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What's Right with Welfare? The Other Face of AFDC¹

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Eleven million people, mostly mothers and children, depend on Aid to Families with Dependent Children, America's largest child welfare program. Much is wrong with AFDC welfare, and serious efforts are being made, again, to reform it. So far, no major attempts at reform have been successful. If reform is to succeed, we must understand what needs to be corrected and what does not.

What's right with welfare? This study, not an apology or excuse for AFDC, answers that rarely asked question. Part I surveys background. Part II cites myths and criticisms of AFDC and portrays poverty as it afflicts children and female-headed households. The focus of the analysis is on the depiction of 12 positive features of AFDC. Hidden in this unpopular form of aid are income transfer policy principles important to any consideration of welfare reform. To overlook these principles and to continue to ignore what is right with welfare may doom all efforts at reform.

Our blindness to what is good about AFDC extends to most public social programs and all become vulnerable to attack and budget reductions. Americans need to be made aware of the desirable aspects of their social programs. By scrutinizing AFDC, the most maligned of programs, this analysis is a step in that direction.

Everyone knows what's wrong with the Aid to Families with Dependent Children (AFDC) program. It is generous, expensive, and ineffectual; it is "welfare"² for mothers with children. Conservatives claim it squanders public taxes and fosters dependency, and liberals maintain it is primitive and stingy. The press headlines its fraud and its waste. Politicians suggest that solving the "welfare problem" would resolve our fiscal predicament, get state and federal budgets back in balance, and make government fiscally responsible. AFDC administrators, line workers, and clients themselves derogue the program; staff is demoralized,

clients detest its complicated application procedure and stigmatized support. Nobody likes AFDC.

Purpose

How much of the negative feeling surrounding AFDC is based on fact? This article takes a "stop and think" approach to show that AFDC, with its flaws, serves many critical functions in American social welfare. Indeed, to reduce AFDC further or to eliminate it entirely, as is occasionally suggested, would prove disastrous.

Let's face it: most public social programs in America, and especially those designed for poor people, have a bad name. "This is the land of plenty; work hard and cash in"—is our ethic. Since virtually all of us receive aid from social programs sometime during our lifetime—frequently for long periods of time—this inability to see good in social provision programs in general and in AFDC in particular is national blindness.

What was the origin of this unpopular program? Part I, "The Background of AFDC," briefly examines the context of AFDC and its predecessor, mothers' pensions, defines social assistance and shows how the grant level was set. Major changes across a 53-year history chart the course of welfare reform.

Part II lists two dozen myths about AFDC and also cites five common criticisms. This is the "first face" of welfare and the face with which we are all familiar. Part II also presents 12 positive features of AFDC. What would happen if AFDC ceased to be funded? Who would be hurt? What are the income alternatives for those who depend on it? In other words, what is right with welfare? Not an apology or whitewash, the intent of this critique is to document that AFDC does indeed have another side, a second face that is positive and beneficial.

Part I. The Background of AFDC

Mothers' Pensions

Prior to passage of the Social Security Act in 1935 and the commencement of a national Aid to Dependent Children program, nearly all states had enacted legislation that would provide public aid to children in their own homes. Mothers' pensions

("mothers' aid," "mothers' assistance," "widows' pensions") were public grants in cash or in kind given to selected homes where the male breadwinner was absent. These pensions had much in common with relief under the poor law, but they introduced several new relief concepts and were a prelude to the Aid to Dependent Children program.

Mothers' pensions were evidence of public recognition of the long-term nature of childrearing and of the contribution a mother could make in a fatherless home (*Social Security in America*, 1937, pp. 233–234). Following the recommendations of the 1909 White House Conference on the Care of Dependent Children, mothers' pensions were designed to prevent the breakup or disruption of families solely because of poverty.³

Such aid enabled mothers to stay at home, thereby preventing institutionalization of the children. Not only could the child be cared for best in his/her own home, but also "the mothers' contribution to the home . . . was [usually] greater than her earnings outside the home" (*Social Security in America*, 1937, p. 234). Grace Abbott (1934, p. 191) contended that mothers' aid ushered in a new principle in public assistance, that of adequacy. The first mothers' pension law was enacted in Missouri in 1911 and applied only to Jackson County. The first statewide law as enacted in Illinois in the same year. Within ten years, laws had been passed in 41 states and by 1935, all but two (Georgia and South Carolina) of the 48 states had such legislation (Lundberg, 1930, pp. 273–274).

States were quick to pass mothers' pension laws but slow to implement them. In 1928, for example, when 44 states had such legislation, fewer than 50% used them (Lundberg, 1928, p. 446). Moreover, when the laws were in use, implementation varied widely; many areas gave out small amounts of money that were hardly more than tokens of aid.

In any case, mothers' aid was largely an urban program. In 1934, just prior to passage of the Social Security Act, 51% of all recipients lived in only nine cities (*Social Security in America*, 1937, p. 238), and these cities accounted for more than two-thirds of total expenditures in the country. Six states had fewer than 200 families receiving aid (Abbott, 1934, p. 207).

Moral overtones strongly affected state policies. Aid was re-

served largely for a group Bell called the "gilt-edged widows" (1965, p. 9). One study showed that in 1932, 82% of those in receipt of aid were widows, of whom 96% were white (cited in Bell, p. 9). Not surprisingly, only a tiny minority of those in need received assistance. In 1930, there were 3.8 million female-headed families in the United States, and, of these, slightly over one million were headed by widows. Less than 3% of families at risk received aid and "less than 0.7 of 1% of all children under 18 years of age . . . were covered by the program" (Bell, p. 14).

By 1934, it was becoming clear that the success or failure of an income maintenance program (as measured by grant level, degree of implementation, and proportion of the at-risk population covered) frequently depended upon whether local participation was obligatory or optional and also upon which unit of government instituted, supervised, and helped to finance the program. In retrospect, the history of mothers' aid underscores the notion that in social programs, larger units of government achieve wider implementation, greater uniformity, and tend to provide higher benefits than do smaller units of government.

The Social Security Act and ADC

Current public assistance programs (also called "welfare," public aid, or social assistance) were established in the mid-1930s as part of the omnibus Social Security Act (P.L. 271, 1935). They were public programs designed to help or "assist" a few selected categories of needy people (children, elderly, blind), and, as a consequence, are also referred to as "categorical aid" or as "categorical programs." For those who fit the defined category, the major determinant for eligibility has always been income and level of need. In contrast to social insurance criteria, eligibility is rarely linked to prior employment of the applicant or a member of the applicant's family. (In some states, AFDC-E may be linked to prior employment.) Social assistance is given to individuals and families in several forms, most frequently cash, medical care (Medicaid), food stamps, and social services.

All aid is financed out of public funds, derived from a varying and complex combination of federal, state, and, in some instances, local revenues. Federal revenues are derived mainly from individual and corporate income taxes (90 percent) excise,

customs, duties, and a variety of other minor revenue sources. State and local revenues are derived from income, property, sales, excise and other sources such as gas tax, user fee, etc. With the exception of the sales tax, most of the federal and state revenue sources are comparatively progressive. Unlike financial support for social security and unemployment insurance, no specially earmarked taxes or payroll taxes paid by employers and/or employees are used to finance public assistance.

Complex funding, varying eligibility conditions, and limiting aid to selected categories of people may not seem the most effective way to organize large social programs. Why would policy makers develop such an uncoordinated medley of programs? These patchwork programs only make sense when viewed in the historical context of the period of national crisis in which the legislation was passed, the framework of the Social Security Act, and the predecessor programs of mothers' pensions, old-age pensions, and pensions for the blind. Aid to Dependent Children (ADC, title IV), Old-Age Assistance (OAA, title I), and Aid to the Blind (AB, title X) were the three social assistance titles of the five income transfer sections in the original Social Security Act, signed into law August 14, 1935. In theory, this form of aid was supposed to "wither away" and to be superseded increasingly by old-age insurance ("social security," title II) and, to a lesser degree, by unemployment insurance (title III). In short, the three public assistance titles of the Social Security Act were viewed as emergency measures, designed to take effect immediately in a time of high unemployment, widespread hunger, destitution and homelessness. The nation was in a prolonged economic depression and national crisis. Most private charities had run out of money, and some state and local governments were close to bankruptcy.

