

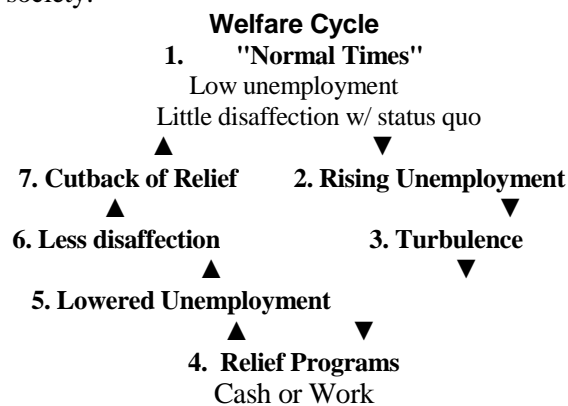
# History and Administration of Public Benefit Programs

## Regulating the Poor

According to Frances Fox Piven and Richard A. Cloward in their seminal work, *Regulating the Poor: The Functions of Public Welfare*,<sup>1</sup> welfare's primary objective is to prevent the needy from disturbing and destroying political stability. Historical evidence suggests that when mass unemployment produces civil disorder, relief is initiated or expanded and then abolished or lessened when political stability is restored.

Piven & Cloward argue that expansive relief is designed to mute civil disorder by absorbing and controlling enough of the unemployed to restore order. As turbulence subsides, the relief system contracts, expelling people needed for labor. Those who society considers useless as workers—such as the aged and disabled—are left on relief rolls. They are treated harshly to instill in workers the fate that awaits them should they fail to continue in the meanest work at the meanest wages.

Relief is cyclical—liberal or restrictive—depending on the problems regulating larger society.



*Armed Guards disperse Bonus Army Protestors. Washington DC, July 29, 1932*

Examining English and American welfare systems, Piven & Cloward found a pattern of initiating, expanding and cutting back welfare programs that corresponds to the Welfare Cycle.

## European Origins

Western relief systems originated in Europe resulting from massive civil disorder that erupted during the long transition from feudalism to capitalism. During the 1500's death rates decreased and the population grew dramatically. Serfs migrated to cities and towns where the labor market could not absorb their large numbers. Many who once had depended on their masters to provide the basic necessities of life turned to begging.

Though many localities legislated against vagrancy and begging, the laws and attending penalties—public flogging and jail—deterred little. Because begging and vagrancy posed serious order problems, some localities provided relief to the vagrant poor. This relief was sometimes offered in cash and alms, but more often in putting people in workhouses or indentured servitude.

Although these conditions pervaded Europe, England was the first country to develop a national public relief system to replace local and private charity. This relief system modeled the way for today's American welfare system.

<sup>1</sup> Vintage Books USA, 1993.  
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## The English Welfare System

Before the 1500's, one third of church funds were set aside for almsgiving to the poor. This system no longer sufficed because England felt the economic distress that resulted from a changing economy, increasing population, and natural disasters. With the rise of the wool industry, farms were turned into pastures and tenant farmers and serfs were forced into cities and towns that could not absorb them into the labor market. Hence, cities and towns were populated with many unemployed agricultural workers who were not skilled in the trades. Almsgiving funds were not sufficient to meet the need; as a result, civil unrest ensued.

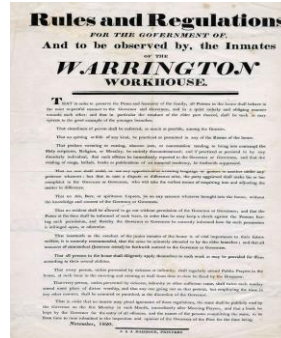
Responding to these conditions, a 1536 Act of Parliament required parishes to provide for their poor. In 1572 Parliament established a local tax to finance the care of paupers and required justices of the peace to oversee the poor. Civil disorder diminished substantially. By the 1630's, the number of people on the relief rolls had expanded enormously. When civil war came, high pay enticed into the army many unskilled agricultural workers who had been forced to subsist on work relief. The relief rolls curtailed sharply.

