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**Gaps in the US Safety Net:
A Challenge for the Obama Administration**

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Abstract

The social policy of the US welfare state is based on a liberal model of social protection. The social contract is based on the idea that individuals of working age should support themselves and their dependants thanks to their earned income. However, to have a job is no longer sufficient in protecting individuals against main social risks. President Obama has been elected on the promise that he will restore the American dream, whereby individual work is rewarded by upward social mobility. However, the Obama administration faces the challenge of rising social inequality and poverty, in an extremely difficult economic context. The Great Recession has laid bare the gaps of the safety net: a growing proportion of families must choose between paying for food or rent. To understand the inadequacies of the US social protection system, it is necessary to study the structure of public assistance programmes, as well as labour market trends and the impact of the recession on low-income households. This analysis will shed light on the main characteristics of the Obama administration's response to the economic crisis.

Anne Daguerre

L'administration Obama face aux carences de la protection sociale américaine

Résumé

La politique sociale de l'Etat-Providence américain est fondée sur un régime de protection libéral. L'idée qui préside au contrat social veut que les individus en âge de travailler subviennent à leurs besoins et à ceux de leur famille grâce à la rémunération de leur travail. Or le fait d'avoir un emploi ne suffit plus à prémunir les individus des principaux risques sociaux. Le Président Obama a été élu en promettant de rétablir le rêve américain, qui voit l'effort individuel récompensé par la promotion sociale. Mais l'administration Obama est confrontée au défi de la progression de l'inégalité sociale et de la pauvreté, dans un contexte économique très défavorable. La Grande Récession (2008-2009) a mis en évidence les failles du système de protection sociale : une proportion croissante de ménages doit choisir de payer soit ses dépenses de logement, soit ses dépenses alimentaires. Pour comprendre les raisons de cette insuffisance du système de protection américain, il est nécessaire d'étudier tant la structure de l'assistance sociale aux Etats-Unis que l'évolution du marché du travail et l'impact de la récession sur les ménages aux revenus modestes. Ces analyses permettent de saisir les grandes lignes de la réponse de l'administration Obama à la crise économique.

Gaps in the US Safety Net: A Challenge for the Obama Administration

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That Americans hate « welfare » has been a central feature of US society since the 1980s. In this context, the Personal Responsibility and Work Opportunity Reconciliation Act, which ended entitlement to social assistance, has been heralded as a silent revolution in US social policy. Are Americans truly reconciled with welfare? And is there more appetite for social programmes in a post Great Recession period?

The US social policy system is complex and highly fragmented, and is generally mischaracterised in the mainstream comparative social policy literature. This study explains the basic principles of the US public assistance programmes and their evolution since the 1990s. Indeed, the public debate has focused on one particular question : who deserves public assistance, and under what conditions?

Over the past 20 years, notably since the adoption of Temporary Assistance for Needy Families (TANF) in 1996, which ended entitlement to cash assistance to low income families, US social policy has been based on the premise that wages should be the main source of income working age individuals. There is at present a consensus that social policy programmes should focus on helping low income workers as opposed to providing hand outs to the non-working poor¹. In other words, social benefits should encourage work either directly through in-work subsidies such as the Earned Income Tax Credit (EITC) or directly through programmes such as Medicaid, Transitional Medical Assistance (TMA), and, to a lesser extent, Food Stamps. Benefits to the unemployed are reduced to a meagre minimum and conditions of access are so restrictive (as in TANF) that they act as a deterrent to unemployment, thus encouraging those seeking public assistance benefits to find employment no matter how undesirable the job may seem.

¹ Stoker and Wilson 2006.

In this context, and in contrast to European-style policies, the role of social programmes is not principally about protecting individuals against social risks such as old age, illness and disability, although the protection against such risks does exist, especially for the elderly. Rather, working-age individuals are expected to protect themselves against illness and loss of income through the labour market. The role of social policy is thus to help individuals access paid employment and to remain in the labour market, since it is through their status as workers that individuals will qualify for health care and unemployment insurance. The assumption that employment will provide such protection is, however, deeply flawed. The labour market, for various structural reasons, can no longer protect individuals against social risks. Indeed, job insecurity and income volatility are on the rise and affect middle-class families².

Although income insecurity and poverty were not restricted to a minority prior to 2008-2009, the Great Recession (2008-2009) exposed the holes in the US safety net. In the context of historically high unemployment rates by US standards (10% in December 2009), the social protection system has been unable to contend with the rising tide of poverty and hunger. In 2008, nearly 50 million Americans qualified as poor, including nearly one in five children. And hunger, defined as inadequate access to food, affected more than 50 million Americans, including almost one in four children. Social policy is once again at the forefront of the national debate, especially since the election in November 2008 of Barack Obama, a Democrat and the first African-American President. Since February 2009, the Obama administration has implemented an ambitious stimulus package – the Recovery Act – which has been credited with preventing the Great Recession from turning into a Great Depression.

However, despite additional spending on social programmes and generous tax breaks under the Recovery Act, there are no automatic stabilizers in the US system, which explains the sharp degradation of living standards as a result of the recession. The report analyses the reasons behind the various inadequacies of the US safety net as well as the impact of the economic crisis on American citizens. This report is divided into three sections. The first section analyses the structure of the public assistance system for working-age individuals. It provides an overview of the inter-action between disability programmes (SSI) and public assistance programmes such as Food Stamps now known as Supplemental Nutrition Assistance Programme (SNAP), Temporary Assistance for Needy Families, Unemployment Insurance, Medicaid, the Earned Income Tax Credit and the Child Care Tax Credit. The second section examines labour market trends since the late 1970s with a focus on the current recession and its impact on low-income individuals and families. This section shows that the deterioration in the living standards of vulnerable individuals and families began prior to the recession 2008-2009 as coverage against social risks proved inadequate to an increase in the number of low-paid jobs and job insecurity. The third section focuses on the Obama administration's response to these challenges. On balance, this administration is sticking to the principles which remain at the core of US public assistance programmes, i.e., that jobs represent the best protection against social risks, even in extremely difficult economic times.

² Hacker 2006.

THE INSTITUTIONAL FRAMEWORK OF PUBLIC ASSISTANCE PROGRAMMES

There is no comprehensive US welfare state in the European sense of the world with universal coverage of social risks such as the loss of employment, old age and poor health. Instead, US social policy is a two tier system, with the upper tier being Social Security which is administered by the federal government and focuses on the elderly and disabled. Negative views about the poor have long impregnated the mindset of US administrators³. Moreover, the American social contract is based on the premise that only those genuinely incapable of working qualify for disability assistance payments (Supplemental Social Income or SSI). This explains two characteristics of the US social assistance system: first, programmes are built around the needs of poor families with children, practically excluding childless individuals⁴; second, welfare programmes are generally demeaning and deliver extremely meagre benefits thereby encouraging people to work if at all possible rather than apply for welfare.

For the sake of clarity, we distinguish three periods in American social history. The first period begins with enactment of the Social Security Act of 1935. The second period (1965-1975) includes the piecemeal expansion of Social Security programmes and the creation of additional programmes in order to respond to newly identified needs. Of central importance was the political consensus to eliminate poverty, which was portrayed as a disgrace and an anomaly in country as rich as the US. The Nixon Presidency (1969-1974) coincided with an increase in popular opposition to antipoverty and affirmative action programmes. Nevertheless these programmes were broadened and became more generous and tax credits to supplement low wages were introduced. The third period represents a period of restructuring and retrenchment of programmes aimed at the most vulnerable. The opposition to welfare culminated in 1996 with the elimination of Aid to Families with Dependant Children (AFDC) and its replacement by Temporary Assistance with Needy Families (TANF). Under the Presidency of G.W. Bush training and adult education policies were cut back and federal funding for TANF was slashed. However, support for the working poor was maintained and crucial assistance programmes such as Medicaid, Food Stamps, EITC were expanded and consolidated.

The Social Security Act (1935)

Historically preference for market-based social programmes conditioned the development of the American welfare state. Indeed, the existence of private social benefits originally

³ Katz, 1996, King, 1995, 1999.

