

## CHAPTER SIXTEEN

### *Welfare and Education Policy: Providing for Personal Security and Need*

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#### SUMMARY

Welfare policy in the United States has been greatly influenced by different philosophies. Some policy-makers believe that government should have a leading role in giving assistance to those in economic need. Others feel that welfare acts as a disincentive for needy Americans to work and better themselves. America's federal system also invites debate because federal guidelines and funding can conflict with state goals in administering welfare (and education) policies. Despite these disagreements, welfare programs have helped to reduce the poverty level in the United States.

Education policy is a responsibility traditionally reserved to the states. Recent federal intervention has been a source of controversy and debate. Education policy in the United States reflects the principle of "equality of opportunity" because it gives people tools to succeed. Therefore, a large amount of money is spent on providing education through public schools and universities.

In the United States, *social insurance programs*, such as social security or Medicare, are more prevalent than *public assistance programs*, such as food stamps or rent vouchers. In part, this is because welfare programs are designed to push people towards self-reliance. As a result, the neediest Americans receive less government assistance than others.

#### Poverty in America: The Nature of the Problem

Poverty is a significant problem that social welfare policy attempts to minimize through efforts to help people receive necessities such as food and shelter. The *poverty line* is the annual cost to an urban family of four for food, clothing, shelter, and other basic necessities. Although America's poor are distributed across all ages, races, and religions, certain groups tend to have more needy individuals. The impoverished disproportionately include children, single-parent families, and minority-group members. Geographic concentrations exist as well: rural and urban areas tend to have more poverty than suburbs. Many Americans are unaware of the poverty problem in the United States. In fact, the country has the highest level of poverty (and twice the level of child poverty) among industrialized nations.

Although many people think that poverty is a matter of choice, most poverty-stricken individuals are victims of circumstance. Most poor people are poor temporarily—for example, because of job loss—and full-time employment does not mean that a family of four will be above the poverty line.

#### The Politics and Policies of Social Welfare

Republicans and Democrats differ in their views on social welfare policy. Democrats, because of their ideology and constituency (labor, poor, minorities), have introduced most welfare programs.

Republicans have come to accept welfare but seek to keep programs as small as possible. Three types of social welfare programs are discussed in this chapter: job training, special education, and income redistribution plans.

### **Job Training**

Since President Franklin Roosevelt combined job programs with social security during the Great Depression, employment and welfare policies have been linked. Job programs receive more support from the public because they reinforce the values of hard work and individualism, the idea that people can and should “pull themselves up” rather than be given a “free ride.” Despite successes in the early 1970s, job-training programs were cut because they were viewed as too expensive. The less-ambitious programs that followed have failed to move many people into permanent jobs.

The 1996 Welfare Reform Act was a major change in how federal welfare assistance was provided. It required recipients to find jobs within two years and limited the total time that people could receive welfare to five years. To fund this act, federal money was given to states in the form of block grants. This means that states determined how to distribute money and train recipients. The goal was to reduce dependency on welfare and train recipients to be productive members of the workforce. Its effectiveness has not yet been determined.

Rather than provide incentives to the people on welfare, the Workforce Investment Act of 1998 provides incentives to local communities and businesses to create job training. One part of this bill, the Youth Opportunity Grants, focuses on training people ages fourteen to twenty-one.

### **Education Initiatives and Redistribution Initiatives**

Education programs have been included in social welfare efforts. The most visible is Head Start, established in the 1960s to provide preschool opportunities to underprivileged children. The aim was to give them a better chance to succeed in school. Head Start was cut substantially in the 1980s.

The United States has considerable income inequality. Income taxes do not redistribute wealth as much as in other democratic countries. The result is that the *effective tax rate* is about the same for high-income families as low-income families. To the extent that well-off Americans contribute the greatest absolute amount to government and some of the revenue goes toward social welfare programs, we can see a redistribution of wealth.

Another way income is redistributed to poor people is through the Earned Income Tax Credit (EITC). EITC is a *transfer payment*, one that is given directly to an individual. It gives low-income families up to four thousand dollars per year. Eligibility is determined at the time taxes are filed. The U.S. Census Bureau estimates that the EITC is responsible for 6 percent more families living above the poverty line.