Thus, it is not surprising that President Franklin Roosevelt called ADC "a safeguard against misfortune which cannot be wholly eliminated in this man-made world of ours." In creating ADC, for the first time the federal government accepted the responsibility to help states underwrite the support of children who had been deprived of a parent because of death, disability, or desertion. Most important, the program provided a means—spearheaded and partly financed from the federal treasury—to

care for those children in their own homes, rather than in institutions, as had been the common practice before (Ross, 1985, pp. 5–6).

In ADC, federal and state governments shared fiscal and program responsibility. Annual appropriations from general revenues provided for the federal share of program costs. To receive money, each state had to adopt a plan subject to federal approval: among other things, the plan had to be effective in all political subdivisions of the state, provide a single administering agency, institute a process for appeal of denied claims, require regular reports to the Social Security Board, and put a limitation on residency requirements. States were free to establish their own eligibility requirements and benefit levels, and to be as restrictive and as discretionary as they chose.

Setting the ADC Grant Level

The original bill did not limit the federal share of the ADC grant, except to say that it should be no more than *one-third* of the amounts expended by state and local governments. The one-third figure, suggested by the Children's Bureau, was based on the belief "that state and local governments should each bear one-third of the cost of this aid" (Witte, 1963, pp. 164–165).

In the old-age assistance program, however, Congress had already decided to pay for *one-half* the total OAA benefit, up to a federal maximum of \$15 a month for each recipient. Thus, if a state chose to pay an elderly person \$15 per month, the total federal/state benefit was \$30 a month. Theoretically, a two-person elderly couple household could receive as much as \$60 a month. Of course, states were free to pay less (or more) than \$15 a month to an elderly person. If they paid more, the federal limit of \$15 would remain.

Several members of the House Ways and Means Committee thought there should also be a limit on the ADC grant. What would be an appropriate maximum? It was suggested

... that the limitation should be the same amount as the maximum pension payable to children of servicemen who lost their lives in World War I, namely, \$18 per month for the first child and \$12 for the second and additional children in the family. In making this suggestion, the congressman completely overlooked the fact

that under the Veteran's Pension Act [an additional] grant of \$30 per month is made to the widow. . . . (Witte, p. 163)

In ADC no money was to be provided to the mother or caretaker. Witte, in his chronicle of the Act, tells us that "no one pointed out this fact at the time, and . . . [the] motion was adopted without dissent" (pp. 163–164). As a result, when the ADC program began payments on February 1, 1936, the federal government agreed to pay one-third of the state's ADC expenditure with a federal ceiling of \$6 per month for the first child (one-third of \$18) and \$4 for each additional child (one-third of \$12).

In establishing the ADC program, Congress committed three major blunders: (a) It fixed the maximum matchable aid for children at the unreasonably low levels of \$18 and \$12 per month. (b) It agreed to pay only one-third of these small maximums. (c) It failed to provide any money to the adult caretaker.

These oversights had an immediate impact. Under the adult program of OAA, a two-person family (an elderly couple) could receive as much as \$60 a month. In the children's program a three-person family (mother with two children) could receive a maximum of \$30 per month. Two people on OAA could receive twice as much as three people on ADC. Witte states:

. . . I called the attention of . . . members of the House committee to the fact that this limitation would operate to keep the federal grants below one-third of the states' expenditures in many cases; further, that it was utterly illogical to expect a mother with a child under sixteen to live on \$18 per month when old age assistance grants of \$30 per month *per person* were contemplated in the same act. This was acknowledged to be a justified criticism, but there was so little interest on the part of any of the members in the aid to dependent children that no one thereafter made a motion to strike out the restriction.

He adds,

There was little interest in Congress in the aid to dependent children. It is my belief that nothing would have been done on this subject if it had not been included in the report of the Committee on Economic Security. That the grants to states for this purpose are limited to one-third of their expenditures, while the grants for old age assistance and blind pensions are for one-half of the

expenditures, reflects this complete lack of interest in the aid for dependent children. (Witte, p. 164)

One half century later this Congressional disinterest in dependent children continues; the errors that resulted in large grant disparities still await correction. Those in the adult categories—the aged, blind, and disabled—now covered under Supplemental Security Income (SSI) continue to receive two to three times more money than children and their families. For example, in August 1988, the average federally administered SSI payment was \$260 per person per month. Twenty-eight states gave an additional \$113 a month. Under SSI a single person might receive \$373 per month and a couple \$746 (*Social Security Bulletin*, Nov. 1988, p. 51). By contrast, in March 1988, the average AFDC payment was \$127 per recipient per month or \$371 for a *three*-person family. The range was \$38 a month for a recipient in Mississippi to \$198 in California (*Monthly Benefit Statistics*, Oct. 1988, p. 12).

Major Changes in ADC and AFDC, 1939–1988

In spite of a negative view of welfare, Congress and the courts have expanded entitlement and increased benefits over the past half century. The fact that conservative Republicans once urged higher welfare benefits (note 4) now appears a strange anomaly, a curious historical footnote. However, they joined the Democrats in 1939 to extend eligibility to children 16 and 17 years of age if attending school. Later, 18 to 20 year olds were also made eligible if attending school. (Recently this age was reduced so that a child must be under 18 and in school.)

A change in 1950 made a needy relative living with an eligible child a recipient. For the first time, a state would receive federal matching funds if it gave aid to an ADC adult (Social Security Act Amendments of 1950). In 1961, the Unemployed Parent program (ADC-UP) made a child eligible for ADC when one parent in a two-parent household became unemployed (Social Security Act Amendments of 1961). In 1962, a major program change included a second adult as a recipient for federal matching purposes. At this time the program changed its name from ADC to AFDC, “F” implying a program for families—not just for dependent children (Public Welfare Amendments of 1962).

Numerous alterations have been made in the complex federal matching formula, nearly all designed to give states a more generous match and to encourage higher benefits to recipients.

Aside from the name change, all these changes were optional to the states: they were free to extend eligibility if they chose to do so. For instance, only 28 of the 54 states and jurisdictions give aid to families with an unemployed parent, and in those states it is a tiny program.

The Continuous Search for Welfare Reform

The last three decades have seen numerous efforts at welfare reform. Most attempts have focused on reducing the size of the welfare rolls by helping recipients become self-sufficient. The Social Security Amendments of 1967 established the Work Incentive Program (WIN). Mothers with children over 6 were required to register for work. Employment Security and the state welfare department were to assist clients in counseling, training, and job referral. Never considered cost effective, WIN underwent many changes and has been superseded by the Job Opportunities and Basic Skills Training program of 1988. No separate funding has been requested for fiscal 1990.

During the early 1970s, Nixon pursued his Family Assistance Program (FAP). Perhaps the most daring effort at reform, Nixon's plan would have provided a national income guarantee for all needy families with children. It was defeated because one contingent thought the plan and its benefits too liberal and far reaching. Opposition also came from those who believed the proposed guarantee too low. The Carter administration recommended a Better Jobs and Income bill. This proved no more successful than the Nixon plan, but it did reflect the growing conviction that any welfare reform should incorporate work requirements. The various Negative Income Tax experiments of the 1960s and 1970s also reflected the intense interest Congress and the public had in the effect of income and tax rates on work efforts.

The 1980s have seen increasing attention and innovation shifting to the states. Massachusetts, California, New Jersey, Ohio, New York City, and Washington State have started their own reform efforts, usually with the blessing (and necessary

waivers) from the federal government. A number of states have introduced work programs. Yet another tack to reform welfare has been to increase administrative efficiency (Brodkin, 1986).