⁴ Berlin 2007.

limited the scope of government intervention⁵. National health insurance plans were rejected when the Social Security Act was adopted in 1935. The increase in tax breaks for employers and fringe benefits in the 1940s and 1950s enabled private schemes to offer credible alternatives to a federal health insurance scheme. In 1965 Medicare and Medicaid were enacted to provide limited assistance to older workers and to the poor.

The availability of private health care schemes explains why a public health insurance proposal – the public option in the Obama health care plan – was swiftly rejected by the Senate in the fall of 2009. Health care reform takes place under totally opposite premises in Europe and the United States. In Europe the provision of health care is subject to creeping privatisation. In the US health care has been nationalised by stealth, almost timidly except for the elderly and to a lesser extent young people. As a result the American welfare state represents the best illustration of the liberal welfare regime⁶.

The Social Security Act of 1935 established a sharp distinction between social insurance and public assistance programs. Whereas Social Security was viewed as a « sacred governmental obligation », welfare programmes, essentially Aid to Dependent Children (ADC) was seen as a « handout to barely deserving people »⁷. By covering only employees in non-agricultural industries and commerce Social Security effectively excluded African-Americans⁸. The law established two social insurance programmes on a national scale to help meet the risks of old age and unemployment: a federal system of benefits for retired workers and a federal-state system of unemployment insurance. Each state administers its own unemployment programme within national guidelines promulgated pursuant to federal law. To be eligible for benefits a worker must register at a public employment office, must have a prescribed amount of employment and earnings during a specified base period, and be able to and available for work. In most states, the base period is the first four quarters of the last five completed calendar quarters preceding the claim for unemployment benefits. The amount of unemployment benefits varies according to the benefit formula used by each state and the amount of a worker's past earnings. All states have established a ceiling on the amount a worker may receive. The number of weeks for which unemployment benefits can be paid ranges from 1 to 39 weeks. The most common duration is 26 weeks. Workers who have exhausted their unemployment benefits in the regular programme may be eligible for additional payments for up to 13 weeks during periods of very high unemployment. The federal Department of Labour is responsible for ascertaining that state unemployment benefits conform to federal law.

The Social Security Act also provided federal grants-in-aid to the states for the means-tested programmes of Old-Age Assistance and Aid to the Blind. These programmes supplemented the incomes of individuals who were ineligible for social insurance programmes. The law established other federal grants to enable states to extend maternal and child health and

⁵ Béland and Hacker 2004.

⁶ Esping-Andersen 1990.

⁷ Skocpol 1988.

⁸ Skocpol 1988, King, 1995 and Liberman 1998 among others have explained how the dual nature of the US social protection system mirrors the dualism of the labour market.

welfare services which became Aid to Dependent Children, ADC. ADC was the principal component of the lower tier of the Social Security system. ADC was based on a civil war era pension programme designed to help civil war widows raise their children in the same way as white married, middle-class women did⁹. The programme was modified in 1961 and became Aid to Families with Dependent Children (AFDC). Originally, benefiting from AFDC carried little stigma. However, in the mid-1960s as the proportion of unmarried persons and African-Americans among the beneficiaries increase public attitudes shifted. The programme suffered from a lack of political legitimacy precisely because, contrary to insurance programmes which supposedly covered social risks for working citizens who had earned their right to social protection through social insurance contributions, AFDC recipients were portrayed as living off public charity.

The age of expansion (1965-1975)

Public assistance programmes were broadened and expanded in an ad hoc fashion between 1965 and 1975. By the early 1960s the mobilization of the civil right movement brought the twin problems of poverty and discrimination against African-Americans to the centre of the political debate. President Kennedy (1960-63) was shocked by the scope of poverty during his presidential campaign in West Virginia. Reformers believed that poverty could be eliminated. Kennedy's advisors wanted to broaden social insurance and public assistance programmes. This resulted in the Public Welfare Amendments, AFDC-UP (for Unemployed Partners).

In May 1964 Johnson gave his Great Society Speech in which he said: « The Great Society rests on abundance and liberty for all. It demands an end to poverty and racial injustice, to which we are totally committed in our time. »¹⁰ The War on Poverty was launched with passage of the Economic Opportunity Act of 1964 with the goal of empowering the poor, especially African-Americans in Northern urban ghettos. The Act created a number of programmes to improve the education and job opportunities of the poor-Neighbourhood Youth Corps to provide local training, Community Action Programmes (CAP) to promote urban renewal in deprived areas and Head Start.

The War on Poverty, affirmative action and the piecemeal expansion of public assistance programmes did achieve some reduction in income inequality and poverty. Between 1963 and 1978, the poverty rate declined from 19.5% to 11.1%¹¹. There was, however, no attempt to co-ordinate anti-poverty programmes with other economic policies. In particular, experts in the Kennedy and Johnson administrations were divided over the causes of poverty. Secretary of Labor Willard Wirtz saw poverty as being caused by the fact that

⁹ Skocpol 1992.

¹⁰ President Lyndon B. Johnson, Remarks to the Graduating Class, the University of Michigan, 22 May 1964, referred to as the Great Society Speech.

¹¹ Clark 2002.

African-Americans and other minorities lacked the skills necessary to qualify for well-paying jobs. For Kennedy's other economic advisors, unemployment was a direct consequence of insufficient demand and low economic growth¹². As a result of these differences, the Great Society programmes oscillated between the implementation of active labour market policies such as job-creation and training programmes and an attempt to change the behaviour of the poor. Community Action Programmes provided services such as training, health, legal aid and housing rather than cash subsidies. The programmes suffered from administrative chaos, lack of funding and perhaps more importantly, constant political attacks. In particular, Southern politicians opposed federal programmes as an infringement on states' rights. Because anti-poverty programmes were seen as benefiting ethnic minorities at the expense of working, middle-class whites resentment against these policies increased and was successfully exploited by opponents, particularly Republicans¹³.

Daniel Patrick Moynihan, then Under Secretary of Labour in the Johnson administration, accused welfare programmes of favouring African-American children to the detriment of White Americans¹⁴. Thus the racial composition of AFDC, in particular the fact that African-American families were over-represented among recipients relative to their share of their population » was a major factor behind the growing unpopularity of the programme. AFDC quickly became the most stigmatised public assistance programme in the country.

The War on Poverty enhanced the division between working class and middle-class programmes such as Medicare and antipoverty policies such as AFDC. Because unemployment and antipoverty policies were treated as separate issues by the Kennedy and Johnson administrations, the attention of welfare experts focused on the single issue of poverty. The strict demarcation between welfare and Social Security was reinforced in the 1960s and worked to increase the political isolation of the poor, especially the black poor, from the working and middle classes¹⁵. This separatism contributed to weaken the political base of antipoverty and welfare programmes, notably AFDC. AFDC was particularly vulnerable to political attacks because of its clientele¹⁶. ADC originally drew upon mother's pensions created in the progressive Era in order to help civil war widows to raise their children. Respectable white mothers who were raising children on their own were the primary targets of maternalist policies. These policies were based on the premise that women who had no husband left to provide for the family should be able to look after their children in the same way as white middle-class women did¹⁷. The maternalist movement wanted to avoid the stigmatisation linked to social assistance schemes. But as the racial and social characteristics of the ADC population changed, the programme lost its justification

¹² Weaver 2000 notes that in 1992 African Americans accounted for 37.2 percent of AFDC parents, about three times their share of the overall population.

¹³ Alesina and Glaeser 2004.

¹⁴ Moynihan 1965.

¹⁵ Weir, Orloff and Skocpol 1988.

¹⁶ Pierson 1994 and Weaver 2000 in particular have explained the notion of weak welfare constituencies.

¹⁷ Skocpol 1992.

and became problematic in the eyes of welfare experts regardless of their political orientations¹⁸.

