

# Social Welfare Policymaking

# What is Social Policy and Why is it so Controversial?

- Social welfare policies provide benefits to individuals, either through entitlements or means-testing.
  - Entitlement programs: Government benefits that certain qualified individuals are entitled to by law, regardless of need.
  - Means-tested programs: Government programs only available to individuals below a poverty line.

# Income, Poverty, and Public Policy

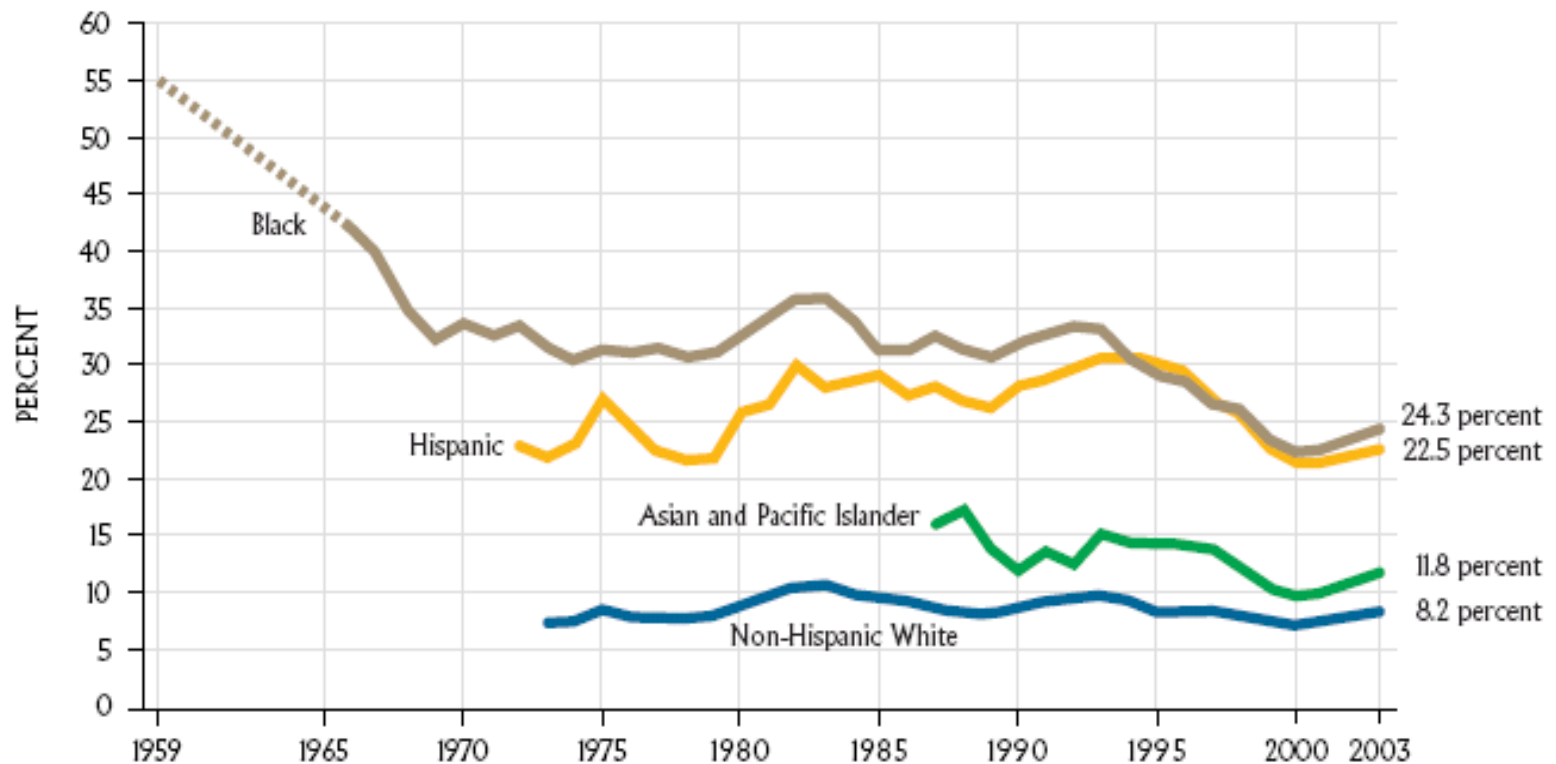
- Who's Getting What?
  - Income: amount of funds collected between any two points in time.
  - Wealth: amount of funds already owned.

