

Work over welfare: lessons from America?

**CHILD
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GROUP**

Alison Garnham

CPAG policy briefing: June 2007

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About the author

Alison Garnham is joint Chief Executive of the Daycare Trust, taking up her position in June 2006. Prior to this, for nine years she was the Director of Policy and Research at One Parent Families. She worked for many years as a welfare rights adviser and for a number of women's organisations before, in 1989, joining Child Poverty Action Group (CPAG), where she co-authored a number of publications about child support. She has subsequently written about lone parenthood and child poverty, including an edition of *Poverty: the facts*, published by CPAG. Before joining One Parent Families she was Senior Lecturer in Social Policy at the University of North London (now London Metropolitan University) where she has also been an Honorary Research Fellow. She is a member of the Social Security Advisory Committee.

She is writing in a personal capacity.

Executive summary

In 1996, controversial welfare reforms were introduced in the United States. Ten years on, they have been presented as an unqualified success in terms of a reduced welfare caseload. Although it is difficult to compare policy outcomes between countries with very different cultural and social histories, this briefing considers whether the UK should draw on the American 'work-first' approach, whether the US should learn from the UK's experiences, or whether both countries should draw on policies that have proved more effective elsewhere.

Lessons from the US?

In 1996 the Personal Responsibility and Work Opportunity Reconciliation Act was introduced in the US. This replaced the Aid to Families with Dependent Children (the key policy instrument to protect families with children) with the Temporary Assistance for Needy Families (TANF) programme. Individual states now determine eligibility for cash assistance (there is no duty to assist any family), time limits and work requirements for families receiving help. Lone-parent families are the most affected.

TANF was implemented in a context of:

- ◆ a near full-employment economy;
- ◆ a large expansion of earned income tax credit;
- ◆ minimum wage increases;
- ◆ a tripling of childcare spending – from \$4 billion in 1997 to \$11.9 billion in 2004;
- ◆ more spending on work supports, and expansion in Medicaid and the State Children's Health Insurance Programme;
- ◆ stronger child support enforcement and more money to states through TANF block grants.

However, there are a number of problems associated with the reform programme.

Tough work conditions do not necessarily achieve high employment rates.

Although employment rates for those previously receiving TANF have increased, the impact of tougher conditions, as opposed to increased investment in childcare, in-work support and a booming economy, is unclear.

- ◆ Employment rates have risen from a relatively high starting point of 65 per cent for married mothers and 63 per cent for lone mothers.

- ◆ The employment rate peaked in 2000 for both groups, but has since decreased slightly.
- ◆ The number of lone parents in work but not claiming welfare rose from 32.2 per cent in 1996 to 46.6 per cent in 2004. However, those in work were not necessarily better off.

An increase in employment does not necessarily reduce child poverty.

The increase in employment has not been effective in (nor was it aimed at) cutting child poverty rates. According to the US poverty measure, child poverty levels were:

- ◆ 22.7 per cent in 1993;
- ◆ 16.2 per cent in 2000;
- ◆ 17.8 per cent in 2004 – that is, an extra 1.4 million poor children since 2000.

Tough welfare reforms may drive people into a 'no work, no welfare' group.

The decrease in TANF participation accounts for more than half – 57 per cent – of the decline in caseloads since 1996. Fewer now claim TANF, but it also fails to protect the most vulnerable. The number of people jobless but not receiving cash assistance has increased significantly from 16.4 per cent in 1996 to 32.6 per cent in 2004. Around one million mothers, with two million children, now fall into this 'no work, no welfare' group.

Sanctions have impacted on the most vulnerable groups.

Those most likely to be sanctioned are those least likely to be able to get and keep a job – for example, lone parents:

- ◆ furthest from the labour market;
- ◆ without unemployment insurance;
- ◆ lacking skills and qualifications;
- ◆ who are sick or disabled or who have children who are;
- ◆ who have large families and additional problems perhaps including mental illness or drug addiction.

Very few (37 per cent) stay in jobs for every quarter of the year, suggesting many people cycle in and out of work.

The impact of the reforms on child wellbeing has been mixed.

Positive impacts on school achievement for children aged five are confined to work programmes that increase family incomes through earnings supplements, and are related to attendance at centre-based childcare during pre-school years.

Data for adolescents (aged 10–16) shows below average school performance and a slightly increased likelihood of repeating a grade or needing special education classes. Some adolescents may be taking on early childcare responsibilities because of their mothers' work.

Lessons from the UK?

In contrast, the British government has attempted to increase employment rates through welfare-to-work policies at the same time as aiming to abolish child poverty. Reducing child poverty rather than caseloads has been a priority and the government has:

- ◆ increased spending on education, health and early years care;
- ◆ introduced a national minimum wage;
- ◆ improved the work–life balance through extensions to parental leave and rights to flexible working;
- ◆ invested heavily in tax credits.

As a result, child poverty has fallen by around 600,000 children, although it is estimated that halving child poverty by 2010 requires a further £4 billion investment.

Next steps

The US experience highlights the need to:

- ◆ build skills, improve job quality, increase family incomes and mix individualised employment, training and other services with attention to local labour markets;
- ◆ recognise that job retention and advancement are affected by wages and the quality of initial job placements;
- ◆ improve child wellbeing by connecting families with stable, high-quality childcare, and ensure that employment translates into increased family income.

However, the TANF re-authorisation Bill, recently enacted by Congress, does not reflect these key lessons, and the focus remains on cutting caseloads.

The UK experience highlights the need for:

- ◆ continued investment in tax credits and voluntary programmes such as the New Deal;
- ◆ an infrastructure of childcare, employment support, a national minimum wage and employment subsidies;
- ◆ continued improvements in work–life balance;

- ◆ good, pre-school education, especially for those from disadvantaged backgrounds;
- ◆ a national roll-out and further investment in schemes such as the New Deal Plus.

However, the recently published *Freud* report and the Department for Work and Pensions child poverty strategy discuss introducing higher levels of conditionality and sanctions for lone parents.

Conclusions

- ◆ Tough work conditions alone do not necessarily achieve high employment rates.
- ◆ An increase in employment does not necessarily reduce child poverty.
- ◆ The UK benefits and tax credits system is much more effective at reducing child poverty than that in the US.
- ◆ Tough welfare reforms may drive people into a 'no work, no welfare' group.
- ◆ An approach that increases both employment rates and the rewards from paid work is required.
- ◆ More emphasis is needed on improving the skills agenda, training, placement in suitable jobs, and job progressions and advancement.

The recent UNICEF report places the US and UK at the bottom of the table on a range of indicators of child wellbeing. Both countries have much to learn from those at the top – Scandinavia and Holland – where high-quality, publicly-funded childcare, generous benefits, an effective child maintenance system and better-paid jobs are all in evidence.