### **Individual-Benefit Programs**

The majority of welfare programs are *individual-benefit programs* that provide *transfer payments* such as the EITC directly to recipients. Individual-benefit programs, also called *entitlement programs*, attempt to assist people experiencing such circumstances as unemployment or poverty. Individual-benefit programs fall into two categories: social insurance and public assistance. It is important to remember that most federal funding that intends to improve the general welfare, such as construction of schools and hospitals, is not distributed in the form of individual-benefit programs.

Before the Great Depression, the federal government did not get involved in social welfare programs; this was reserved to the states. The prevailing theory was of *negative government*: that government works best when it encourages self-reliance by staying out of the lives of people. Since the Great Depression, the federal government has taken on a much greater role in social welfare programs and policy. This reflects the attitude of *positive government*: that government works best when it steps in with economic help to individuals when necessary, enhancing their freedom.

### **Social Insurance Programs**

Social insurance programs are the most popular type of social welfare program. Social security, Medicare, and unemployment benefits are examples of this type of program. They are available only to people who “pay in” to the programs through payroll taxes.

*Social security* is the biggest social insurance program. It is aimed primarily at the elderly. The Social Security Act of 1935 established it. Eligibility is determined by individual contributions through payroll taxes and benefits are based on the amount “paid in” by the recipient. The long-term viability of social security is questionable based on its current financing structure: today’s workers pay for the benefits of yesterday’s workers so the increase in the number of elderly and the smaller number of current workers paying into the system is reason for concern.

The Social Security Act also had provisions for *unemployment insurance*, with benefits that are payable after involuntary job loss. Unemployment insurance is a joint program between the federal government and the states. States set the payroll tax rates, while the federal government sets minimum standards. Unemployment insurance is not as highly supported as Social Security because people assume that those who lose their jobs are at fault or lack a work ethic.

Since World War II, Democratic presidents have proposed a government-funded health care system. Their success has been limited by accusations of promoting “socialized medicine.” In 1965, the *Medicare* program was enacted. It is a medical insurance program for seniors, funded by payroll taxes. The program pays for medical care, but the patient also contributes. It is a popular program, but rising medical costs and shrinking payroll contributions present challenges to funding. In 2003, a prescription drug benefit was added. This benefit took effect in 2006.

### **Public Assistance Programs**

*Public assistance* programs are funded by tax revenues, and eligibility is determined solely by financial need. A *means test* is used to determine eligibility, meaning that applicants must prove their financial need of assistance. These are the programs commonly referred to as “welfare,” and they are not terribly popular with Americans because they tend to be considered “hand-outs.” Americans do not support public assistance programs as much as Europeans, and welfare policies reflect this. The government spends much more on social insurance programs than it does on public assistance programs.

An early example of a public assistance program is the *Supplemental Security Income* program. It was enacted as part of the Social Security Act of 1935 to provide assistance to the blind and to poor older Americans. *Aid to Families with Dependent Children* (AFDC) was started in the 1930s and continued until the Welfare Reform Act of 1996 discontinued it. AFDC was a controversial entitlement program that gave money to single parents with dependent children in their households. The Temporary Assistance for Needy Families (TANF) block grants replaced AFDC in 1996. This change limited the length of time recipients could receive cash assistance and placed other restrictions on receiving funds.

The *food stamp program* started in 1961. It provides an *in-kind benefit* in the form of coupons or vouchers for items such as rent or food instead of cash. The program aims to provide poor

families with better nutrition, but it is costly and abuse is fairly common. The Welfare Reform Act allows states to limit the length of time that recipients may receive benefits. *Subsidized housing* is another in-kind benefit program, providing rent assistance to the poor via rent vouchers. *Medicaid*, enacted in 1965, gives health care to those already on welfare. It is considered a public assistance program with funds coming from tax revenues. The program is controversial because it is expensive.