# Income, Poverty, and Public Policy

- Who's Poor in America?
  - Poverty Line: considers what a family must spend for an “austere” standard of living.
  - In 2003 the poverty line for a family of three was \$14,824.
  - Many people move in and out of poverty in a year's time.
  - Feminization of poverty: high rates of poverty among unmarried women

# Income, Poverty, and Public Policy

- Poverty Rates by Race and Hispanic Origin: 1959-2003 (Figure 18.1)



Source: U.S. Census Bureau, Current Population Survey, 1960–2003 Annual Demographic Supplements, Census Bureau, Press Release, August 26, 2004.

# Income, Poverty, and Public Policy

- What Part Does Government Play?
  - Taxation.
    - Progressive tax: people with higher incomes pay a greater share.
    - Proportional tax: all people pay the same share of their income.
    - Regressive tax: opposite of a progressive tax
    - Earned Income Tax Credit: “negative income tax” that provided income to very poor people.

# Income, Poverty, and Public Policy

- What Part Does Government Play?
  - Government Expenditures.
    - Transfer payments: benefits given by the government directly to individuals.
    - Some transfer benefits are actual money.
    - Other transfer benefits are “in kind” benefits where recipients get a benefit without getting actual money, such as food stamps.
    - Some are entitlement programs, others are means-tested.

# Helping the Poor? Social Policy and Poverty

- “Welfare” as We Knew it
  - Social Security Act of 1935 was the first major step by the federal government to help protect people against absolute poverty.
  - The Social Security Act set up AFDC, a national assistance program for poor children.
  - President Johnson declared a “war on poverty” and created many new social welfare programs.



# Helping the Poor? Social Policy and Poverty

- “Welfare” as We Knew it (continued)
  - President Reagan cut welfare benefits and removed people from benefit rolls.
  - Conservatives argued that welfare programs discouraged the poor from solving their problems.
  - Attitudes toward welfare became “race coded”, the belief that most people on welfare were African Americans.

# Helping the Poor? Social Policy and Poverty

- Ending Welfare as we Knew it: The Welfare Reforms of 1996
  - Personal Responsibility and Work Opportunity Act
    - Each state to receive a fixed amount of money to run its own welfare programs
    - People on welfare would have to find work within two years.
    - Lifetime limit of five years placed on welfare.
    - AFDC changed to Temporary Assistance for Needy Families (TANF)

# Living on Borrowed Time: Social Security

- The New Deal, the Elderly, and the Growth of Social Security
  - Social Security has grown rapidly since 1935, adding Medicare in 1965.
  - Employers and employees contribute to the Social Security Trust Fund.
  - The Trust Fund is used to pay benefits.
  - The ratio of workers to beneficiaries is narrowing. The Trust Fund will soon be in the red.

# Living on Borrowed Time: Social Security

- The Future of Social Security
  - The number of Social Security contributors (workers) is growing slowly, the number of recipients (retired) is growing rapidly.
  - At some time, payouts will exceed income.
  - Solutions of cutting benefits or raising taxes are hard choices.
  - Republicans favor privatizing Social Security.

# Social Welfare Policy Elsewhere

- Many industrialized nations are more generous than the U.S.
- But the tax rates are higher in those countries than in the U.S.
- Other countries (especially European) have worked to reform their welfare programs.

# Understanding Social Welfare Policy

- Social Welfare Policy and the Scope of Government
  - The growth of government has been driven by the growth of social welfare policies.
  - The American social welfare system grows generation by generation.
- Democracy and Social Welfare
  - The U.S. has the smallest social welfare system.
  - There is considerable unequal political participation by those that use the programs.