GUIDELINES FOR REAL WELFARE REFORM

Congress is considering legislation that its supporters claim is a sweeping reform of the nation's welfare system. Judging from the rhetoric, lawmakers are poised to launch a real war on poverty and welfare dependency. That's the rhetoric. The reality is that the legislation, passed by the House last December, would increase welfare dependency, slow policy innovation by the states, and add $5.7 billion to federal welfare spending over five years.

The Senate is about to consider two rival welfare bills. One is authored by Senator Daniel Moynihan, the New York Democrat. It improves little on the House bill. The other is sponsored by Minority Leader Robert Dole of Kansas. It essentially is the House Republican measure, containing several White House proposals, that was defeated last December. The White House strategy curiously is to negotiate quietly with the Democrat-dominated Senate Finance Committee, hoping to win some changes in the Moynihan bill. This strategy implicitly commits the Administration to the Moynihan bill as the vehicle for the reform. This is bad enough. What is worse is the near certainty that any concessions obtained in Committee will be diluted first on the Senate floor and then by House conferees. Meanwhile, the White House will have lost the chance to articulate a clear alternative strategy for resolving America's enormous welfare problem. Without articulating such an alternative, the White House trims its chances of successfully vetoing an unacceptable final bill. Ronald Reagan thus should launch a public debate over welfare reform detailing the bill he could sign.

Repeating Past Mistakes. The bill passed last December by the House (H.R. 1720) would set back the clock for welfare reform. It repeats the mistakes of the past but cloaks them with contemporary rhetoric and adds a bigger price tag. It would encourage states to raise welfare benefits significantly, further discouraging many welfare recipients from accepting entry-level jobs. It turns a blind eye to innovative state leadership in welfare policy by failing to allow the federal government to permit states to make substantial changes in the operation of current welfare programs. Worse still, it would block many existing state workfare experiments. And while it would create thousands of jobs for middle-class welfare service providers, the legislation does little to nudge welfare recipients into employment.

The principal bill in the Senate, authored by Moynihan, would improve little on the House legislation. For instance, it sets no minimum rates for participation by welfare recipients in federally sponsored training programs, nor does it tie federal dollars to measured success in placing welfare recipients in jobs. While it gives lip service to persuading recipients to take jobs, it does not compel anyone to take a job if that results in a net loss of income and benefits. And while the bill would allow some state experiments and permit the federal government to waive some regulations that constrain innovation by the states, it places severe restrictions on such decentralization.

An Appeal for Genuine Reform. Dole's alternative bill (S. 1655) would correct many of these deficiencies. The Dole measure essentially is the Republican substitute that was defeated 173-251 in the House. The Administration backs this alternative and is negotiating with the Senate Finance Committee to win improvements in the Moynihan bill in keeping with the Dole legislation. Yet engaging in such back-room discussions is likely to yield little, given the House vote and the balance of power in the Senate. Moreover, the strategy effectively precludes the White House from seizing the initiative by appealing directly to the American people for genuine welfare reform.

The White House instead should publicly inform Congress of the minimum elements any bill must contain if it is to be spared a Reagan veto. At minimum these elements are:

◆◆ **Sweeping authority for the Administration to negotiate major revisions of current welfare programs with individual states.** The White House already is granting waivers within the tight limits of current law, leading to some highly innovative approaches by states. Federal law needs to grant the White House much greater discretion.

◆◆ **Minimum levels of participation by welfare recipients in any federally supported state training or jobs program.** This should be accompanied by a "payments by results" mechanism for federal funding, much like that contained in the JEDI bill authored by Senator Edward Kennedy, the Massachusetts Democrat, and passed by the Senate last year. This mechanism provides bonuses to states that have cut welfare rolls.

◆◆ **No increase in welfare benefits that would make local entry-level jobs less attractive, and no provision that would allow welfare recipients to turn down a job just because there might be a net loss of income.** Legislation must make it explicit that being on welfare should be a last resort, not a free economic choice.

◆◆ **Tough child support legislation to crack down on deadbeat fathers, to discourage the growth of unsupported single-headed families.** This Congress seems ready to do.

Without these four basic elements, welfare "reform" legislation will reform nothing. It merely will be little more than a more expensive version of the current approach to poverty and dependency. No legislation would be better than the measure passed by the House. After almost a quarter-century of expensive Great Society programs, America scarcely has made a dent on the poverty rate, while entire neighborhoods have fallen into the underclass gridlock. Structural reform is needed. Congress, so far, has shown no inclination to take the necessary action. It is up to the White House to raise the stakes.

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For further information:

Stuart M. Butler and Anna Kondratas, *Out of the Poverty Trap* (New York: The Free Press, 1987).

Robert Rector, "Reforming Welfare: The Promises and Limits of Workfare," Heritage Foundation *Backgrounder* No. 585, June 11, 1987.