The most recent federal effort at welfare reform saw a somewhat grudging agreement between Democrats and Republicans and resulted in the Federal Support Act signed by President Reagan October 13, 1988. It provides a Job Opportunities and Basic Skills (JOBS) program, offers transitional child care and medical assistance, requires all states to provide welfare to two-parent families, and, not surprisingly, emphasizes moving the welfare parent, usually the mother, out of the home and into the work force. Far from perfect, the act does provide limited new funds for education, support services, and child support enforcement. Over the next five years, federal reform will cost about four percent above current costs, not counting inflation or program expansion.

Whatever may be said regarding welfare reform, work is only part of the answer. AFDC mothers are the only employable people on welfare, and of these mothers, perhaps one-third are employable. The rest are already working, in training, incapacitated, or needed at home. These employable mothers constitute a tiny 6.7% of all 17 million welfare recipients; the rest are children, or blind or disabled or aged persons. Roughly 11% of all AFDC families include a male, and they constitute but 2% of all those on welfare. Many of these men are unable to work because of disability.

The American welfare system does need to be improved. "Real" welfare reform, where employable persons are aided in becoming self-sufficient, has remained an elusive goal. Critics and reformers alike fail to acknowledge that helping people become self-supporting is extremely expensive. It is likely that the aim of reforming welfare and the aim of saving tax dollars are mutually exclusive goals. Reform will cost more than the amount we now pay for welfare, at least in the short run.

The True Cost of AFDC

The constant criticism, debate, analysis, and attempt to reform welfare are remarkable in light of the financial commitment actually made to AFDC. In Reagan's proposed budget of \$1.1

trillion for fiscal 1990 (10/1/89–9/30/90), total federal outlays for AFDC cash payments are estimated to be \$8.5 billion (*Appendix to U.S. Budget*, 1990, p. 1–K 38). AFDC constitutes 0.7 of 1% of the budget. Tracing federal expenditures back 30 years shows little variation: AFDC has never exceeded 1.2% of the federal budget. Recipients of income for *all* means-tested cash programs⁵ rose from 5.8 million in 1960 to approximately 17 million today, a period that encompassed the War on Poverty and the greatest beneficiary increase in 50 years. Surprisingly, and in spite of this threefold increase, public assistance cash grants as a proportion of all federal expenditures remained fairly constant, reaching a high of 3.2% for one year (but usually much less) (Dear, 1982, pp. 26–30).

By comparison, in fiscal 1990, \$22 billion, about 2% of the federal budget, has been allocated to all means-tested cash assistance. In addition to AFDC, this included SSI, earned income tax credit, refugee assistance, and low income energy assistance. Outlays for food stamps were an additional \$12.8 billion (U.S. Budget, 1990).

Why all the fuss? From the standpoint of cost (political rhetoric notwithstanding), welfare, particularly AFDC, is not a big-ticket item. Why the outpouring of energy and time aimed at reducing it further? Apparently, negative and distorted views of welfare are rooted in societal beliefs about poverty, low income, and illegitimacy. Further, there is evidence that this form of assistance is unpopular in other countries as well as in the USA.

Part II: The Two Faces of AFDC

A. *The First Face of AFDC: What's Wrong with Welfare?*

Myths and Criticisms

Myths about AFDC welfare abound and some contain a grain of truth. However, few apply to a large percentage of recipients and *none* apply to a majority. Of the following generalizations, not a single one applies to all recipients, and most are simply untrue:

1. Once on welfare, always on welfare.
2. The welfare population consists of a permanent, dependent class of recipients.

3. The federal government faces a large budget deficit because so much is spent on programs like AFDC.
4. Half of the money in the federal budget is spent on programs for poor people.
5. Women on AFDC/welfare have more children to get more money.
6. Poor people migrate to states with high AFDC benefits to get on welfare.
7. Welfare families tend to be larger than families not on welfare and have more children than nonwelfare families.
8. All children on welfare are born out of wedlock.
9. Most mothers receiving AFDC are in their teens.
10. To get more money, AFDC applicants try to cheat the system by deliberately misrepresenting the facts. As a result, the system is rife with fraud.
11. Most people on welfare simply cannot handle money.
12. If you give more money to people on welfare, they will probably spend it on drink or in other nonworthwhile ways.
13. Almost no welfare mothers have finished high school.
14. Most welfare families are black.
15. Benefits are purposely low in some areas because it costs less to live there.
16. In some states benefits are so high that recipients have little motivation to get off of the rolls.
17. The majority of AFDC families live in private housing and a good number own their own homes.
18. Benefit levels have been rising fast or faster than inflation.
19. Families on welfare living in states with more generous grant levels are brought well above the poverty line.
20. A large number of AFDC families have two able-bodied adult recipients.
21. Most AFDC families consist of able-bodied adults too lazy to work or seek employment.
22. Almost no AFDC parents work, are in training, or are looking for a job.
23. People can receive a sizeable amount from employment and still remain on welfare.
24. Those on welfare have little incentive to work.⁶

The above generalizations are faulty, but there is much that can be legitimately criticized about AFDC. First, grant levels *are* pitifully low. Not a single state provides enough cash income to

bring a mother with one or two children up to the admittedly low official poverty line. (Food stamps do help, but even with food stamps few families are brought up to the poverty level.) The larger the family, the lower the per capita grants. In March 1988, the average monthly payment per person in all states was \$127 per month and for a family of three the average grant was \$371 per month or \$4,452 per year, one-half of the poverty level of \$9,690 for a family of three (*Monthly Benefit Statistics; Social Security Bulletin*, April 1988, p. 2). Furthermore, the average obscures a wide variation in payments: Mississippi pays \$38 a month; California, \$198. Finally, while they are required to define a standard of need for AFDC families, the states are not required to meet it. Few make the attempt.

A second legitimate criticism of AFDC concerns its difficult, demeaning, and painful application procedures. Those seeking AFDC assistance must complete long, complex forms and provide numerous personal documents. Clients often wait many hours with their small children in an overcrowded room to see a harried, underpaid, overworked, eligibility worker who has but a few minutes to review the complex forms and to answer questions. If there is a mistake or an omission on the application, or if additional supporting documents are required (e.g., rent receipts, electric bills, birth certificates, records of prior employment, etc.), the weary applicant is told to return another day to repeat the long procedure. Getting an answer to a simple question ("Is this where I apply for Medicaid?") may require an entire day sitting in the waiting room. At times, aid is denied based on the judgment or discretion of the eligibility worker. In short, one *applies* for welfare—one does not claim it.

A third legitimate criticism of welfare is that many of the rules, regulations, forms, and procedures differ in each of the 54 states and jurisdictions. A needy person may receive benefits in one state and be denied benefits in another. Equally needy families will receive unequal amounts of aid. In only one-half of the 54 states and jurisdictions two-parent families are eligible to apply for aid.

AFDC policies may be criticized because they are sometimes contradictory. To cite only one example, considerable emphasis is placed on getting AFDC parents into the workforce to become

self-sufficient. However, when people do receive income from work under AFDC, they face an unusually high tax rate. The 1981 Social Security amendments changed the tax rate to 67% for the first four months and 100% thereafter. After four months, for each dollar earned, one dollar of benefits is lost. In addition, the fully employed former recipient also loses access to medical care, child care, and other in-kind benefits.

The fifth criticism relates to the quality of life and the daily struggle of the typical AFDC mother. The life of the AFDC family is perhaps indescribable by middle-class standards. Certainly, conditions are worse than stated here or described in most literature or realized by those who wage their untiring criticism of the "welfare mess" and of "all those bums on welfare."

AFDC grants and food stamp allotments are insufficient, and families routinely run out of money before the end of the month. How do people survive on so little income? Some welfare mothers ransack supermarket garbage bins (called "garbaging")—really a modern update of Biblical gleaning—to get enough food for their children. Others sell their blood plasma twice a week for about \$10 a pint to gain desperately needed additional income. Still others pilfer Good Will drop-off bins to get clothing for themselves and their children. To spare themselves the embarrassment of going barefoot, recipients may borrow footwear to go to the doctor, to school, or for other appointments. (In one ironic instance, a family borrowed shoes to go to a welfare eligibility review, where they had to assure the worker they were still in need.) Some mothers, in absolute desperation, resort to prostitution to get money.