Advocates of comprehensive antipoverty policies based on structural measures such as large-scale job creation and training programmes see the 1960s as a missed opportunity. Rather than focusing on the structural causes of poverty and unemployment, the debate focused on the individual characteristics of adult welfare recipients. Intellectual liberals¹⁹ such as Harrington, Moynihan and Lewis played a crucial role in framing the issue of poverty in terms of a dependency culture. They analysed poverty as a « Black » phenomenon caused by irresponsible sexual behaviour and the economic social marginalisation of African-American males in large cities. Welfare experts portrayed sexual promiscuity and disorganised hedonism as key characteristics of benefit claimants²⁰. Welfare recipients were seen as poor because of their behaviour, essentially the combination of a lack of work ethic and discipline as well as sexual promiscuity. They were portrayed as radically different from hard-working, middle-class white tax payers. In addition, women's participation in the labour market weakened the case for cash assistance support for lone parents. Elements of workfare were gradually included in AFDC throughout the 1970s-1980s.

The Social Security Amendments of 1965 created Medicare and Medicaid. Medicare provides for the medical needs of persons aged 65 or older regardless of income. Medicaid (federal grants to the states for Medical Assistance Programmes) provides medical assistance for persons with low income and resources. At present, within broad federal guidelines and statutes, each state establishes its own eligibility standards, determines the scope, amount and duration of services, and administers its own programme. As a result there is considerable state variation in the quality and scope of services. Federal law establishes that specific categories of needy individuals are automatically entitled to Medicaid. This includes SSI and AFDC/TANF recipients, pregnant women whose family income is below 133% of the federal poverty level (services are limited to pregnancy, complications of pregnancy, delivery and 3 months of post-natal care), and individuals whose incomes are at or below 100% of the federal poverty level. Persons defined as medically needy – TB-infected individuals, certain aged, blind or otherwise disabled adults, institutionalised adults – and whose income levels are above the eligibility level determined by the state can receive Medicaid. The public assistance provisions of the Social Security Act were broadened in 1972. The cash assistance programmes for the aged, blind and disabled were replaced by the mainly federally administered Supplemental Security Income (SSI) programme.

Other assistance programmes not included in the Social Security Act were also broadened and new ones added. The federal Food Stamps programme was enacted in 1964 to improve the nutrition of low-income families. It is federally funded and under the jurisdiction of the US Department of Agriculture (USDA). National eligibility standards were created in 1971. Because the programme is an entitlement, access cannot be denied except in certain

¹⁸ Lieberman 1998 explains that the AFDC was accompanied by highly politicised racial polarization over social policy.

¹⁹ Harrington 1963, Moynihan 1965 and Lewis 1996.

²⁰ Solinger 1998.

circumstances, such as refusal to comply with work requirements or child support injunctions. In 1974 Congress required that states offer food stamps services, thus considerably expanding the scope of the programme. These services are administered by the states which determine eligibility, calculate benefits and issue food stamps. Nevertheless, Food Stamps exhibit a degree of consistency and national uniformity which is indeed exceptional in US public assistance programmes.

The other nationally-uniform programme for low-income individuals is the Earned Income Tax Credit (EITC). EITC was initiated in 1975 as a means of stimulating employment, combating welfare dependency, and compensating low income workers for the cost of Social Security payroll taxes²¹. It pays benefits to workers based on family size and earned income. Earned income includes wages, salaries, and tips but does not include welfare benefits and Social Security retirement benefits. EITC benefits are phased in at a fixed-rate from the first dollar of income earned. EITC has been considerably broadened and expanded since the 1980s, and is now heralded as an effective antipoverty policy which makes work pay for low-income families.

Restructuring, retrenchment and increased support for the working poor: 1980-2008

From the 1980s onwards, support for working families has been considerably expanded while other anti-poverty programmes have been radically scaled back. We first examine the evolution of AFDC/TANF and the food stamp programme during the 1980s and 1990s. We show that the changes that took place were accompanied by an expansion of tax credits such as the EITC and child tax credit. We next examine the relationship between Medicaid and other means-tested programmes following passage of the 1996 Personal Responsibility, Work Opportunity and Reconciliation Act (PRWORA).

In the 1980s, the debate over public assistance carried strong racial undertones²². Conservative ideologues such as Murray and Mead played a crucial role in portraying the poor as undeserving, unintelligent (Murray's Bell Curve), and amoral. Their polemic proved extremely popular and progressive Democrats lost the battle of ideas in the 1990s²³. However, the competing proposition – that welfare recipients faced significant barriers to entry into the labour market gained prominence among liberal experts such as Mary Jo Bane and David Ellwood, who were later appointed in the Clinton's administration. Bane and Ellwood proposed that work be made to pay a living wage by raising the Earned Income Tax Credit and suggested expanding child care provisions for single parents in order to enable them to return to the labour market. Thus welfare as it then existed was attacked by both Democrats and Republicans.

²¹ Stoker and Wilson 2006.

²² Gilens 1999.

²³ Weaver 2000, Daguerre 2007.

The fact that the welfare caseload expanded in the 1990s – the number of AFDC recipients rose from approximately 11 million in 1987 to 14 million in 1994 – accentuated the public perception according to which the US public assistance system was too generous and unsustainable. By the early 1990s, AFDC had become the most unpopular social programme in the country. In this context, Bill Clinton's campaign «to end welfare as we know it» opened a window of opportunity for Republicans. In 1994, Congress, then dominated by Republicans passed «the Personal Responsibility Act» designed to fight welfare dependency by promoting job preparation, work and marriage as well as reduce welfare spending. It repealed AFDC and replaced it with Temporary Assistance for Needy Families (TANF). President Clinton initially vetoed the Bill, but ultimately signed it into law as part of the PRWORA in August 1996.

TANF is administered by the states which receive fixed sums of federal money – known as block grants. The block grant was based on the level of expenditure in the mid-1990s under the old AFDC programme. At the federal level, the Office of Family Assistance in the Department of Health and Human Services monitors the implementation of the legislation and issues guidance to states.

TANF ended entitlements to cash assistance and imposed a five-year limit on welfare benefits. The primary goal of TANF was to reduce the welfare caseload, which had reached a peak in 1993-1994. The TANF funding mechanism provided a financial incentive for states to move families off welfare: if their caseload declined, states could retain the federal funds that were used principally to pay cash assistance benefits. TANF also promoted a Work First Approach, with stringent work requirements and financial sanctions for individual states which failed to meet these requirements. States in turn would punish their recipients, in a domino-like effect, and push them back into the labour market regardless of the quality of paid employment. However, two provisions undermined the most punitive aspects of the legislation. First, states could meet work participation targets by reducing their caseload below their 1995 level (this is known as the caseload reduction credit). By 2002, states were required to have 50 % of their caseload involved in work for 30 hours a week; some of this target could be met by caseloads reductions. Second, the Department of Health and Human Services did not issue regulations defining work, thus enabling states to count various activities which had nothing to do with work as a federal work activity. For instance, a few states defined activities such as bed rest, short-term hospitalisations, physical rehabilitation, activities to promote a healthier lifestyle such as exercise at home, smoking cessation, and weight loss promotion, as a federal work activity²⁴. The flexibility of TANF rules tremendously increased states' freedom in the design of their programmes. For instance, not only could states exempt 20% of their caseload from the work requirements, they could also exempt recipients enrolled in State Separate Programmes (SSP) from work requirements. This state flexibility was attacked by the second Bush administration (2001-2008). Republicans argued that such flexibility undermined federal work requirements, thus weakening the Work First Approach.

Despite these objections TANF is rated a tremendous success on both sides of the political aisle largely because it led to a spectacular decline in the number of welfare recipients.

²⁴ GAO 2005.

According to the Department for Health and Human Services²⁵, the welfare caseload dropped from 14.4 million recipients in March 1994 to approximately 6 million recipients in September 2002 (see appendix 1). The percentage of eligible families receiving benefits has declined dramatically under TANF, falling from 84% in AFDC's last full year to 40% in 2005. Benefit levels vary tremendously across states regardless of the level of need. In 2008, monthly benefits for a family of three are \$170 in Mississippi and \$723 in California. The average monthly payment is about \$400 for a family of three, well below the official federal poverty line, currently at \$1,526 monthly for a family of three.) Success can also be measured by other statistics: the percentage of working adults following implementation of TANF increased significantly: in fiscal year 2000, 33 per cent of individuals were working compared to 11 per cent in year 1996; the average annual earnings of low-income female-headed families increased to \$1,646 in 2000 compared to \$315 in 1996; the child poverty rate was 17.6 per cent in 2003, up from 16.7 per cent in year 2002 but well below the 1996 level of 20.5 per cent²⁶.