In the late 1700's and early 1800's, relief arrangements were reactivated and expanded during massive agricultural dislocations. During this period, many of the remaining agricultural workers were forced off their land. Parliament enacted Bills of Enclosure enabling large landowners to force out small farmers and usurp the common lands. During the 1790's food riots were widespread and civil disorder rampant. To cope with this disorder, the English government, greatly fearing another French Revolution, initiated a poor relief system. This poor relief system became the major institution to absorb the people uprooted from an agricultural way of life into an industrial society.

English relief systems curbed disorder by giving aid and conditioning it on work. When jobs were scarce, work was provided under public auspices in a workhouse, a labor yard or the recipient's home. In situations where labor was needed, workers were channeled into the private labor market by indenturing them to private employers or by providing subsidies to private employers.

The results of either method were the same:

- the disaffected were absorbed into the labor economy and rebellions were quelled; and
- the wealthy obtained free or low cost labor. And in any event, the disaffected poor no longer threatened profits or the economic and political structures.



## American Public Benefit System

### Local Charity Systems

The English settlers brought a fairly sophisticated mechanism for dealing with the poor. As locally controlled charity systems, alms were provided for those who couldn't work —orphans, the aged, or disabled, and workhouses and indentured servitude for those who could. Even more crucial was the belief system on which relief programs were based: since economic success was a matter of individual merit and hard work, those who failed to achieve it were personally and morally defective.

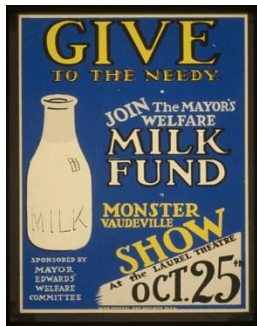
As defective people, relief recipients were required to work for the charity they received. The stigma and treatment meted out were harsh. The result was that none but the desperate would accept the relief offered.

In pre-1930s America, periods of economic distress rarely led to the serious outbreaks of disorder that had led to English relief programs. Jobs in the United States were fairly plentiful. More than any other people, Americans firmly believed in economic individualism as expressed in the Horatio Alger myth and the Protestant Work Ethic:

- Anyone could make it big if they worked hard enough; and
- Poverty resulted from sin and sloth.

These economic individualism principles carried over to the relief system as well.

In the early United States, any relief was offered through local almshouses and private charity. Most states eventually designated almshouses as the primary method for caring for the poor. Local communities financed their operation and decided who deserved to receive their charity and in what form— cash, living space in an almshouse, a publicly funded job. When the Great Depression struck, only local relief agencies and private charities were available to deal with the disaster.



### The Great Depression

Even before the 1929 Stock Market Crash, unemployment had been rising steadily. Most people considered the Great Depression a temporary problem that could be solved by individual self-help and local charity. Local charities and relief agencies were unable to cope, however, with the high unemployment rate and consequent poverty. By the time Franklin Delano Roosevelt was inaugurated in Spring 1933, one third of the nation's workforce, or 15 million people, were jobless.

One of the Depression's results was the largest movement of the unemployed in our history. Aggressive protests and mass riots aimed at local relief agencies, spread throughout the country, often on an organized basis; marches and demonstrations were commonplace often ending in violence. One of the most memorable was the 1932 Bonus Army Riot. The Bonus Expeditionary Force, made up of some 15,000 veterans and their families, encamped in Washington D.C. in protest demanding early payment of a World War I bonus. General Douglas MacArthur used force to remove them.

In many politicians' eyes, the unprecedented disorder produced the possibility of revolution. Politically disaffected, the people were turning against the American Way of thrift, hard work and individual self-help.

### The New Deal

In his 1932 campaign for the presidency, FDR had called for federal public works programs, unemployment insurance, and federal assuming of responsibility for relief where local programs broke down. Shortly after his inauguration, he forced through Congress in a number of bills— collectively known as the "New Deal" to solidify the allegiance of different constituent groups including business, organized labor, farmers and the poor.

The National Industrial Recovery Act allowed businesses to limit production and fix prices to halt deflation. It also provided new laws governing wages and hours and the right to collective bargaining. Farmers got the Agricultural Adjustment Act through which they obtained cheap credit and price supports. The poor got relief in the Civilian Conservation Corporation, a public works program to provide jobs, and the Federal Emergency Relief Act (FERA), which allocated \$500 million for grants-in-aid to the states for direct relief of the unemployed.