Such actions, most illegal, and others, were related by AFDC mothers to the writer, and these women live in a state noted for the *generosity* of its welfare benefits. One wonders how mothers in less generous states manage. (Twenty-four jurisdictions provide average payments of less than \$100 a month per recipient) (*Monthly Benefit Statistics*, Oct. 1988, p. 12).

The myths about welfare and its legitimate criticisms constitute the first face of AFDC, the one that is visible and best known. There are, of course, other myths and additional criticisms. Such a summary underscores program difficulties in a broad political and academic sense. Unfortunately, it understates

the personal decisions that face every AFDC family, especially the mother each day of her life. What is good and desirable in a program so easily discredited? The following section discusses 12 positive characteristics of AFDC.

B. *The Second Face of AFDC Unmasked: What's Right with Welfare?*

1. *AFDC directs benefits to families with the highest risk of poverty and for whom there is no viable income alternative.*

"The dilemma must be faced: the chief cause of poverty in modern society is children." So claimed the late Alva Myrdal in 1941 in *Nation and Family* (p. 66). Aside from the USA, virtually every advanced nation has faced the dilemma by adopting family allowance programs. Most plans in these 63 nations provide monthly grants of money to mothers for each child in every family, regardless of income (*Social Security Program Throughout the World*, 1987, 1988). Here, the public social policy closest to universal allowances is the federal income tax exemption for dependents, a once-a-year provision of little value to those with low income (and low tax rates) and of no value to those with no income. There is also AFDC, specifically designed to direct assistance to high-risk families with children and for whom no other aid is available. Can AFDC be justified? Are there other income alternatives to this form of public aid?

Recent data show 32.5 million Americans (13.5% of the population) living in poverty in 1987. Of the 32.5 million poor, 66% were white, 30% black, and the remainder of other races. (Persons of Spanish origin may be classified as black or white). Of 65.1 million families, 7.0 million or 10.8% were poor (U.S. Bureau of the Census, Current Population Report [CPS], P-60, No. 161, Aug. 1988, pp. 7, 38).

Unhappily, these statistical dice are loaded: In spite of the fact that two-thirds of all poor people are white, a white person in America has only 11 chances in 100 of being poor. For black Americans, the chances of being poor jump to 33% or 1 in 3. Of course, additional characteristics boost the probability of poverty, such as sex of family head and the number of children in the family.

Forty percent of all poor persons are children under 18 years

of age. Both the number and percent of children in poverty have risen; 12.4 million boys and girls under 18 live in families with incomes below the poverty level. The Census Bureau concludes,

The poverty rate for children continues, as it has since 1975, to be higher than that for other age groups, averaging 20.6% for those under 18 years, while that for persons 65 years and over was 12.2% in 1987, and the poverty rate for persons 18 to 64 was 10.8% (CPS, P-60, No. 161, p. 8).

As Table 1 clearly illustrates, husband/wife or married-couple households are the norm, representing more than eight in ten of all families. Female-headed households (no husband present) are still the exception, and households headed by men are a tiny minority: of the 65 million families in 1987, 10.6 million or 16% were headed by women and less than a million were headed by men. However, husband-wife households have declined from 90% in 1959 to 84% in 1987, whereas female-headed households better than doubled in number, growing from 4.5 million to 10.6 million.

Between 1959 and 1987 total families increased by 44% (from 45.1 to 65.1 million), and female-headed families increased by

Table 1

*Number and Percent of all Families by Head of Household:
Selected Years 1959–1987 (in millions)*

	1959		1977		1987	
	No.	%	No.	%	No.	%
Husband/Wife	40.6	90	49.0	86	54.5	84
Female (no male)	4.5	10	8.2	14	10.6	16
Male (no female) ^a	NA		NA		NA	
Totals	45.1	100%	57.2	100%	65.1	100%

^aTotal number of male households with no wife present is included in husband/wife households. They represent a tiny percentage of all households (approximately 1 to 2%). Data not available separately for each year.

Note. Derived from data in U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 161 (1988, August), *Money Income and Poverty Status in the United States: 1987 (Advance Data From the March 1988 Current Population Survey)*, Washington, DC: U.S. Government Printing Office, Table 20, pp. 38–39; 1959 & 1977 data are from *Current Population Reports* for prior years.

a stunning 136% (from 4.5 to 10.6 million). Most AFDC cases are drawn from the women and children in these low income households. Table 2 demonstrates that although the number and the percentage of all families classified as poor declined from 1959 to 1977, recent years have seen an upswing in family poverty. The critical difference lies in the composition of this group of poor families. In 1959, one-fifth of all poor families were headed by women. In 1987, over one-half of all poor families were headed by women. Indeed, the single most striking trend in poverty statistics over the last quarter century has been this dramatic increase in poverty in female-headed households.

Evidently, the two-parent, often two wage-earner, household has greatly reduced the risk of poverty. Bearing in mind that 10.8% of all families were in poverty in 1987, and that the risk of poverty in a family was about one in eight, what is the risk of poverty for a child raised in a two parent family versus that of a child raised in a single parent household? Table 3 shows that a child's risk of poverty is only 6% or about 1 in 17 in a husband/wife household. In a female-headed household, the risk is 34% or about 1 in 3.

Table 2

Number and Percent of Poor Families Classified by Head of Household: Selected Years 1959–1987 (in millions)

Family Type	1959		1977		1987	
	No.	%	No.	%	No.	%
Married Couple	6.1	76	2.7	49	3.1	43.7
Female Head	1.9	20	2.6	48	3.6	51.5
Male Head	.3	4	.3	3	.3	4.8
Total Poor Families	8.3	100%	5.3	100%	7.0	100%
% of all families classified as poor	18.3%		9.3%		10.8%	

Note. Derived from data in U.S. Bureau of the Census, Current Population Report, Series P-60 (various years), *Characteristics of the Population Below the Poverty Level*, Washington, DC: U.S. Government Printing Office.

Table 3

Poor Families as a Percent of All Families (Poor and Non-Poor) by Head of Household: Selected Years 1959-1987 (in millions)

Family Type	1959			1977			1987		
	All Families		Poor Families	All Families		Poor Families	All Families		Poor Families
	No.	No.	%	No.	No.	%	No.	No.	%
Married couple	40.6	6.1	15.1	49.0	2.7	5.5	54.5	3.1	6.0
Female head	4.5	1.9	42.2	8.2	2.6	31.7	10.6	3.6	34.0
Male head	NA	.3	—	NA	.3	—	NA	.3	—
Totals	45.1	8.3	18.4%	57.2	5.3	9.3%	65.1	7.0	10.8%

Note. Derived from data in U.S. Bureau of the Census, Current Population Reports, Series P-60 (various years), *Characteristics of the Population Below the Poverty Level*, Washington, DC: U.S. Government Printing Office.

In any event, regardless of who heads the household, the more children, the greater the chance of poverty, as Table 4 amply demonstrates. More children increases the risk of poverty for all families, two parent, one parent, white, and black. While the number of families in the United States with five or more related children was comparatively small in 1987, there was a 50% chance that a child in a family of that size would be in poverty. *If the parents were black, there was a 71% chance that the child would live in poverty.*

The link between family size and poverty, and that between family size/race and poverty, is clear and has existed for years. But the link between family size/race/female-headed households and poverty is so striking that it is the most compelling of all poverty data.

