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THE SAFETY NET

Slumping Economy Tests Aid System Tied to Jobs

By JASON DePARLE

WASHINGTON — For nearly two decades, Americans have built a safety net that is tough on those who fail to work and rewards those who do.

Insisting that the poor should work and agreeing that work should pay, policy makers spent the 1990s cutting welfare rolls while pouring billions of dollars into programs like wage and child care subsidies aimed at the working poor.

But joblessness, not welfare dependency, is now the national scourge. And as a poverty conference convened here last week, custodians of the safety net confronted an obvious question: If aid is reserved for people with jobs, what happens when the jobs go away?

“We have a work-based safety net without work,” said Timothy M. Smeeding, an economist at the [University of Wisconsin](#). “We’re really in a pickle.”

The economic crisis is the toughest test yet of a safety net refashioned 13 years ago when President [Bill Clinton](#) kept a pledge to “end welfare as we know it” and joined a Republican-led Congress in sharply restricting cash aid. In the boom years that followed, millions of people left welfare for work and poverty rates plunged, though skeptics warned that needy families would be left with nothing when the economy faltered.

Few people thought the faltering would prove so swift and severe. Within weeks of taking office, [President Obama](#) had signed off on measures to spend more than \$100 billion to shore up the safety net.

Some of the money goes to programs reserved for people who work (like unemployment insurance and wage subsidies). Even more bolsters programs that include the nonworking poor (like food stamps and [Medicaid](#)).

While that might suggest a desire for a broader safety net than the one that has emerged in recent years, aides say the package was as much an effort to jump-start the economy as an expression of aid philosophy.

“We’re not at the moment narrowly focused on, Is there a work-based safety net?” said Martha Coven, a White House official who spoke at the poverty conference. “We’re focused on, Is there work?”

A crisis this large would challenge any safety net. Nearly 14 million Americans are unemployed, and more than 100,000 people join their ranks each week. Eight states have double-digit unemployment rates; California and Michigan have counties where the rate reaches Depression-era levels of 25 percent.

Still, the challenges seem especially stark when set against the assumption on which the modern safety net was built: that low-wage jobs, however onerous, were at least easy to get. Urging the needy to take them, policy makers expanded wage subsidies (which now top \$5,000 a year in some states), while putting time limits on cash benefits, cutting access to training and giving states wide discretion to turn aid-seekers away.

The new welfare program, Temporary Assistance for Needy Families, also gave states financial incentives to cut the rolls, and critics warned that the program would fail to grow in tough times to meet rising need. Now millions of jobs have disappeared, and caseloads have scarcely budged.

In many places they have continued to fall, including Mr. Obama's home state, Illinois, which trimmed the rolls 8 percent last year as joblessness surged. Nationally, the rolls are down about 70 percent from the 1990s highs.

To encourage states to expand the welfare rolls, the recovery package Mr. Obama signed includes \$5 billion of subsidies for programs with caseload growth.

Another essential safety net program, unemployment insurance, reaches just 44 percent of the unemployed, with the lowest-paid workers most often left out. The recovery package offers \$7 billion for states that broaden coverage, though several Republican governors have spurned it, saying the costs would lead to higher business taxes.

The program that responded most readily to the [recession](#), food stamps, has done so in large part because it serves the working poor and jobless alike. In the 12 months ending this February, the rolls grew 17 percent. One in 9 Americans now gets food stamps, and the recovery package temporarily raised the average benefit about 19 percent, to about \$500 a month for a family of four.

All in all, "that's a remarkable boost to the safety net, and it's all been under the radar," said Sheldon H. Danziger, a [University of Michigan](#) economist who spoke at last week's gathering of researchers, advocates and government officials.

Much of the recovery act spending expires in two years. What happens then?

No one envisions a return to the time of unconditional aid. Even critics of the tougher welfare system credit it for raising employment rates; and poverty, though on the rise, is lower than in the early 1990s.

"It worked better than, I think, a lot of people anticipated," Mr. Obama said at a campaign event last year. "One of the things that I am absolutely convinced of is that we have to have work as a centerpiece of any social policy."

But progress had stalled even before the recession began, and two sets of problems had emerged. One is that the neediest people — the addicted, disabled or mentally ill — often fell through the cracks, finding neither welfare nor work. Another is that most low-wage workers were failing to advance.

Last week's conference was filled with calls to knit more training opportunities into the safety net, a theme Mr. Obama often repeats. Still, as the conferees recognized, past training programs have often failed.

Beyond the recession, several big poverty challenges remain. Wage inequality has continued to rise. So has

the share of children born to unmarried mothers, which increases their odds of growing up poor.

And huge deficits have made the long-term budget outlook bleak, as Robert Greenstein of the Center on Budget and Policy Priorities warned fellow conferees in Washington. Even as the meeting got under way, California was mulling its governor's cost-saving plan to outright abolish programs of cash welfare and children's health insurance.

Mr. Greenstein called for scrapping marginal programs to save the most essential.

"A budget tsunami is coming," he said. "That threat should be taken a hell of a lot more seriously than it is now."

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