Under FERA, the federal government for the first time assumed responsibility for relief and appropriated substantial funds to carry out that responsibility. Relief under FERA was not given as a right, but because unrest produced a massive "electoral" revolution and widespread violence. Politicians viewed direct relief as a temporary solution. FERA was phased out in November 1933.

Direct relief shifted to work relief as the "welfare cycle" began turning.

A national works program was established for jobless employables that required recipients to meet a means test to qualify for work relief. The Works Projects Administration (WPA), the administering agency, operated this national

program of "small useful projects" guaranteed people who obtained jobs a "security wage." The "security wage" was higher than direct relief but lower than market prevailing wages. The public works programs themselves were scaled down in the late '30's and eliminated altogether in the early 1940's when the last unemployed were absorbed into military service and wartime economy.



### Social Security Act of 1935

The only concession to the unemployed and unemployable poor was the Social Security Act of 1935, enacted because of massive pressure from Dr. Francis E. Townsend's Old People's Movement. By late 1934, Dr. Townsend had rallied hundreds of thousands of older people behind the demand for a \$200 monthly pension (average wage was \$100 per month) for any citizen 60 years or older. Social Security legislation was more limited, covering aged who worked in selected occupations and industries.

By 1943 only three major relief programs were available to the poor under the auspices of the Social Security Act of 1935:

1. The insurance program for the aged, federally administered;
2. Unemployment Insurance Program, state administered; and
3. Categorical grant-in-aid programs for the needy aged, blind and orphaned children, which was state administered.

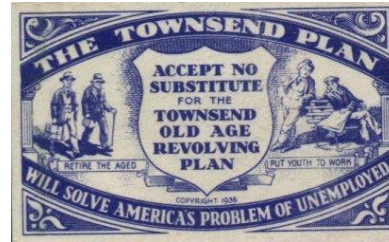
Control over relief programs was returned to the states. Except for federal aid to the aged, federal dollars supplemented certain state expenditures.

Southern congressmen led the drive for strict categorical eligibility —narrowing the categories of persons who could receive welfare, low federal subsidies, and local autonomy in administering the programs. They were concerned that --

1. Grant levels, if federally set, would undermine the low wage structure of the South; and

2. A federally supervised agency would probably have curtailed local prerogatives in determining who would get relief, thereby opening relief rolls to African Americans.

The "welfare cycle" was complete.



## Social Security Act of 1935

Title I Grants to States for Old Age Assistance

Title II Federal Old Age Benefits

Title III Grants to States for Unemployment Compensation Administration

Title IV Grants to States for Aid To Dependent Children

Title V Grants To States For Maternal And Child Welfare

Title VI Public Health Work

Title VII Social Security Board

Title VIII Taxes With Respect To Employment

Title IX Tax On Employers Of Eight Or More

Title X Grants To States For Aid To The Blind

Title XI General Provisions

Title I—Grants To States For Old-Age Assistance

Title II—Federal Old-Age, Survivors, And Disability Insurance Benefits

Title III—Grants To States For Unemployment Compensation Administration

Title IV—Grants To States For Aid And Services To Needy Families With Children And For Child-Welfare Services

Title V—Maternal And Child Health Services Block Grant

Title VI—Temporary State Fiscal Relief

Title VII—Administration

Title VIII—Special Benefits For Certain World War II Veterans

Title IX—Employment Security Administrative Financing

Title X—Grants To States For Aid To Blind

Title XI—General Provisions, Peer Review, And Administrative Simplification

Title XII—Advances To State Unemployment Funds

Title XIII—Reconversion Unemployment Benefits For Seamen

Title XIV—Grants To States For Aid To Permanently And Totally Disabled

XV—Unemployment Compensation For Federal Employees

Title XVI—Supplemental Security Income For Aged, Blind, And Disabled

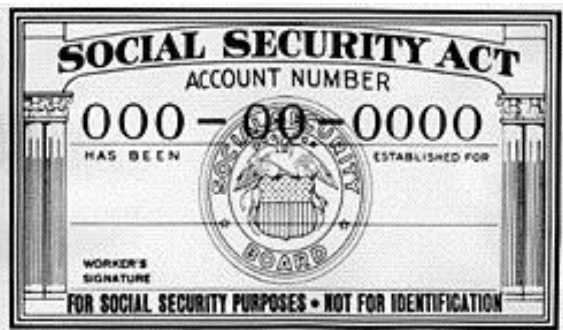
Title XVII—Grants For Planning Comprehensive Action To Combat Mental Retardation