Table 5 shows that a white mother with one child has a 30% chance of poverty. Her black counterpart has a 42% chance. Again, the close correlation between number of children and probability of poverty is evident: the more children, the more poverty. A white mother with four children and no husband

Table 4

Poverty Rate by Number of Related Children Under 18 in All Families, 1987

No. of Children	All Families (Poor & Nonpoor) Millions		Percent of Households Below Poverty Level		
	No.	Percent of Total	All Races	White	Black
None under 18	31.1	47.9	4.9	4.0	14.4
1 child	14.4	22.0	12.0	9.7	25.6
2 children	12.5	19.2	13.8	10.7	35.2
3 children	4.9	7.5	24.4	18.3	52.7
4 children	1.5	2.3	35.3	26.5	57.5
5 children or more	0.7	1.1	49.0	39.4	71.0
Total	65.1 million	100%			

Note. Derived from data in U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 161 (1988, August), *Money Income and Poverty Status in the United States: 1987 (Advance Data From the March 1986 Current Population Survey)*, Washington, DC: U.S. Government Printing Office, Table 19, p. 36.

present has a 73% chance of poverty; a black mother similarly situated has an astonishing 87% chance—and these poverty rates exist *after* all income transfers.

Clearly, there are people in the United States who are poor and who cannot support themselves. We even know something about the incidence of poverty and about its population. We know that a child born into a family where there are other siblings and where the mother is a single head of household and black—that child is likely to live in poverty at some time in his or her life. (Other factors, not discussed here, further increase the risk of poverty for such a child, such as having a mother who lives in the South, who is unemployed and who lacks education.) Myrdal's observations are as accurate now as when she made them:

The more children there are in a family the more decidedly will poverty be their atmosphere. It will change the very volume of the air they breath, reduce the food they eat, and narrow the margin of culture available to them. . . . When a disproportionate number

Table 5

Poverty Rate of Female-Headed Households Classified by Race with Number of Related Children Under 18, 1987

No. of Children	Total No. Female-Headed Households	Percent Below Poverty Level		
		All Races	White	Black
None under 18	3.5	9.8	6.8	22.4
1 child	3.3	33.6	29.5	42.3
2 children	2.3	45.7	39.1	60.3
3 children	1.0	69.2	60.5	80.1
4 children	0.3	77.8	72.9	81.1
5 children ^a or more	0.2	86.7	—	86.9
Total	10.6 million			

^aFemale heads of household with more than five children are too few (less than 75,000) to permit reliable calculations.

Note. Derived from data in U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 161 (1988, August), *Money Income and Poverty Status in the United States: 1987 (Advance Data From the March 1988 Current Population Survey)*, Washington, DC: U.S. Government Printing Office, Table 19, p. 37.

of the nation's children are born of the poor, this becomes a cause of national worry . . . (Myrdal, 1941, p. 99)

Without AFDC, many children would suffer from even more severe poverty. Thus, AFDC decreases the suffering of the "deserving poor," especially children. And at times it may be the difference between bare survival and death.

Are there other ways to achieve this end? As discussed below, few alternatives to AFDC are acceptable on political or practical grounds. Neither social insurance, private charity, increased assistance from state or local government, a guaranteed minimum income, a universal demogrant, full employment, nor work programs are viable options. Why not?

First, eligibility in all social insurance programs is based on prior employment. Social security, unemployment insurance, railroad retirement, workers' compensation, and temporary disability insurance—all are insurance programs designed for workers, retired, injured, disabled, and their dependents; and, for deceased workers, their survivors. These programs do aid low-income families—far more than does social assistance. Unfortunately, millions of needy people have not worked and are not covered by social insurance.

What about private charity and state and local governments? In part, AFDC and its predecessor programs of Mothers' Aid were established because private agencies could not meet the financial needs of millions of needy people. Private charities do not have the resources nor are they equipped to aid even a fraction of the millions in financial need. State and local governments are not inclined to establish additional programs to help their poor. They are even reluctant to adopt existing social programs that have generous federal support and to which they need pay only part of the cost.

Certainly, there are public social program alternatives to AFDC such as a universal demogrant, a generous children's allowance, or a guaranteed minimum income. Establishing a national health service would be a giant step ahead, as would a national incomes policy and greater availability of subsidized, quality daycare. However, these alternatives to AFDC do not appear politically feasible at this time. Federalizing the costs of AFDC, as was done for the adult categories in SSI, might be the

most reasonable advance, although current federal and state policies appear headed in the opposite direction.

For more than one-half century AFDC has been *the* major, direct, and relatively inexpensive way to assist poor children and their parents. It helps children whose parents are deceased or unemployed; it helps children whose parents are separated, divorced, or unmarried. Regardless of the cause of the need, children require basic necessities, and AFDC helps to provide these children and their caretakers with food, shelter, and medical care.

2. *AFDC provides money to millions of needy people.*

AFDC assists the population it was intended to assist; it aids those with the highest risk of poverty—families with children. Approximately 3.8 million families received income from AFDC in March 1988. Thus, in any single month, AFDC increases the well-being of over 11 million low-income people, including more than 7.3 million children and 3.7 million adults. A high rate of client turnover makes it likely that AFDC benefits 16 to 17 million individuals in approximately 6 million different households over a year's time. Data for total individuals and households aided each year are unavailable because an unduplicated count is not maintained of those on welfare over the course of a year.⁷

Perhaps as much as 7% of the United States' population and about 15% of all 34 million families with children receive AFDC over the course of a year. AFDC tends to be used as a temporary source of income until other, more permanent means of support can be found. Median length of time on AFDC is just over two years, but many families receive aid for shorter periods, frequently two to four months. Most women who use AFDC do not get trapped by it. In light of program criticisms, this is not surprising. On the other hand, the minority that stay on AFDC a long time accumulate, and the majority of costs of AFDC are for those who stay on for a long spell (Duvall, 1982; 1986 AFDC Characteristics Study; Ellwood & Summers, 1986, pp. 71–72).

3. *Each year AFDC transfers billions of dollars to low-income families and reduces or eliminates poverty in those it assists.*

Cash social assistance expenditures are relatively small, especially when compared to the gigantic cash transfers made

through social insurance.⁸ Approximately 4%—\$16.5 billion—of all cash income transfers was for AFDC in 1988.

Nevertheless, AFDC remains America's largest cash social assistance program. Each year it transfers billions of dollars to poor families to help them pay for housing, food, utilities, clothing, transportation, and other necessities. Grants are based on need and the number of persons in the family. Without AFDC, many families would lose their housing and go without food. More than \$17 billion will go to eligible low-income families in fiscal 1990, a figure which includes a federal contribution, on average, of 55%. Table 6 summarizes the money transferred to low-income families through AFDC from 1960 to 1989. Within the last 19 years AFDC provided approximately \$232 billion (unadjusted dollars) to America's less fortunate families.

Receipt of AFDC cash benefits removes about 5% of its recipient families from poverty. If the market value of noncash transfers are included, then AFDC removes about 50% of its families from poverty. For those not removed from poverty, the mean poverty deficit for a typical three person AFDC family is reduced from \$7,807 to \$3,242, after receipt of cash and noncash benefits (U.S. Bureau of the Census, Technical Paper 58, 1988, pp. 16–17). At the very least, AFDC relieves some of the agonies of poverty.

4. AFDC recipients have ready access to a number of noncash benefits.

One of the primary advantages of being an AFDC recipient is a simultaneous and almost automatic right to in-kind benefits. Defined as any "noncash benefit in a form other than money which serves to enhance or improve the economic well-being of the recipient," examples include medical care, surplus food, food stamps, housing, and social services (CPR, P-60, No. 141, p. 21). In 1987 the market value of means tested noncash benefits was almost double that of all means tested cash assistance. The largest component of means tested noncash aid is Medicaid, which comprises 72% of such assistance (Technical Paper 58, 1988, p. 2). In-kind benefits make a major contribution to the well-being of low-income people.

Members of a family receiving AFDC are eligible for com-

Table 6

Summary of AFDC Cash Transfer Payments, 1960–1989 (in billions)^a

Year	Total
1960-69	\$18,535,766
1970-79	84,845,786
1980	12,475,245
1981	12,981,515
1982	12,862,016
1983	13,839,471
1984	14,504,710
1985	15,195,835
1986	14,986,518
1987	16,238,000
1988	16,540,000
1989 ^b	17,107,000
Total Payments 1960 to 1989	\$250,111,863

^aIn unadjusted dollars. Totals do not include costs of administration. The federal share of administration is now 50%. The federal share of cash payments averages 55% but ranges from 50 to 65%. States and localities pay the remaining average of 45%.

