out of poverty and into self-sufficiency; it is vitally important to the strength of our workforce. Baby-boomers are nearing retirement age, and the U.S. native-born labor force will soon stop growing. Therefore, turning welfare recipients into skilled, productive workers able to meet our future labor needs is critical for economic growth, not solely social fairness. Prompt Congressional action is required to pass reauthorization legislation that will provide states and welfare families with the flexibility and resources they need to continue the success of welfare reform. When making improvements to welfare, lawmakers must remember that the goals of welfare reform should be to increase personal responsibility and self-

sufficiency, enhance job prospects, and help families out of poverty -- not simply to reduce welfare caseloads.

Because welfare is such a vital part of efforts to reduce poverty and promote broad-based economic growth, and because states must know what budgetary and programmatic changes they need to make, it is imperative that Congress pass a full reauthorization of welfare now. Below are CED's recommendations for action on the key issues in the welfare reauthorization debate

Program funding

The annual block grant for the Temporary Assistance for Needy Families (TANF) program of \$16.5 billion has been unchanged since 1997. Although caseloads have fallen, increased demand for services that facilitate the transition from welfare to work for TANF beneficiaries, such as job training and income supplements, has strained the budgets of cash-strapped states. States must have the proper resources to implement their programs. While the reduction of welfare caseloads and the current federal budget climate may induce some to curtail TANF funding, CED believes that diminishing the TANF block grant would be imprudent.

Child care

With more mothers and single-parent families entering the workforce, additional funding for child care is needed to meet larger demand and to improve service quality. As more poor women, many of whom are raising families single-handedly, are required to work, it

is critical to ensure access to quality child care. High-quality child care not only supports working parents, it also provides enormous benefits to their children – endowing them with necessary skills to succeed in life. Reauthorization legislation introduced in the House of Representatives would provide only \$1 billion in new child care aid over five years. However, a bipartisan bill recently approved by the Senate Finance Committee adds \$6 billion in child care funding.

Work requirements and flexibility for states in devising and implementing programs

A major issue in the reauthorization debate involves increasing federal work requirements and the effect such requirements would have on the ability of states to design and administer programs that are tailored to the particular needs and circumstances of aid recipients. The House bill, which is supported by President Bush, would increase the individual weekly work-activity requirement for TANF recipients from 30 to 40 hours per week and limit the activities that states could classify as “work.” CED believes that such an approach is misguided and would overburden many families already struggling to juggle work with caring for their families and seeking job training and education. States would also be forced to create expensive job programs that would result in little more than busy-work for participants, and would not assist them in attaining real, sustainable employment.

CED calls for “universal engagement” of welfare participants in work and activities that prepare them for work, while providing states with the resources and flexibility they require to develop systems that provide recipients with the training and skills to achieve productive employment that permanently liberates their family from poverty.

Support programs

Easy access to vital support programs such as Food Stamps, Medicaid and other benefits available to families transitioning from welfare must be ensured and officials must strive to inform families of their eligibility for these programs and assist them in obtaining the benefits. CED also supports expansion

of Transitional Medical Assistance, which provides access to medical care for families exiting welfare. Greater efforts must also be made to provide transportation assistance to increase job opportunities for low-wage workers.

Income support

CED believes that providing short-term assistance to families in escaping poverty is crucial to the long-term success of welfare-to-work policies. Studies indicate that programs that allow welfare recipients to receive some TANF support while also working produce much better outcomes for families than work-only programs. Unfortunately, such income support counts against a recipient’s five year limit on public assistance under current TANF rules. CED advocates that such income supplements to full-time workers be exempted from the time limit. CED sees this assistance as promoting work, not discouraging it.

CED also recommends that eligibility for Unemployment Insurance be extended to low-wage, part-time, and short-time workers. This change would also assist families in leaving welfare and prevent them from reverting back to poverty. Additionally, states should be permitted to extend welfare and other benefits to legal immigrants, which is currently prohibited by law.

Strengthening marriage and families

CED supports limited state experiments to strengthen marriage and two-parent families. CED suggests a cautious approach in this area because little is known about how to successfully promote stable families.

CED also urges that states be given the option to pass through the full amount of child support payments to families without being required to reimburse the federal government for its share of such payments, as is currently the case. This would ensure that families, particularly the children, receive the full benefits of these payments.

The Committee for Economic Development (CED) is an independent, non-profit, non-partisan, public policy research organization dedicated to addressing the critical economic and social issues facing society.

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March 2005