The success of TANF can be attributed to several factors. The expansion of EITC top-upped low wages, thus improving the living standards of TANF recipients who had started to work, and legislative provisions encouraged recipients to make this transition from welfare to work. The transition from welfare to work was potentially difficult as TANF recipients risked losing their Medicaid coverage once they obtained paid employment even if the employment was without medical health insurance, which is a common occurrence in the low-wage sector where the vast majority of TANF recipients find work. Consequently, in order to encourage welfare recipients to make this transition, TANF required states to extend Medicaid benefits for one year to people who are making the transition to work: this is known as Temporary Medical Assistance (TMA).

TANF was set to expire in 2002 unless reauthorized by Congress. At that time the consensus within the Bush administration was that the legislation had to be improved, but should not be radically modified. It was agreed that the law provided some perverse incentives that needed to be eliminated such as the caseload reduction credit for states. It was further agreed that the «moralistic provisions» of the legislation, such as the fight against illegitimacy, had to be reinforced by requiring welfare recipients to work full-time and to stay in stable, committed relationships.

Between September 2002 and 2005, President Bush signed eleven short-term extensions of the law. In December 2005, a significant amount of legislative activity occurred, and welfare reform reauthorization was negotiated as part of a wider legislative package (the Deficit Reduction Act (DRA), signed into law by President G.W. Bush in January 2006). Under the DRA basic TANF funding was extended at the then-current level (\$16.5 billion a year) through federal year 2010. Abstinence education grants to states were continued at \$50 million a year through 2006 and child care funding was increased by \$200 million a year from 2006 to 2010. The work hours requirement remained 20 hours per week for single parents with young children, 30 hours per week for single parents with older children, and 40 hours per week for two-parent families. The most important change was

²⁵ DHHS, Department of Health and Human Services 2009.

²⁶ DHHS, Department of Health and Human Services 2006.

the recalibration of the caseload reduction credit, which was calculated on the basis of federal year 2005 instead of 1995. The federal law requires states to have 50% of their caseload in work or in work-related activities, but because these rates are set on the current caseloads as opposed to 1995 numbers, work requirements are de facto much higher than prior to 2006. Indeed, virtually no state meets the 50% work requirement. States whose populations do not meet the work requirements face financial sanctions in the form of reductions in federal block grants. In order to avoid these sanctions, they must find a way to move more of their non-working caseload, both in TANF and in SSP, into work. As the vast majority of the remaining caseload face strong barriers to employment, moving them into work-related activities is likely to raise serious challenges, and will be more difficult to achieve than simply reducing existing caseloads. It is likely to require an increase in automatic case closures.

Receipt of Food Stamps has also been made conditional on compliance with stricter work requirements, although such requirements are much less draconian than those of the TANF programme. The Food Stamp Act of 1977 stipulated that to receive Food Stamps physically and mentally fit household members between the ages of 18 and 60 had to register for and accept employment. Under the 1985 Food Security Act states were required to develop and implement employment and training programmes for recipients. Work requirements applied to all working age individuals between 15 and 60, albeit with exceptions for those aged between 15 and 18 who are in school or an approved training programme. Individuals were required to participate in training and accept employment offers. However, there was no requirement concerning the amount of time that must be spent in the TANF programme, thus making it easier for individuals to access Food Stamps. Last but not least, receipt of Food Stamps was made more difficult for individuals between 18 and 50 years who have no dependent children or who are not pregnant. These individuals are ineligible for Food Stamps if during the past 36 months they received Food Stamps for three months while not working or participating in an approved work programme for at least 20 hours a week²⁷. TANF recipients are automatically eligible for Food Stamps, but states can suspend Food Stamps payments if individuals do not comply with TANF work requirements. Participation in Food Stamps declined dramatically from 1994-1995, but steadily increased in 2001, as the result of the recession. In 2002, approximately 19.1 million people received Food Stamps. In 2002 Congress passed The Farm Security and Rural Investment Act of 2002 (FSRIA) which relaxed eligibility criteria, made Food Stamp benefits more accessible, and softened sanctions in case of overpayments to Food Stamp recipients. As a result Food Stamps represent the most important programmes for low income families in contemporary US society. But Food Stamps cannot replace the redistributive function fulfilled by TANF, which provides general cash assistance.

The second most important programme for low-income families is the EITC, the scope and the generosity of which has been steadily increasing since the late 1980s, in an attempt to promote « an alternative to welfare ». The 1986 Tax Reform Act expanded EITC benefits and indexed them to inflation. President Clinton viewed EITC as crucial to make work pay and

²⁷ Stoker and Wilson 2006.

promoted a significant expansion of the programme²⁸. Since 1993 EITC benefits have been extended to childless workers, but benefits are more generous if the individual has a qualifying child, that is, any child under the age of 19 or under age 24 if a full-time student. Qualifying children must have lived with the claimant for six months or more during the year for which the claim is made. In 2002, for those with two or more qualifying children, the income limit for married couples filing jointly was \$34,178. EITC has been credited with lifting 4.6 million people out of poverty in 1996²⁹. The Economic Growth Tax Relief Reconciliation Act of 2001 increased the child tax credit to \$1,000 per qualifying child. Low and middle-income workers qualify for benefits. In 2003, couples (married filing jointly) with modified adjusted gross incomes below \$110,000 and single taxpayers with gross income below \$75,000 qualified to receive the full credit.

In the 1990s Presidents Bush (senior) and Clinton took several important steps to provide medical assistance to children and to working families. In 1989 Medicaid coverage was expanded to include children under age 6 and pregnant women in families with incomes below 133% of the poverty line. States are now required to provide Medicaid coverage to cover all children under age 19 in families with incomes below the federal poverty line. In 1998 Medicaid covered 10.2 % of the total population and 40.3% of the population below the poverty line. In an attempt to provide health coverage to previously uninsured low-income children, the Balanced Budget Act of 1997 created the Children's Health Insurance Program (CHIP), a matching federal grant programme to the states. States establish their own eligibility criteria within federal guidelines and can expand Medicaid eligibility further, they may create a separate state programme or use a mixture of both strategies. CHIP extends medical assistance to children whose family incomes make them ineligible for Medicaid. But CHIP does not provide coverage for parents and does not benefit low-income workers without children. In 1999 a total of 1,979,450 children were enrolled in CHIP programmes. State and federal policies have thus singled out children in the receipt of various cash assistance and in-kind programmes, with the notable exception of TANF. Indeed, when families do not comply with work requirements, states can either impose an adult-only sanction (children continue to receive cash assistance), or they can apply a family-wide sanction, which denies cash assistance to children as well as their parents.

To conclude, welfare reform since 1996 has weakened the fragile institutional foundations of social assistance for vulnerable families in US contemporary society. Conditional social assistance is now at the core of the US welfare state, with the exception of children. It is worth noting that despite the absence of explicit family policies in the US, tax relief provisions, EITC and child tax credits are effectively supporting working families, with a continuous expansion of benefits which were traditionally regarded as the province of very low-income families. Equally interesting is the fact that there is a hidden family cap: for instance, EITC does not increase after the birth of the third child. US social policy is thus geared to the promotion of the working family with two children. It is also clear that the decline in income maintenance programmes, as illustrated by the evolution of the TANF

²⁸ Stoker and Wilson 2006 note that While TANF and Food Stamps caseloads declined in the 1990s, the value of EITC benefits rose 120 per cent for a single mother with two children.

²⁹ Stoker and Wilson 2006.

caseload in the 1990s and the 2000s and the reduction of housing aid programmes, has been compensated by a steady increase in EITC and child tax credits at both the federal and state levels. In this respect, the second Bush administration pursued the policies enacted during the Clinton Presidency, quietly maintaining funding at barely adequate levels for TANF while expanding the scope of EITC and Food Stamps. But, once again, assistance is provided on the premise of participation in paid employment, as in the case of EITC and TMA, or on the basis of the identification of an acute need, as in Food Stamps. In other words, the federal government will not let families go hungry, but does not consider it its duty to provide a general safety net outside the meagre remit of Food Stamps.