^bEstimate.

Note. Derived from data in *Social Security Bulletin Annual Statistical Supplement 1987*, p. 294; personal communication with Social Security Administration for 1987 and 1988. The 1989 estimate is from *Appendix to U.S. Budget, 1990*, p. 1-K, 38.

prehensive medical care under Medicaid, Title XIX of the Social Security Act, passed into law in 1965.⁹ To many low-income people, access to health care for all family members is the single most important benefit of welfare. Maybe they can get along without much money, some think, but they cannot raise their children without access to medical and dental care. As Table 7 shows, the largest number of recipients in the Medicaid program are children and adults in AFDC households; they comprise 69% of all Medicaid recipients. However, even though they constituted over two-thirds of Medicaid recipients, AFDC households account for only 24% of all expenditures (right half of Table 7).

The left side of Table 8 lists an unduplicated count of medical

Table 7

Unduplicated Number of Medicaid Recipients and Vendor Payments by Eligibility Category, Fiscal 1986^a

Category	Recipients ^a (in thousands)		Payments (in millions)	
	No.	%	Amount	%
Age 65 and over	3,140	14	\$15,080	37
Blindness	81	.4	277	1
APTD	3,091	14	14,587	36
Children under 21 ^b	9,954	44	5,096	12
AFDC adults ^b	5,618	25	4,848	12
Other	1,138	6	992	2
Total	22,405		\$40,878	100.0%

^aRecipient categories do not add to unduplicated total because of the small number of recipients that are in more than one category during the year.

^bThe total unduplicated number of AFDC Medicaid recipients exceeds 11 million AFDC recipients for 1986. The AFDC client count is usually given for December and does not reflect the total AFDC recipients for that year.

Note. Derived from data in *Social Security Bulletin Annual Statistical Supplement 1987*, Tables 169 & 171, pp. 253, 255.

services to Medicaid recipients. It shows 68.8 million units of service, or an average of three units per recipient (68.8 million units of service divided by 22 million recipients). However, the cost of each unit or type of service varies considerably. A stay in a nursing home or a mental hospital is more costly than a visit to a doctor or a laboratory test.

The right side of Table 8 shows the actual cost of Medicaid vendor payments by type of service. Fully 71% goes to inpatient services in general hospitals, mental hospitals, skilled nursing facilities, and intermediate care facilities, all services more likely to be used by adults (and especially the elderly) than by young people. Young people in AFDC families are likely to use physician and dental services and visit outpatient clinics.

The average annual value of Medicaid in 1982 for the four major classes of recipients appears in Table 9. Note the effect of including the costs of institutional care for each recipient group: For the nondisabled group under 21, institutional costs increase

Table 8

Medicaid Benefits: Unduplicated Number of Recipients by Type of Medical Service and the Amount and Percentage of Payment for Each Type of Service, Fiscal 1986

Type of Service ^a	No. of Recipients for each service (in thousands)	Medicaid Vendor Payments by Type of Medical Service	
		Amount (in millions)	Percent
Inpatient	3,570	\$11,406	28
Intermediate Care	1,034	11,798	29
Nursing Homes	570	5,651	14
Physician Services	14,808	2,545	6
Dental Services	5,143	529	1
Other Services & Family Planning	5,184	478	1
Outpatient Hospital	10,711	1,983	5
Clinic Services	2,033	810	2
Laboratory Services	7,122	424	1
Home Health	593	1,352	3
Prescribed Drugs	14,704	2,692	7
Other Care	3,316	1,098	3
Total recipient units of service	68,788	\$40,878	100%
Total recipients	22,405		

^aRecipients may receive more than one type of service.

Note. Derived from data in *Social Security Bulletin: Annual Statistical Supplement 1987*, Tables 168 & 171, pp. 252, 254.

expenditures by 2%; for those 65 and over, institutional care increases expenditures by over 300%.

Other major noncash assistance for which AFDC families may be eligible include food stamps, public housing, school lunches, free or reduced-price school breakfasts, the Womens' and Infants' Care program, and several child nutrition programs. In addition, a wide range of social services (costing some \$3 billion a year) is available. There are no separate data assessing the value of most of these programs to an AFDC family.

Table 9

Average Annual Market Value of Medicaid by Major Recipient Groups in 1982^a

Recipient Group	Including Institutional Expenditures	Excluding Institutional Expenditures
Age 65 and over	\$3,349	\$ 813
Blind and disabled	3,720	1,787
Ages 21-64, nondisabled	817	812
Less than 21, nondisabled	381	373

^aEach state has its own value. Data are average for all 50 states and District of Columbia.

Note. Derived from data in U.S. Bureau of the Census (1984), Technical Paper 51, *Estimates of Poverty, Including the Value of Noncash Benefits: 1979 to 1982*. Washington, DC: U.S. Government Printing Office. Tables B7 & B9.

However, excepting social services, the value of all other noncash programs is less than 10% of the Medicaid, food stamps, and public housing.

What percent of AFDC families receive major noncash benefits? Almost all AFDC families receive (or are at least eligible to receive) medical benefits under Medicaid, and four-fifths receive food stamps. Two-fifths of AFDC children benefit from school lunches and about one-fifth of AFDC families are in public housing or receive HUD or other rent subsidies (*Characteristics of AFDC Recipients* 1986).

What is the actual value of noncash benefits for a typical AFDC family of three? Table 10 estimates the market value (not the cost or the value to the recipient) of major noncash benefits to such a family. The mean annual market value of food stamps received by an AFDC family of three was \$1,125 in 1987. Free school lunches show an estimated annual value of \$580 for two children in 1987. The average annual market value of Medicaid for an AFDC family of three was \$2,166 in 1987, but the range extended from less than \$1,000 in some states to over \$3,000 in others (Technical Paper 58, 1988). It is difficult to count the value of medical care as income. One family with a run of poor health may far exceed the national or their state average. Another family

Table 10

Estimated Market Value of Noncash Benefits for an AFDC Family of Three in 1987^a

Program	Market Value
Medicaid	\$2,166 ^b
Housing	1,615 ^c
Food Stamps	1,125 ^d
School Lunches	580 ^e

^aThe market value of an in-kind transfer is equal to the private market purchasing power of benefits received by individuals. The market value of medical care is based on an insurance value approach, not on the amount of medical care actually received.

^bAverage for entire United States. Amounts vary greatly among states. Calculation is based on family of one adult, two children under 21. None are disabled or institutionalized (see Technical Paper 58, Table B-6, p. 25).

^cBased on assumption of three person household with income between \$5,000 and \$7,495 per year.

^dThe market value assigned for food stamps was the annual face value or purchasing power of food stamps in the market place (Technical Paper 58, pp. 4, 21).

^eFree school lunches (as opposed to reduced price) for two children for 167 days a year (Technical Paper 58, p. 21).

Note. U.S. Bureau of the Census, Technical Paper 58 (1988, August), *Estimates of poverty including the value of noncash benefits: 1987*. Washington, DC: U.S. Government Printing Office.

may be eligible to receive Medicaid but not use or require any medical care in a given year.

The market value of housing subsidies for public or subsidized housing vary by type of household, size of family, and total household income. Therefore, generalizations about the value of subsidized housing are difficult to make. However, for a typical AFDC family with a housing subsidy, the value approximates \$1,615. Very few families receive all four of the major in-kind benefits. Thus, it is inappropriate to add all of these benefits in Table 10 and apply this total to any individual household or use it as an average for all AFDC families. Nearly all AFDC families have direct access to one or more noncash benefits of food, medical care, and housing. Undoubtedly, these benefits greatly increase familial well-being.

