REAUTHORIZATION OF THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT

REDUCING THE NUMBER OF FAMILIES LIVING IN POVERTY

OVERVIEW

Since the overhaul of the welfare program in 1996, welfare caseloads have fallen by more than 50 percent, and one-third of recipients receiving cash benefits are working. On the other hand, in 2000 forty percent of former welfare recipients lived below the federal poverty line. And the percentage of families living in deep poverty, defined as income below 50 percent of the poverty level, has increased—from 4.9 percent in 1989 to 5.1 percent in 1998.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 (P.L. 104-193) made clear that "work first" was the primary goal of welfare reform. However, during the last five years it has become increasingly apparent that the "work first" model is not sufficient, especially in a program that sets life-time limits on the receipt of benefits. To minimize the number of families forced to return to the welfare caseload, the emphasis on work must be coupled with greater access to education and training and expanded opportunities to build financial assets.

DO YOU KNOW…

- ***One-third of people who have left the welfare rolls say they have had to reduce the size of meals or skip meals because they did not have enough food in the house.***
- ***Only one-third of all welfare leavers have incomes above 150 percent of the poverty level five years after going off of welfare. The current poverty level for a mother and two children is $15,020 a year.***
- ***Approximately one-fifth of all American households do not have checking or saving accounts.***

EDUCATION AND TRAINING PROGRAMS

Higher education and training for high wage jobs significantly improve the likelihood that families will move not only off welfare, but also out of poverty. Currently, PRWORA permits no more than 30 percent of the welfare caseload to count vocational education toward the first 20 hours of work activity. Vocational education can count as a work activity for a maximum of 12 months. Participation in General Education Development (GED) programs, basic education, and college education may be counted as work only for women who are engaged in some other work activity for 20 hours a week. Such restrictions have made it necessary for welfare recipients attending school to drop out; therefore, confining them to jobs with low wages and no benefits.

DO YOU KNOW

- **Two-thirds of welfare recipients scored in the bottom fourth of all women their age on tests of basic skills, and one-half of those recipients—one-third of all recipients—had basic skills lower than 90 percent of other women their age.**
- **According to a U.S. Department of Health and Human Services study, which followed TANF recipients over the course of one year, only 5.9 percent participated in job-training activities or education**

- **A study that followed former welfare recipients for twelve years showed very little change in their hourly wage with an increase to $6.72 from $6.07.**
- **One study found that women with an associate's degree earned between 19 percent and 23 percent more than their peers, and women who obtained a bachelor's degree earned from 29 percent to 33 percent more.**
- **Another study found that nearly 100 percent of former welfare recipients who earned a bachelor's degree remained economically independent.**

RECOMMENDATIONS ON EDUCATION AND TRAINING

- Allow education and training to count toward state work participation rates. Remove restrictions on number of participants and duration. Permissible activities should include nontraditional job training, higher education, vocational education, adult basic education, and English as a second language.
- Require training for case managers and vocational counselors on the advantages of nontraditional training for women.
- Evaluate state welfare performance, in part, on the basis of training for placement of recipients in nontraditional jobs or other higher-paying jobs.

ASSET DEVELOPMENT

Lack of financial assets contributes to people having to apply for welfare benefits. Individual Development Accounts (IDAS), which are matched savings accounts similar to Individual Retirement Accounts (IRAS), help low-income families accrue assets and save for important life goals such as education, home ownership, and self-employment. Some programs authorize emergency withdrawals for medical expenses, preventing evictions, and meeting expenses for those who lose their jobs.

The PRWORA allowed states to establish IDA programs using TANF funds, and excluded counting IDAS as assets for the purpose of qualifying for benefits. At least 25 states incorporated IDAS into their welfare plan.

DO YOU KNOW

- The top 1 percent of Americans control as many assets as the bottom 80 percent.
- Two-thirds of African American households have zero or negative financial assets.
- The one-fifth of all American households who do not have savings or checking accounts must rely on predatory lending agencies whose service fees cost the average unbanked person $15,000 over the course of a lifetime.
- The American Dream Demonstration study showed that the average monthly deposit was $25.42; the average participant made deposits seven out of the 12 months; and with a match rate of 2 to 1 participants made an average of $900 a year.

RECOMMENDATIONS FOR ASSET DEVELOPMENT

- Create tax incentives for greater participation in asset development programs by private financial institutions, nonprofit organizations, and credit unions.
- Require more training in saving, banking, and investing for front-line workers and participants in IDA programs
- Allow IDA participants, whose only wealth may be their IDAs, to bequeath balances in their IDAs to their spouses or children.