Title XVIII—Health Insurance For Aged And Disabled

Title XIX—Grants To States For Medical Assistance Programs

Title XX—Block Grants To States For Social Services

Title XXI—State Children's Health Insurance Program



*Social Security Act as originally enacted in 1935 and as it exists today*

## The Current Public Benefit System

Public benefit programs are primarily an outgrowth of the Social Security Act of 1935. They can be divided into two broad categories: Social Insurance Programs and Income Assistance Programs.

Social Insurance Programs are those where individual and employer payment into a special insurance fund entitles the individual to benefits;

### Social Insurance Programs

During the past 95 years, the United States has developed seven major social insurance programs:

- Worker's Compensation (1908)
- Veterans Compensation (1917)
- Old Age-Survivors/Disability Insurance (1935)
- Railroad Retirement (1937)
- Medicare (1965)
- Black Lung (1969)

While these programs are designed to meet a broad range of needs, they share these characteristics:

- Eligibility for benefits is conditioned upon previous work in covered employment.
- Eligibility is conditioned upon a triggering event such as unemployment, illness, disability, retirement, or a principal earner's death.
- Benefit levels are often related to previous earning levels.

Insurance programs supplement employment income and savings. Because insurance benefits are not calculated on income from all sources, these benefits are paid mostly to the non-poor. On the other hand, insurance programs have helped many people from falling below the poverty line.

### Income Assistance "Welfare" Programs

are those where eligibility is conditioned on these factors:

- fitting into a special category of persons
- having very limited income
- having very limited resources

The major income assistance programs include:

- Veterans Pensions (1933)
- Aid to Dependent Children (1935) now Temporary Assistance to Needy Families (1996).
- Food Stamps (1964) now Supplemental Nutrition Assistance Program (2008)
- Medicaid (1965)
- Supplemental Security Income (1972)

The common characteristics of welfare programs are --

- Individuals must belong to a certain category of Persons — **Category Eligibility**
- Individuals must be needy, meet a means test - **Financial Eligibility**
- Individuals must give up certain rights and perform certain acts as a condition of eligibility—**Conduct Eligibility**
- Individuals must comply with agency procedures for demonstrating initial and ongoing categorical, financial and conduct eligibility—**Procedural Eligibility**
- State and local variations exist in these programs
- Benefits are inadequate for the purpose for which the program is intended.

These programs are supposed to help people with insufficient income or social insurance to meet their most basic needs such as food, clothing, shelter, and medical care. They provide benefits in several forms, and are financed and administered at several different levels of government.

Benefits are provided in cash—TANF and SSI, vouchers—SNAP (Food Stamps) and Medicaid, and in-kind—school lunches.

<b>Social Insurance Programs</b>	<b>Income Assistance Programs</b>
Funds come from a “special tax:” employer/employee contributions or individual contributions.	Funds come from general revenue
No stigma attached – recipient has “earned” or “deserved” benefits.	Stigma attached — recipient “gets something for nothing.”
Benefits sometimes adequate, sometimes not.	Benefits never adequate for program’s purpose
People rarely have to give up “rights” to receive benefits.	People often have to give up rights to receive benefits
Only test— work income	Means test—income and resources counted
.	Categorical Eligibility Test: person must fit into a category of persons to receive benefits

### **Benefit Program Administration**

Federal and state laws govern most public benefit programs. The federal government reimburses states for a certain percentage of their administrative and benefit costs. When states choose to participate in these programs—which most of them do— they must comply with federal law. In several programs, federal law allows states some discretion to "opt in" to certain parts of programs and to set standards and limits within certain guidelines in other programs.