5. *AFDC is a public program.*

AFDC is publicly sponsored and financed. Federal, state, and local governments recognize the need and have taken responsibility for this category of needy people. The private sector does not finance the construction of roads and airports, pay for reconstruction required by national emergencies or disasters, nor fund the welfare program. Private charities had a total outlay of \$87 billion in 1986. Forty-six percent went to religion, 14 to health, 15 to education, 11 for human services, 7 to the arts, and 7% for other things. Perhaps some of the money directed to religion and human service was given to poor people to spend, but typically the private sector cannot be expected to provide cash to low income people, at least in the long haul (*Giving USA*, 1987). Mass destitution is not something for which United Way, private charity, foundations, or business can assume even partial on-going responsibility. It is, in fact, not their job. Poverty is a public problem and requires a public response. Public welfare, by definition, is the responsibility of the public sector.

6. *AFDC is a national program with federal leadership and support.*

With the impetus of generous federal match funding (varying from 50% in high income states to 65% in low income states) and federal assumption of 50% of administrative costs, all 54 states and jurisdictions have assumed responsibility for the support of female-headed households. In addition, 28 states provide AFDC benefits to husband/wife households.

State fiscal priorities do not tend to be poverty-oriented. Without national leadership and the impetus of federal matching grants, it is likely that some states would provide little aid to needy families with children. Even with generous federal support (up to 65% in one-fourth of all states) only one-half of the states and jurisdictions assist two-parent families. As illustrated earlier, the history of federal assistance to the states has been characterized by an unrelenting effort by the national government to motivate state governments to raise grants to AFDC families. Clearly, poverty is a national problem and requires national remedies. Unfortunately, the United States has been slow to adopt this view.

Further evidence of the importance of the federal spur to

states to aid their low-income residents appears in the efforts states make to aid low-income citizens when there is no federal grant-in-aid program. For example, what do states do for needy people who are *not* elderly, blind, disabled, or in single-mother households? What support do states give families without children? To nondisabled adults? To poverty-stricken persons between 18 and 65? To long-term unemployed adults whose unemployment benefits have expired? To "marginal" persons not classified as medically disabled but not able to work? For persons without health insurance for themselves or their families? To the teen-age unemployed? Finally, what help goes to people who *do* receive federal aid from SSI or AFDC and who still remain poor?

"General assistance" is the nonfederal response, and it is meager. A remnant of the Elizabethan Poor Law, general assistance is an entirely state/local program designed to aid low income people who do not fit federal categories of assistance. Two-thirds of all states and jurisdictions provide general assistance, aiding 1.3 million people per month at an annual cost of \$1.4 billion.¹⁰

Of the 40 states with general assistance programs, 10 states had caseloads of fewer than 1,000 people, whereas six states saw nearly 80% of those on general assistance. Benefits were low, averaging \$127 per month per recipient in 1980. Furthermore, general assistance benefits are usually available for limited periods (60 to 90 days). Without AFDC, millions of poor people, especially children, would be utterly without income support.

7. AFDC has high target efficiency.

AFDC gets money and in-kind benefits to low income people who need it and not to people who do not need it. The program is targeted to the poor; it provides aid to many families in poverty who are most in need, mainly female-headed families with children. In contrast to old-age, survivors, disability insurance (OASDI or "Social Security"), AFDC provides little money to those above the poverty line. Social security lifts many people from poverty, but at a very high cost. For example, OASDI's yearly outlays to its more than 38 million beneficiaries are estimated at \$220 billion in fiscal 1989—26 times the federal cost of AFDC payments. When social security payments are in-

creased, benefits for all 38 million recipients, poor and nonpoor, are increased. Since benefits are raised by the same percentage for all recipients, those with the highest benefits are enriched the most. Each dollar increase in AFDC goes only to the poor.

8. *AFDC results in two types of vertical income redistribution.*

Eligibility for public assistance, Medicaid, food stamps, and subsidized housing is determined, in part, by an applicant's resources (value of home, car, investments, life insurance, etc.) and by her level of income. Both federal and state laws are specific on this issue. For example, applicants who have too many resources or too much income must "spend down" (sell the car, divest the life insurance, etc.) to a level that demonstrates destitution. Thus, recently unemployed persons who wish to apply for Medicaid must prove to the eligibility worker that they do not have the means to survive without AFDC or Medicaid; ("means test"). In addition, they must justify need by passing a "needs test." Careful and continuous use of the means and needs tests insure that public aid programs retain high target efficiency by providing aid solely to individuals near or below the poverty line.

AFDC cash benefits are derived 55% from federal general revenues. Federal general revenues (excluding earmarked Social Security) are derived almost entirely—89% in fiscal 1990—from individual and corporate income taxes, the most progressive form of income generation (*Budget of U.S. Government*, 1990, p. 4–3). The federal income tax, replete as it is with shelters and loopholes, is still our most progressive system of taxation.¹¹

States, on the other hand, differ considerably in the progressivity or regressivity of their methods of revenue generation. Some jurisdictions, such as California, Colorado, and the District of Columbia, depend heavily on graduated income taxes. Others, such as Illinois, Indiana, Michigan, and Pennsylvania, levy flat rate income taxes. Still others (Washington, Nevada, and Texas) rely on sales tax systems that are clearly regressive. This last system affects all income levels, but falls most heavily on those with low income since a larger proportion of the expenditures of low income people are subject to the sales tax.

In general, most of the federal money used to finance AFDC, SSI, and in-kind benefits comes from a progressive tax system.

In other words, the federal money that finances AFDC tends to come from those who earn the most and is redistributed to those who have the least. This important form of vertical redistribution takes from those who have money and gives to those who do not. Furthermore, since the amount of the federal contribution to individual states varies from 50 to 65% in AFDC and 50 to 78% in Medicaid, depending on the wealth of the state, redistribution also occurs from the more affluent to the less affluent states (*Social Security Bulletin, Annual Supp.* 1987, p. 60).

Is progressive taxation and income redistribution from upper to lower income people and from richer to poorer states a desirable social goal? Most advanced nations favor this or similar forms of redistribution. Certainly, the United States grants modest vertical income redistribution through its public aid programs.

9. *AFDC allows children to remain in their own homes.*

The United States supports the idea that parents are the best qualified to raise their own children, and AFDC was specifically designed to keep children in their homes. Because of this aid, a low income mother may remain with her children to provide the attention and care necessary to raise them. An increasing number of single parents have come to depend on AFDC at some time in their child-raising years.

Prior to 1935, the common practice was to put a destitute child in the home of a relative or neighbor, or in a foster home or institution (Social Security Board, *Social Security in America*, 1937, p. 233). AFDC allows millions of poor children to remain in their own homes, usually with their mothers. Without AFDC, many children might be deprived of their homes and their parents.

10. *The AFDC benefit level can be adjusted to the needs of the family and to its size.*

In theory, AFDC benefits are related to the needs of the client and to the size of the family: the greater the need, the higher the benefit. This theory is illustrated by the wide variation in family benefits within the same state, since each additional family member increases the grant level. Again, in theory, social assistance programs such as AFDC and SSI are far more flexible than the major social insurance programs such as social security and unemployment insurance.

In these latter programs the exact benefit level is established by law and is entirely unrelated to actual client need. In fact, those with the greatest need often have had the most tenuous attachment to the workforce and thus have, in absolute dollars, the lowest social insurance benefits. The greater the need, the lower the benefit.

Due to fiscal limitations faced by many states and because of the unpopularity of "welfare," poor people, and of AFDC, states are reluctant to exercise the great potential flexibility of AFDC. Benefits remain pitifully low. In practice, most states do not provide cash benefits up to their own defined level of need. Nevertheless, AFDC has the potential flexibility of tailoring the benefit level to meet the special financial needs of each recipient family, whatever that level of need might be.

11. *AFDC permits recipients to spend cash benefits as they choose.*

As opposed to vouchers, food stamps, Medicaid, and other in-kind benefits, AFDC distributes cash to clients and permits them to spend it as they wish. Using cash is less stigmatizing and less demoralizing to recipients than using vouchers, food stamps and other in-kind benefits. In other words, cash benefits enhance individual freedom and independence.