As we shall see, the expansion of policies to support work by low-income families has not compensated for the decline in economic security for both low-income and, increasingly, middle-class families. This decline has been greatly accentuated by the Great Recession in 2008-2009, with the most vulnerable being the hardest hit. This recession has also brought home the fact that poverty is now a common experience for about a third of American families. In this context, the policy debate increasingly has focused on working middle-class families as opposed to TANF recipients, partially as a result of the spectacular decline in TANF caseloads. As TANF serves an extremely small minority of poor people, its political visibility is declining, and there is no sign at present that the Obama administration will reverse this trend in the near future.

THE RISE IN ECONOMIC INSECURITY PRIOR TO 2008 AND THE IMPACT OF THE CURRENT RECESSION

Wage stagnation at the bottom end of the labour market

There was a constant increase in wage levels between the end of WWII and the early 1970s. Earnings rose steadily after World War II, and by 1973 the real earnings of the average production worker stood at \$650, more than 60% higher than in 1947, thus driving the spectacular decrease in poverty rates, from 22% in 1960 to 11% in 1973. Until the early 1970s low-skilled and semi-skilled blue-collar workers in the manufacturing sector were able to join the growing ranks of the middle-class. This period encapsulated the American dream, when the rising tide of economic growth could lift all boats, and when virtually all workers could legitimately aspire to middle-class life style.

However, some cracks were already showing, even in this supposedly Golden Age. Rising underemployment owing to the transformation of the labour market which shifted labour demand away from less educated to skilled workers was already an issue by the early 1960s³⁰. The War on Poverty, especially the Economic Opportunity Act signed into legislation by President Johnson in 1964, aimed to address the issue of black poverty in the

³⁰ Russel 2004.

inner city by establishing a range of training and job creation programmes (Community Action Programmes). There are three interesting lessons to be drawn from this episode. First, the American labour market started to exclude low-skilled workers as early as in the 1960s, which means that the shift to a post-industrial economy with its logical consequence, i.e. a highly selective labour market, had already begun to occur before it was identified as a trend which distinctively threatened labour interests in advanced economies. Second, the US government, when confronted with the issue of a lack of demand for unskilled labour in the inner city, adopted a fiscal stimulus package based on tax cuts in order to boost economic growth and demand for labour. Time and time again, this pattern repeated itself. Indeed, American policymakers tend to implement a particular Keynesian approach based on tax cuts as exemplified by the fiscal stimulus budgets implemented by the Reagan, Bush, Clinton and Obama administrations. Of course, in budgetary terms tax cuts amount to tax expenditures but are not portrayed as such owing to the political ambiguity of tax expenditure³¹. Third, this particular type of fiscal stimulus does not address the root cause of rising underemployment, i.e. shifts in demand for labour. The combination of economic prosperity, wage progression and redistributive policies explains the dramatic fall in poverty rates through the early 1970s. In particular, people at the low end of the income distribution experienced the largest proportional gains. This trend came to an abrupt halt in 1973, when both wages and earnings fell, and when poverty started to increase. If labour market segmentation and issues of underemployment started to emerge in the mid 1960s, the situation has dramatically deteriorated since the 1980s. Three events have increased the level of segmentation in the American labour market: deindustrialisation and the decline of organised labour, a large increase in the relative size of the immigrant workforce, and the growing prevalence of non-standard work arrangements. Secondary labour markets are characterised by poverty level earnings, the absence of employer provided health insurance, and employment in a job of limited or uncertain duration³². There are in fact three labour markets, with a primary and secondary labour market but also an intermediary labour market whose workers have no access to pension or health insurance, or both. The intermediary labour market makes up about 42% of labour market for wage and salary workers. A little more than a third of American wage and salary workers have jobs in the primary market while almost one in five is employed in the secondary labour market. Crucially, between the early 1970s and the late 1990s labour market dualism increased substantially and there was also a substantial redistribution of jobs from the primary to the secondary labour markets³³.

Between the early 1970s and early 1990s poverty increased. It fell during the late 1990s but rose again in the early 2000s. Poverty rates have fluctuated between 11 and 13% since 2004³⁴. According to the US Census Bureau, in 2007, the poverty rate was 12.5%. Blacks were more affected by poverty (24.5%) than Hispanics (21%) and Whites (8.2%). Economic

³¹ Howard 1997.

³² Hudson 2007.

³³ Hudson 2007.

³⁴ Berlin 2007.

insecurity has been on the rise: the number of people who saw their incomes drop between 2001 and 2003 was greater than the number of individuals whose incomes progressed during the same period. More importantly, although chronic poverty affected only 2.4% of the population, nearly one third of the population had at least one spell of poverty lasting two or more months during the 3-year period from 2001 to 2003³⁵.

The single most important factor behind the rise in poverty is wage stagnation at the bottom of the income distribution³⁶. Unemployment rose from 3.8% in the 1960s to 6.3% in the 1970s and 7.3% in the 1980s. In fact, apart from the second half of the 1990s, when labour markets were exceptionally tight and unemployment declined to 4.8%, real wages at the bottom end of the labour market have declined steadily since 1973. Wages at the bottom end of the labour market started to rise in the second half of the 1990s owing to exceptionally favourable economic conditions, but this moment was short-lived³⁷.

In fact, the US economy never recovered from the cumulative impact of the recessions of the early 1970s, early 1980s, early 1990s and 2001. Demand for skills steadily increased following the successive waves of de-industrialisation during these years. The report « Working Hard, Falling Short » notes that between 1960 and 2003, the proportion of the workforce in managerial, professional and technical jobs rose from 22 to 34%. The share of jobs held by construction workers, production workers, miners and material movers declined from 44% to 23% between 1960 and 2003. Last but not least, in real terms, the earnings for educated, skilled workers have risen while those of less educated workers have declined³⁸.

During this period labour markets became tighter and more competitive, thus contracting employment opportunities for low-skilled workers, and even the wages of college graduates started to decline. Analysing the impact of de-industrialisation and successive economic downturns in the city of Chicago, In fact, the city never recovered from the 1980s recession, with big job losses in the manufacturing sector. The post-industrial recession of the early 1990s extended employment vulnerability to the once secure white-collar segments of the labour market, with corporate downsizing becoming a characteristic of a permanent restructuring of the labour market. It is this state of permanent restructuring that explains, to a large extent, both wage stagnation and the rise in income insecurity in contemporary America, with low-income workers affected most. For low-wage workers, the net effect of three periods of economic restructuring was a 12% decline in wages, and these trends were reversed in the upper half of the income distribution, particularly at the top. Moreover, even though entry level jobs had been a source of growing employment during the last quarter of the 20th century, this growth failed to lift wages. In fact, an increasing proportion of workers, principally African-Americans and Hispanics, have become trapped in low-paid,

³⁵ US Census Bureau 2007.

³⁶ Several authors, among others Blank 1997, Pontusson 2005, Stoker and Wilson 2006, Berlin 2007 have documented this trend.

³⁷ Haskins and Sahwill 2007 note that wages recovered during the vibrant economy of the second half of the 1990s as poverty fell again, but ended up in 2003 almost exactly where they were in 1979.

³⁸ Working Hard Falling Short 2004.

insecure jobs³⁹. After the recession of 2001, there was a period of job-light recovery. The case of Chicago is extremely telling. It exemplifies current and past trends in areas traditionally reliant on the manufacturing sector where blue-collar union jobs have been literally wiped out by de-industrialisation, with disastrous consequences for male employment. Indeed, as blue collar jobs disappeared young black men in particular found themselves structurally disadvantaged in the labour market.

