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)

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.