## Education as Equality of Opportunity: The American Way

Relative to other values, European democracies tend to put a higher value on economic security than the United States, as evidenced by health care systems and retirement funds that are available to all their citizens. The United States gives benefits to some but not all citizens because of one of its core values—*equality of opportunity*, which holds that individuals have an equal chance to succeed, but success is up to the individual. Education policy is a good example of this.

The United States spends more on education than any other country. It attempts to broadly educate all children, regardless of class and income. Because schools are a major vehicle for creating equal opportunities for all citizens, their inadequacies cause alarm. When standardized test scores fell in recent years, cries for education reform followed. One proposed reform would create a *voucher system* allowing students to attend private schools using public tax dollars. Other reforms allow parents to send their children to public schools of their choice. Advocates of school choice emphasize the opportunity they provide and opponents criticize the lack of equality. In 2002, the Supreme Court decided that vouchers were constitutional in the case of *Zelman v. Simmons-Harris*.

### **The Federal Role in Education: Political Differences**

Responsibility for education has traditionally been given to state and local governments. Local communities tend to resist federal involvement. Early federal education policy was concentrated in the area of secondary education. The Morrill Act (which provided free land for the establishment of colleges), the GI Bill (which assisted veterans wanting to get a college education), and the National Defense Education Act of 1958 (which provided loans and set up institutes for students studying in science fields) are three examples of early policies. Federal involvement in and funding of higher education increased dramatically in 1965 with the Higher Education Act, which introduced Pell grants, and the Elementary and Secondary Education Act, which authorized funds for such items as school construction and teacher training. Since this time, federal funds have been split evenly between colleges and local school systems.

One of the most controversial pieces of legislation concerning education was the No Child Left Behind Act of 2001, which tied federal education funds to students' test scores in reading, math, and science. The debate over this law was divided along lines very similar to those that have been drawn over welfare policies. Democrats tended to oppose the law, preferring instead to increase funding to improve schools. Republicans supported the program because they seek nonmonetary reforms.

## Culture, Politics, and Social Welfare

The American value of individualism has resulted in public attitudes toward welfare policies that have stifled the programs' success. The current welfare system is both inefficient and

inequitable. Welfare policy in the United States is based on the principle that recipients must prove their need to earn their benefits. This makes the system *inefficient* because the people the funds are intended for often do not receive them and *inequitable* because the neediest people often do not get assistance.

Because the welfare system is complex, bureaucratic, and expensive, with separate programs designed to meet various needs, it is inefficient. Yet attempts to provide simpler, more universal programs, such as a guaranteed annual income, have failed because they run counter to core American values.

Although most Americans support programs to help the poor and others in need of assistance, they underestimate the amount of assistance needed. The underprivileged and programs to help them do get much less political support than programs that help the majority, such as social security and Medicare. As a result, there is much inequality. In fact, the wealthiest Americans, those whose income is in the top 20 percent nationally, receive more benefits from social insurance programs than poor people do from all public assistance programs combined.

### The Major Social Welfare Programs

PROGRAM	DESCRIPTION	BENEFICIARIES	FUNDING
<b>The Entitlement Programs:</b>			
Social Security	monthly payments; entitlement program	retired or disabled people and surviving members of their families	payroll tax on employees and employers
Medicare (Part A)	partial payment of cost of hospital care; entitlement	retired and disabled people	payroll taxes on employees and employers
Medicare (Part B)	voluntary program of medical insurance (pays physicians); entitlement	persons 65 or over and disabled Social Security beneficiaries	beneficiaries pay premiums
Unemployment Insurance (UI)	weekly payments; benefits vary by state; entitlement	workers who have been laid off and cannot find work	taxes on employers; states determine benefits
<b>The Means-Tested Programs:</b>			
Medicaid	medical and hospital aid; means-tested	the very poor	federal grants to state health programs
Food Stamps	coupons that can be used to buy food; means-tested	people whose income falls below a certain level	general federal revenues
Temporary Assistance to Needy Families (TANF)	payment; means-tested	families with children, either one-parent families or, in some states, two-parent families where the breadwinner is unemployed	paid partly by states and partly by the federal government
Supplementary Security Income (SSI)	cash payments; means-tested	elderly, blind, or disabled people whose income is below a certain amount	general federal revenues