Moreover, the number of working poor has increased in recent years, even in the context of the economic expansion between 2001 and 2007. The number of low-income working families increased by 350,000 between 2002 and 2006. More than one out of four working families with children was low-income in 2006, which represents a total of 9.6% of working families. In 13 states, 33% or more of working families are considered to be low-income. California and Texas each have more than a million low-income working families, while Florida and New York each have more than 5000,000. Nationally, more than one in five jobs, or 22% of the workforce, is in an occupation paying wages that fall below the poverty-level threshold, i.e. less than \$8.84 an hour. That wage translates into an annual income of \$18,387 which is below the federal poverty threshold for a family of four⁴⁰.

The declining capacity of the labour market to provide jobs paying a living wage is particularly problematic as US social policy is based precisely on the premise that paid work offers the best possible protection against social risks, and that public programmes should only provide a limited aid of last resort to working families. It is thus no coincidence that the preferred policy option was to expand tax credits in order to make work pay. However, because Congress had not increased the minimum wage for almost a decade, between 1997 and 2007, low-waged workers became entrapped in a low-skills, low-paid cycle. According to the Center on Budget and Policy Priorities, after adjusting for inflation, in 2006 the value of the minimum wage was at its lowest level since 1955. While EITC and generous tax reductions for employers artificially kept afloat low-paid workers, the importance of the low-wage service economy increased in the late 1990s and early 2000s. Meanwhile health care costs continued to increase and it was only during mid-1990s' job miracle that employers in the retail and hospitality sector offered generous and affordable health care plans in an effort to lure prospective employees. As soon as the economy started to deteriorate again, in 2001, employers dropped the comprehensive health care plans which had benefited low-paid workers. But neither the expansion of EITC nor the piecemeal broadening in Medicaid coverage could compensate for the decline in wages and the rise in health care costs respectively. US social policy and the multiplication of tax break schemes for employers supported the generalisation of exploitative working conditions in the hospitality and retail sectors (lack of health coverage, no paid holidays or sick leave, temporary and insecure work, rising presence of undocumented workers, especially Latinos). Because automatic stabilisers (apart from Unemployment Insurance and Food Stamps) play a marginal role in US macroeconomic and social policies, the Great Recession of 2009 has literally turned the lives of Americans upside down.

³⁹ Doussard, Peck and Theodore 2009.

⁴⁰ Working Hard Falling Short 2004.

The impact of the Great Recession in 2008-2009

The global economic downturn has had a devastating impact on people's lives primarily as a result of the rise in unemployment and underemployment. Unemployment reached 10.2% in October 2009, even though the US economy is officially out of the recession. The crisis has been most severe in America's industrial heartland. Two million manufacturing jobs have been lost in the current recession, thus accentuating the pattern of de-industrialisation which has characterised the evolution of the US economy since the 1970s. Moreover, underemploymentⁱ is also on the rise, with blue-collar workers being the hardest hit. According to the study *Battered by the Storm*⁴¹, « as people experience unpaid furloughs and cutbacks in hours, the number of underemployed⁴² workers has risen to 11 million. This makes the combined total of underemployed and unemployed 27.4 million workers, or 17.5% of the workforce. » Poverty has risen, and in 2008 about 40 million people, or 13.2% of the population were living in poverty, the highest level in over a decade. In 2008, nineteen percent of all children under age 18 were living in poverty, and young people represented 35% of those living in poverty (the income threshold for a family of four was \$22,050). According to the most recent data, child poverty could even exceed 26.6% by 2010, and nearly one third of all African-Americans living in the US will be living in poverty in 2010.

The most vulnerable are the hardest hit: unemployment rates for Latinos and African-Americans have risen faster than for Whites. Barbara Ehrenreich and Dedrick Muhammad point out in a recent article in the New York Times⁴³ that « In fact, you could say that for African Americans the recession is over. It occurred from 2000 to 2007, as black employment decreased by 2.4% and incomes declined by 2.9%. During those seven years, one-third of black children lived in poverty and black unemployment – even among colleges graduates – consistently ran at about twice the level of white unemployment. That was the black recession. What's happening now is more like a depression. »

In other words, the current recession has increased the financial hardship which affected the most vulnerable, notably children and people of colour, even prior to the recession. Unemployment insurance de facto excludes a great number of people with erratic work history or who have left their employment without « good cause », accentuating further the economic hardship of these individuals and their dependants. In 2008 only 22% of unemployed workers in low-income families reported receiving unemployment compensation, compared with 34% in moderate-income families and 39% in higher income families. Former TANF recipients are particularly vulnerable and very few qualify for the benefits when losing their jobs⁴⁴.

⁴¹ Institute of Policy Studies 2009, report *Battered by the Storm*.

⁴² Underemployment refers two situations: a- when high skilled workers are employed in low-wage jobs for which they are obviously overqualified, and b- when people who would like to work full-time are forced to work part-time.

⁴³ Ehrenreich and Muhammad 2009.

⁴⁴ Simms 2008.

As many low-wage workers tend to be new entrants in the labour market or have difficulties holding jobs especially when they have family and child care issues, cycling between benefits and jobs is a relatively common occurrence. Short-term job tenure reduces workers' chances of qualifying for unemployment compensation. The earning requirement is usually based on income earned in the earliest four of the five quarters completed before unemployment, and as a result earnings in the last quarter do not count. In addition, in order to qualify, workers must have left their employment for « good cause ». Pregnancy, child care issues, domestic problems or a spouse's job-related move are not considered « good cause » thus making it difficult for women with child care responsibilities or domestic issues to qualify for unemployment insurance (« UI ») in a number of states. Women who may want only part-time work do not qualify for UI in 20 states. Last but not least, as noted by Simms⁴⁵ « even if a worker does qualify for unemployment compensation, the programmes "benefits" do not even cover basic family needs. Even when taking into account huge state variations, the average weekly compensation for low-income workers would be around \$220 a week ».

As housing aid programmes have been cut back since the 1980s, low income individuals are often left with the option of either paying for food or rent. Food Stamps have become the only means-tested programme for low-income individuals and their dependants, but benefits levels are very low and only cover food expenses. TANF caseloads have not responded to changing economic circumstances and SNAP (Food Stamps) caseloads have been overwhelmed by the recession (see figure 2 in the appendix). According to the report « Battered by the Storm », in August 2009, 36.5 million Americans (16.5 million households) received SNAP benefits, a one-third increase in participation since the recession began in December 2007, and one in eight Americans is now receiving Food Stamps, an all-time high.

What has been the Obama administration's response to the plight of low-income individuals and their dependants? The first and most important measure was to extend Unemployment Insurance beyond the current six month limit. In addition, the American Recovery Act (2009) increased the level of such benefits as Food Stamps, provided additional funding for TANF and Medicaid, and enabled the Obama administration to respond to some of the challenges that arise from the recession. However, these measures are usually short-lived and the Presidency has not presented a clear policy agenda when it comes to mending the US safety net. To date the current administration's policies build on existing programmes. As the centre of gravity of US electoral politics has moved to the centre (Independents now represent a sizeable electoral force), Democrats are increasingly reluctant to push progressive programs and threaten their reelection.

The real break with the past is that the Obama administration is seriously committed to the idea of workforce development and education. The last section of this report examines in turn the current administration's response, first by explaining the main elements of the Recovery Act and second by sketching out the vision of the new administration

⁴⁵ Simms 2008.

Policy responses to the recession

The first response of the Obama administration to the recent recession was to extend the duration of benefits, especially Unemployment Insurance (UI), and to provide additional funding for TANF and Food Stamps. Extension of UI is considered necessary and justifiable because the duration of US benefits is lower than the average in other industrialised countries. Moreover, due to the severity and the length of the current recession, nearly 51% of UI claimants had exhausted their regular UI benefits in 2009. In 2008 Congress created the Emergency Unemployment Compensation Programme (EUC), which provides up to 33 weeks of additional benefits to unemployed individuals who have exhausted their state benefits. The Recovery Act enacted in February 2009 extended this programme through December 2009⁴⁶. The Recovery Act included financial incentives for states to broaden the scope of unemployment benefits. Additional funding (forty billion dollars) was allocated to increase benefit levels by \$25 a week. In November 2009 Congress approved a further extension of UI for up to 14 additional weeks in every state, with an extra six weeks of benefits for those workers in states with an average three month unemployment rate above 8.5%⁴⁷. In December 2009, President Obama signed legislation extending unemployment benefits through the end of February 2010.