Is it wise to give cash to low income people? After all, they may spend it irresponsibly or on items which do not benefit the family. Money given to low-income families is used for the benefit of the family to meet such needs as rent, utilities, food, clothing and transportation. Most parents are genuinely concerned with the well-being of their children, and spend their money, whatever the source, for basic family needs. In any event, AFDC benefits tend to be so low that families must pay first for necessities or risk shut-off of utilities, loss of housing, or hunger.

12. *AFDC eligibility is based solely on family composition and on need and is rarely linked to employment.*

Except in the AFDC-E program, receiving AFDC benefits is not labor related and is not contingent on prior attachment to the workforce. Indeed, a woman may be entitled to AFDC social assistance benefits who has never worked a day in her life. Presence of a child or children in the household, inadequate assets and low income are the basic considerations in determining AFDC eligibility. In contrast, unemployment compensation, social se-

curity, and other social insurance programs always base eligibility on prior attachment to the workforce. Without a proven history of working in covered employment, and sometimes a substantial proven history, a person is not eligible for social insurance.¹²

Additional data could be summoned to further illustrate positive aspects of AFDC/welfare. For example, it enables women to leave abusive relationships; "... many women choose to remain with an abusive husband because the alternative is bringing up children in poverty" (Straus, 1983, p. 1632; Strube, 1987, p. 791). Moreover, high teenage pregnancy is related to low welfare payments and low pregnancy to high payments (Stein, 1986, p. 69).

Conclusion

AFDC is decidedly unpopular and much is wrong with it. As welfare reform is again attempted, what lessons might be learned from this analysis? The major point has been to illustrate that it is absolutely crucial to acknowledge, understand, and appreciate what is right with welfare. Are there other lessons?

Mothers' aid, the predecessor of AFDC, clearly illustrated two fundamental income transfer policy principles. First, programs required in all political jurisdictions are far more successful than those left to the option of localities. Second, the higher the level of government that administers the transfer program, the more successful the program as measured by degree of implementation, uniformity among administrative jurisdictions, and adequacy of benefit. These are significant principles to remember when considering decentralization of AFDC.

In terms of AFDC program operation, several points are important. ADC was one of the three original assistance titles of the Social Security Act of 1935. However, children were not the focus of attention, Congress had little interest in the ADC program, and grant levels for children were far lower than those offered to the aged and the blind. Over one-half century later, these disparities have yet to be rectified.

As a portion of the federal budget, of all public cash transfers, or as a part of the gross national product, AFDC has never been a large program. Some positive changes have occurred.

Aid was first offered to the adult caregiver in 1950, to an unemployed parent in 1961, and to two parents in 1962; social services were added in 1967.

Most on AFDC are part of society's "underclass," at least temporarily, and life at the bottom can be quite unpleasant. Poverty disproportionately afflicts children, especially those in large, minority, female-headed households; there it is a virtual certainty. Benefit levels are low and have fallen drastically in recent years; eligibility requirements and benefits vary from state to state. Application procedures are difficult, tedious, and demeaning. As bad as it is, much can be said in support of AFDC.

In the first place, AFDC provides money to single-parent families for whom the risk of poverty is greatest and for whom little or no other income is available. About 3.8 million families, constituting 11 million needy people, receive benefits each month. AFDC has "undoubtedly contributed more than any other social program to the goal of enabling children at risk of placement to remain with their own families" (McGowan & Meezan, 1983, p. 69). It transfers billions of dollars in cash to those families most in need; it reduces poverty, and in some instances it eliminates poverty in those it assists; and recipients have a ready access to noncash benefits, most important, to medical care and food stamps. AFDC is a public program, and it is a national program; it has high target efficiency and results in vertical income redistribution; benefits can be adjusted to the needs of the recipient family, people can spend money as they choose; and eligibility is based on family composition and never linked to prior employment.

Blindness to these 12 characteristics greatly complicates efforts to reform or replace AFDC. For to be successful, any new income support program will have to include some of the income transfer policies and principles that are part of our existing system. Moreover, the inability to see what is good and what works in American social programs makes them constantly subject to attack and vulnerable to budget cutbacks. Policy makers and the public must learn to view all of their social institutions with some impartiality and balance, regardless of whether they favor the beneficiaries. Only then will we have the vision to transform

existing policies and programs into ones in which we will take pride.

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Notes

1. I wish to express my gratitude to the following people. The late Wilbur J. Cohen helped me to unravel the intent of early ADC legislation. Professors William C. Berleman and Robert D. Plotnick of the University of Washington and to Mr. Richard Wright of the Department of Social and Health Services provided valuable commentary. Ms. Lynn Clevell of Woodinville, WA, offered many helpful suggestions.
2. "Welfare" as used in this article means AFDC (and on occasion other means-tested programs); "AFDC" and "welfare" are terms inextricably linked in the public mind. This is a narrow usage of "welfare." For a comparison of the broad and narrow uses of the term, see Dear, 1982, pp. 25-26.
3. The 1909 white House Conference declared, "Children should not be deprived of ['home life'] . . . except for urgent and compelling reasons . . . No child should be deprived of his family by reason of poverty alone" (*Proceedings of the Conference*, 1909, p. 9).
4. One of the paradoxes of welfare history and a point almost forgotten is that there was bipartisan support of the public assistance titlers and even agreement that old-age assistance grants were too low. Of ADC, one member said, "Eighteen dollars a month for a mother with a young child is utterly insufficient to supply even the barest necessities of life" (*Congressional Record*, 79, 5553).

In fact, the Republican minority members of the Ways and Means Committee, who never ceased fighting the insurance titles of the Social Security Act, were unanimous in their support of the public assistance titles, agreeing that the benefits were too low. The minority report stated:

We favor such legislation as will encourage States already paying old-age pensions [assistance] to provide for more adequate benefits, and will encourage all other states to adopt old-age pension systems. However, we believe the amount provided in the bill to be inadequate and favor a substantial increase in the Federal Contribution. (H. Report 615, April 5, 1935, p. 42)

The Republican minority said essentially the same thing in regard to Title IV, ADC, Title V, Maternal and Child Welfare, and Title VI, Public health: "We would favor a stronger and more vigorous program than that provided in this proposed legislation . . ." (H. Report 615)

5. In addition to AFDC this includes Old-Age Assistance (OAA), Aid to the Blind (AB), and Aid to the Permanently and Totally Disabled (APTD). The latter three programs were combined in 1974 into the Supplemental Security Income program. It does not include state general assistance programs.
6. For a good refutation of these myths, see Barbara Leyser et al. (1985) and US DHHS 1986 *AFDC Recipient Characteristics Study*.
7. These figures are for March 1988, but the total number of people aided varies from month to month and is related to such factors as the state of the economy and level of unemployment. See *Quarterly Public Assistance Statistics, January-March 1988*, p. 12.
8. Social assistance includes AFDC, SSI, general assistance, and emergency assistance. Social insurance includes OASDI, railroad retirement, federal civil service, V.A. pensions, unemployment insurance, temporary disability benefits, and workers' compensation.
9. With the exception of Arizona, all states and jurisdictions participate in Medicaid (*Social Security Bulletin*, April 1987, p. 58).
10. Data are partly estimated and vary for each month. In September 1986, there were 1.3 million recipients of general assistance. Prior to 1983, recipients numbered less than one million. (See *Social Security Bulletin, Annual Statistical Supplement 1987*, p. 301; *Social Security Bulletin*, December 1988, p. 49.)
11. A progressive tax is one that levies an increasingly higher tax rate as income increases.
12. There are a few exceptions. Beneficiaries who receive fixed-rate "special age 72" payments (authorized in 1966) may receive small social security payments (\$139 in December 1985) without having been in covered employment if age 72 before 1968. Their numbers are small (32,000), and they constitute less than one-tenth of the one percent of all social security recipients. Others may receive benefits with very slight coverage. Of course, survivors and dependents with no work history receive benefits, but their eligibility is still contingent on that of a covered employee, *Social Security Bulletin*, A1 March 1986, pp. 35-36.