The enabling legislation for public benefit programs—primarily the Social Security Act— contains general provisions which--

- set out general eligibility requirements
- describe the criteria for state participation in programs
- delegate authority to a federal agency to promulgate regulations and to supervise program administration

- allow states discretion in opting in to certain program parts

The Social Security Act delegates responsibility for TANF and Medicaid to the Department of Health and Human Services (HHS). Each agency promulgates the regulations that govern these programs. Each state enacts into law statutes that, in turn, delegate responsibility for daily program administration to state and sometimes local agencies. These agencies are primarily responsible for implementing each program and as such, promulgate their own rules and regulations. These rules and regulations must conform to all pertinent federal and state legislation.

The Food and Nutrition Act provides for a somewhat similar federal- state-local system. The Department of Agriculture is the federal agency that has overall responsibility for program administration. In most states, the state or local agency that is charged with daily Food Stamp Program administration is the same agency that is responsible for administering TANF and Medicaid.

The Social Security Administration (SSA) is responsible for implementing the SSI and OASDI Programs. SSA administers these programs at the state level with one exception. The SSI Program allows for states to supplement SSI grants. In that instance, either the state or SSA may administer the state's SSI state supplementation program.

### **Emergency Payments and Programs**

Most programs provide for some kind of emergency payments.

**Expedited Services** put people on an eligibility fast track, speeding up the time to begin to receive benefits. Agencies also will temporarily suspend certain verification requirements. To qualify, applicants must have little or no liquid income and resources. The emergency payment usually is an advance on the first benefit check.

**Special Needs** programs give recipients cash and in kind assistance for special needs such as housing and replacing and repairing essential personal property items.

## **Personal Responsibility and Work Opportunity Reconciliation Act of 1996**

### **TANF Block Grant**

On August 22, 1996, President Bill Clinton signed the welfare reform bill, Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) ending 60 years of federal safety net to needy families. It abolished AFDC and established Temporary Assistance to Needy Families (TANF).

A major way in which AFDC and TANF differ is that AFDC was an entitlement while TANF is not. For public benefit purposes, "entitlement" means that people who meet all a program's eligibility requirements receive benefits as long as they remain eligible. People were entitled to AFDC, and the federal government gave money to the states, as long as they met eligibility requirements. As a block grant, TANF is a fixed sum of money provided to each state to spend as it sees fit within certain limits. When the block grant runs out, people in most states won't receive TANF benefits even if they met eligibility requirements.

One of TANF's most significant limits on the states is that no family may receive this federally funded aid for more than five years. Each state's last few annual AFDC spending levels determined its block grant amount. Federal funding can be increased or decreased depending on how the state meets certain federal requirements, *e.g.*, a state's decrease of out-of-wedlock births merits bonus funds; a state's inefficient child support collection system results in losing funds.

### **Other Changes**

Welfare Reform also narrowed eligibility for children's SSI, reduced food stamps to certain 18-50 year olds, and drastically limited benefits to most legal immigrants. Many of these changes remain in effect today, weakening the Food Stamp Program and making life more difficult for low-income legal immigrant families.

These changes included an across-the-board benefit reduction for nearly all recipient households, including families with children, the working poor, the elderly, and people with disabilities. Eligibility also was severely curtailed for legal immigrants and unemployed

childless adults. Congress has moderated some of the most severe cuts, but about two-thirds of the cuts remain in effect.

### **Legal Immigrants' Benefit Eligibility**

PRWORA restricted legal immigrants' eligibility for public benefits — undocumented immigrants have not been eligible for public benefits. Congress later scaled back some of the cuts, reversing its decision to cut elderly and disabled legal immigrants already receiving SSI benefits off of the program, but denying eligibility for virtually all immigrants who entered after 1996 and restoring food stamp eligibility to some groups of legal immigrants.

The welfare law's real impact on legal immigrants cannot be measured by eligibility changes alone. The law convinced many immigrant communities that they were not eligible for benefits and they — and their citizen family members — should not participate out of fear that legal immigrants who did participate would be deported or denied citizenship.

Despite outreach efforts, many eligible immigrants and their citizen children continue to shun benefit programs such as Medicaid and food stamps. Immigrants' participation rates in these programs are significantly below those of the general population, and their hardship levels — as measured by food insecurity and uninsurance rates — are much higher.

Legal immigrants make up a significant portion of the low-wage working population, and nearly one-quarter of children in poverty have an immigrant parent. Finding new ways to make these individuals eligible and to connect them to assistance is critical to responding to the needs of low-wage workers.