The Recovery Act created the Emergency Contingency Fund (ECF) which provides \$5 Billion to assist needy families. In order to be eligible to receive ECF funds a state must demonstrate an increase in the number of families receiving assistance from the TANF programme, an increase in expenditures on employment subsidies, or an increase in short-term, one-time benefits in at least one quarter during Fiscal Years 2009 or 2010. In December 2009 states had only used one billion dollars out of the five billion available. States have been relatively slow in applying for this extra money for various reasons, not least because it actually takes a long time to fill out an application but also because the additional funds have only been available since March 2009, which means that states have had less than a year to apply. Moreover, the calculations involved are complex: to qualify for these federal dollars, increased expenditures in a quarter in FY 2009 and 2010 must be measured against the corresponding quarter in one of these two base years, either FY 2007 or 2008. As one senior official in the Office of Family Assistance, Department for Health and Human Services, explained⁴⁸: « It takes time to study what's available and decide. In some cases you have to have a written agreement. There are so many different considerations. The state of New York decided to apply for a back-to-school allowance for TANF/Food Stamps. It was relatively easy to approve because they had agreed before, the governor was probably on board. »

ECF funds are scheduled to expire by the end of September 2010, but states which have delayed putting in their applications may obtain funding retroactively. In addition, the

⁴⁶ Pavetti 2009.

⁴⁷ Report Battered by the Storm 2009.

⁴⁸ Interview with senior officials in the Office of Family Assistance, Department of Health and Human Services, Washington DC, December 2009.

Recovery Act provides states with more flexibility in using TANF funds unspent from prior years to assist families in need, and temporarily modifies the caseload reduction credit to ensure states are not punished as the number of families seeking assistance increases during difficult economic times. The Recovery Act also continued a supplemental grant programme which provides additional support to 17 states with growing populations. Twenty billion dollars were allocated to increase SNAP benefit levels, compared with only 5 billion dollars for TANF, which reflects the fact that SNAP serves many more low-income families than does TANF⁴⁹. Under the Recovery Act, all public assistance programmes received additional funding and the scope and the level of benefits was tremendously enhanced. Last but not least, the Recovery Act provided an additional \$4 billion for employment and training initiatives under the Work Investment Act (WIA). The Act also made clear that services should be provided primarily to recipients of public assistance and other low-income individuals. This provision existed already in the WIA (1998) but was never really implemented, which justified this precision in legislative language.

In sum, the Recovery Act represents an extremely generous stimulus package that seeks to counteract the absence of automatic stabilisers in the US social protection system. According to the Centre on Budget and Policy Priorities, « seven provisions of the Recovery Act – including three tax credits for working families, two improvements in unemployment insurance, expanded nutrition assistance, and one-time payments to senior citizens, veterans, and people with disabilities – and estimated that these provisions will result in 6.2 fewer Americans (including 2.4 million children under 18) be counted among the nations' poor in 2009.»⁵⁰

How can we describe the approach of the Obama administration to welfare reform and the safety net and is there a break with the approach of the Bush administration (2001-2008)? Three characteristics emerge from the analysis of the Recovery Act and from interviews conducted in December 2009 with senior officials from the Department of Labour and the Office of Family Assistance in the Department of Health and Human Services (DHHS). Experts within various think tanks such as the Centre for American Progress, the Brookings Institution and the Centre for Budget and Policy Priorities were also interviewed.

First, the Obama administration's response builds upon existing public assistance programmes, notably Food Stamps, unemployment compensation and to a lesser extent TANF. The Recovery Act, however insufficient according to many liberals, remains an exceptionally generous financial effort to raise the nations' safety net and to alleviate the plight of low-income families. According to Ron Haskins, a Republican expert on welfare reform at Brookings, « the act was very generous. The Obama administration is outrageously liberal, they have done a lot for low-income me families. »⁵¹ In the words of a career civil servant in the Office of Family Assistance commenting on the Obama administration, « their

⁴⁹ Institute for Policy Studies 2009, report Battered by the Storm.

⁵⁰ Pavetti 2009: 2.

⁵¹ Interview with Ron Haskins, Brookings, Washington DC, December 2009.

heart is in the right place. The others could not care less. »⁵² Most of the Obama administration's political appointees come from liberal think tanks such as the Centre for Budget and Policy Priorities, and the Centre for American Progress. The latter has been referred to in the media as «the administration in waiting» Mark Greenberg, Deputy Assistant Secretary for Policy in the Office of Family Assistance, is a well-known liberal expert on welfare reform in Washington circles. Some members of the administration were also political appointees in the Clinton administration, which suggests that the Obama administration relies on a relatively narrow pool of liberal experts.

Although the Office of Family Assistance refused to provide information on discussions within the administration, it is clear that there is a sense among Obama administration officials that TANF has not been a great success, and that the situation of low-income families has deteriorated since the implementation of welfare reform in 1997. The administration is concerned that fewer eligible families are getting cash assistance after the 1996 reform. The percentage of eligible families receiving cash assistance used to be 80%; it stands now at 40% (interviews Office of Family Assistance, December 2009, Washington DC). In the context of Congressional elections in November 2010, the administration is likely to keep the debate quiet, as any attempt to change the work requirements will be seized upon by the Republicans and used as a political weapon against the Democrats. Ron Haskins, an influential Republican figure who played a crucial role in pushing the welfare reform agenda in the 1990s, predicted that although some senior Democrats would like to change the work requirements in the reauthorisation proposals, the administration would be more likely to simply change the healthy marriage component of the legislation as it «is politically less risky than appearing to undermine the work requirements.»⁵³

The second major difference between the Obama and Bush administrations is that the Obama administration places more emphasis on programme alignment and interagency cooperation than was the case under the Bush administration. The Workforce Investment Act (1998) required states and localities to use a centralised service delivery structure – the one stop centre system – to provide most federally funded employment and training assistance for low-income individuals. The Act encouraged states to create a single office for employment and training programmes but there was no systematic fusion between TANF and one stop centres. Any cooperation between TANF and one-stop system was – and remains – voluntary. Because the Work Investment Act is a block grant, the legislation needs to be reauthorized in 2010, and the Obama administration is currently considering proposals for reauthorization, although these proposals have not been made public. Senior career civil servants from the Employment and Training Administration in the Department of Labour would only confirm that «conversations» were taking place.

Third, and perhaps more importantly, the Obama administration is truly committed to raising the educational levels of the entire American workforce. This agenda is driven by the President himself, who has called for each American to commit to «at least one year or more of higher education or career training.»⁵⁴ The focus of the Bush administration was

⁵² Interview Office of Family Assistance, Washington DC, December 2009.

⁵³ Interview Ron Haskins, Brookings, December 2009, Washington DC.

⁵⁴ Excerpts of the President's remarks in Warren, Michigan, July 2009.

much more on employers, whereas the current administration has adopted a « dual customer approach », with a clear emphasis on workers themselves and their needs⁵⁵. There is now a new emphasis on well-paying jobs which require post-secondary education, as the best way to raise the general level of skills, promote the competitiveness of the US workforce at the global level and ensure that Americans are prepared to take up new job opportunities⁵⁶. The emphasis is not just on the economy, but on people's welfare, particularly middle-class families (childless individuals or the poor are never directly mentioned by the president). To this end the administration has launched the New American Graduation Initiative on July 14, 2009. The initiative aims to add 5 million college graduates by 2020, and devotes 12 billion dollars to community colleges. The programme will help students who cannot afford a four-year university education as well as adults seeking to improve their skills. The bulk of the programme consists of « challenge grants », which are given to colleges that demonstrate that they are able to connect students to employers in the community and to jobs that actually exist⁵⁷. The president's initiative is based on the idea that some of the jobs that have been destroyed in the manufacturing sector will not come back, thus enhancing the rationale for preparing American workers and young people to obtain a better education in order to qualify for the new, well-paying jobs being created.

CONCLUSION

Most income maintenance programmes have developed since 1970s in a piecemeal fashion to provide coverage either to the deserving poor or to the ever expanding army of the working poor. The G.W Bush administration in fact built upon such provisions and continued to provide targeted tax relief for the working poor. However, the purchasing power of these means-tested cash benefits has declined in real terms since the late 1970s, at a time when an increasing number of individuals find themselves in low demand in the secondary labour market, typically in retail and hospitality services. Strict eligibility rules, state variation in both the amount and coverage of benefits and delivery problems due to the complex interaction between state and federal rules, with less than satisfactory lines of accountability between government levels, have contributed to exclude an increasing number of Americans who simply fall between the cracks of a fragmented safety net of last resort.

⁵⁵ Interviews Employment and Training, Department of Labour, Washington DC, December 2009.

⁵⁶ Office of Management and Budget Priorities 2009.

⁵⁷ Washington Post July 2009.

In contemporary US society, contrary to the American dream, hard work is simply not enough⁵⁸. In the context of the Great Recession (2008-2009) and beyond, the Obama administration faces the formidable challenge of reversing or at least stabilising rising income inequality and poverty since the 1970s. These are common trends in all OECD countries, but the US now stands out as the country with the highest poverty rate after taxes and transfers⁵⁹. Thus far, the Obama administration has focused on health care reform and has had little time to focus on antipoverty policies, with the exception of the Recovery Act. Moreover, the president has been extremely careful to avoid the term « poor », preferring instead to use the term « working families » or « middle-class families ». Although this does not mean that the administration is not keen to mend the US safety net, it is also clear that such policies will be introduced by stealth, especially as the level of antagonism between Republicans and Democrats is extremely high. In this adversarial climate, any liberal initiative will be immediately seized upon by Republicans, thus paralysing the administration. A typical example will be TANF reauthorization; any attempt to change the legislation and to re-establish a sense of entitlement to cash assistance will be exploited immediately by Republicans as an attempt to undermine the work ethic and to reward welfare dependency. In the words of an interviewee, « this is a highly toxic debate » and chances are that the administration will prefer not to reopen this Pandora's box publicly, at least not until after the Congressional elections in November 2010. Moreover, the administration is much more focused on skills development, partially as a result of various research which has shown that American workers are simply not qualified for today's jobs and that the country as a whole is losing its competitiveness on the global stage.

For the current administration, the role of social policy is to equip individuals to become or remain employable once new jobs are created. There is an emphasis on skills in order to enable working individuals to earn a decent living wage in future market conditions. An improved distribution of skills and education in the US labour force should suffice to address the problems of income insecurity. There is little indication that the Obama Presidency will try to radically mend the US social protection system. For the Obama administration, social policy has an enabling role to play, with an emphasis on programme alignment in order to ensure that all low income individuals are given a fair chance in the training and education system. As a result, the architecture of the US safety net, with its pattern of administrative dispersion and fragmentation between the federal government, the states and between counties is likely to remain broadly intact.

⁵⁸ Stoker and Wilson 2006.

⁵⁹ Pontusson 2005 and Bernstein 2008/09.

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Appendices

Figure 1
AFDC/TANF Average Monthly Caseload
FY 1996-FY 2006

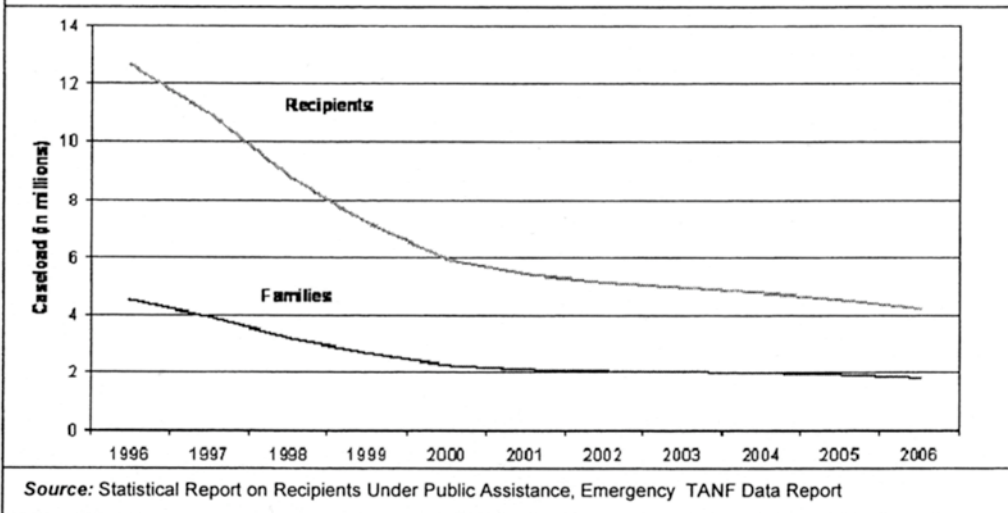
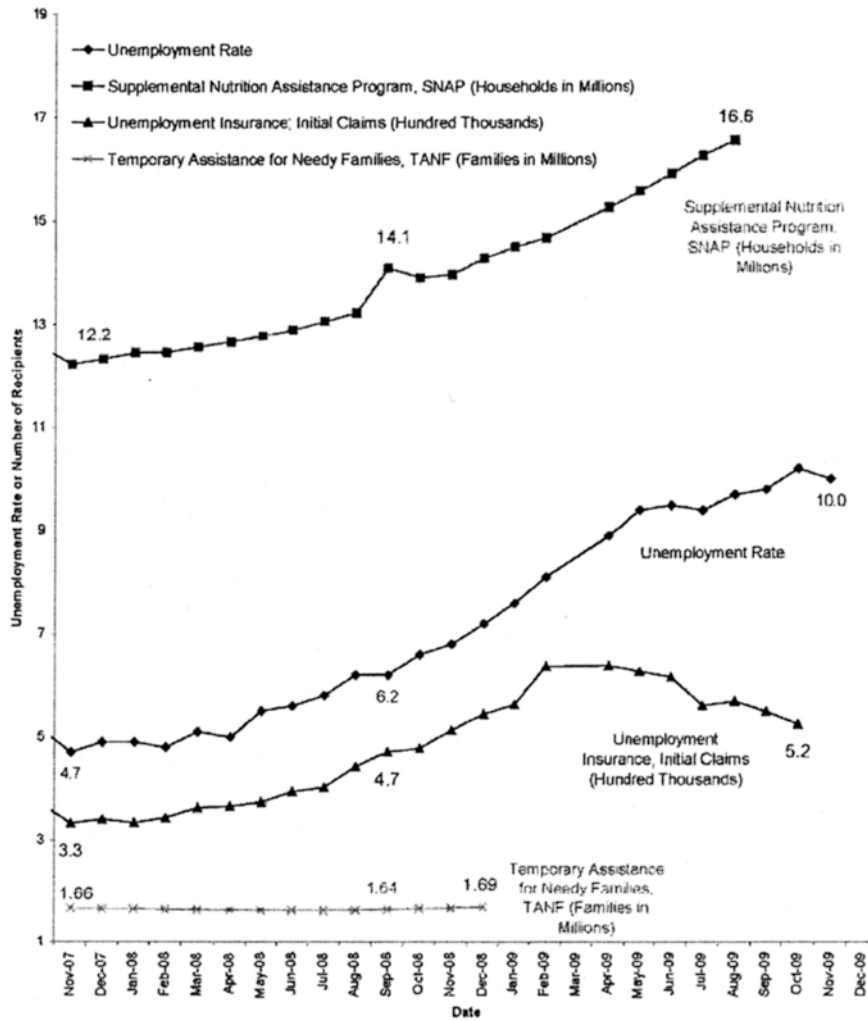


Figure 2

Unemployment Rate and Number of Supplemental Nutrition Assistance Program (SNAP), Unemployment Insurance, Temporary Assistance for Needy Families (TANF) Recipients



Source: Testimony of Ron Haskins, CO-Director of the Center on Children and Families, Brookings Institutions, before the Committee on the Budget, House of Representatives, December 9 2009