

Dropping The Welfare Safety Net May Backfire

BY JANET GORNICK

In August, the Senate will vote on a Republican welfare bill that would end the "entitlement" status of Aid to Families with Dependent Children (AFDC), the nation's main cash assistance program for single-parent families.

The exact contours of the Republican plan are not yet clear; a plan recently approved by the Senate Finance Committee is now competing with more conservative proposals offered by presidential hopefuls Senator Bob Dole and Senator Phil Gramm.

If any of these plans becomes law, the federal government no longer will be required to provide assistance to poor families. The federal role will be to provide block grants to the states and, critically, spending will be cut. The states will not be obligated to provide any minimal level of assistance and, furthermore, the plan allows them - and in some versions requires them - to withhold aid completely from certain groups (including young parents, children born to families on welfare and legal immigrants). Such a measure would unravel a section of the safety net

stitched together as part of the Social Security Act of 1935.

Ironically, a Democrat catalyzed the current wave of Republican-led welfare reform. In 1992, Bill Clinton shaped the national agenda with his pledge to "end welfare as we know it." Clinton argued, correctly, that there are serious problems with AFDC. What are those problems?

Liberals contend that program rules (particularly, reduced benefits for employed recipients) and limited services (especially child care) discourage able-bodied recipients from employment. Moreover, low benefits mean that virtually all AFDC recipients - about 5 million parents and their 10 million children - live below the poverty level.

Conservatives typically argue that welfare creates dependency and encourages out-of-wedlock childbearing. Crucially, liberals and conservatives are in considerable agreement on one point: The current welfare system discourages recipients from leaving welfare for employment.

In mid 1994, Clinton unveiled a

reform proposal. His "tough love" plan called for expanded services - largely to facilitate employment - including education, training, child care and health insurance guarantees. Moreover, "to make work pay," the administration proposed increasing tax credits for working parents, and also guaranteed jobs for those unable to secure private-sector work. Finally - the "tough" part - the plan tightened eligibility rules (such as requiring minors to live with their parents) and initiated time limits on cash assistance. In a textbook case of interparty competition, Republicans picked up welfare reform. Emboldened by resurging conservatism - including a strand that is clearly racist and anti-immigrant - and then exhilarated by their 1994 election victories, Hill Republicans pushed welfare reform steadily to the right.

They retained the time limits, jettisoned the services and guaranteed jobs and expanded states' options for restricting eligibility. Dismantling the entitlement status was a late addition. Now, the GOP plans are disconnected from the root problems; the proposed changes no longer

constitute "reform" in any recognizable sense. Based on false assumptions, these proposals are dangerously off course. What's wrong?

First, Republican leaders have justified welfare retrenchment, in part, by the need to reduce federal spending. They have skillfully cultivated mis-perceptions of welfare's costs. AFDC spending absorbs only 1 percent of the federal budget; even a total elimination of the Federal share would barely affect the deficit. Second, the Republican plans overlook the fact that most adult AFDC recipients - 90 percent of which are women - are poorly prepared for employment.

Nearly half lack high school diplomas and few have marketable skills. Wages for unskilled workers are low and sinking, and their jobs rarely provide benefits that working parents need. The GOP plans erroneously assume a labor market prepared to absorb nearly 5 million young mothers.

Third, Republicans claim that steep welfare cuts and rule changes will reduce out-of-wedlock births. Although that is intuitively appealing, a decade of research has found

no causal linkage between welfare rules and birth rates. Contrary to popular imagery, families on welfare have, on average, fewer children than do the typical American family. Furthermore, a large share of recipients have never had any children out of wedlock. Nearly half of AFDC recipients first applied for aid following a divorce or separation, and many turn to welfare for other reasons.

Finally, all of the Republican plans jeopardize the well-being of our children. The proposed time limits would push 4 million children off the rolls. Families on AFDC already live on the edge - average monthly AFDC benefits are less than \$400 for a family of three, about half their real value in 1970 - and child poverty rates in the U.S. are the highest in the industrialized world. Cutting off these families could lead to a surge in hopelessness, crushing pressure on child welfare services and declining nutrition.

The short-term costs associated with pulling the net from under poor children will be great. The long-term costs could be enormous.

Republican presidential candidates are now wrangling over which

version is the toughest; Gramm calls Dole's proposal token reform. As one of my students said of his party's senators, "they're acting like a bunch of drunken sailors." Let's hope that they sober up soon - and shift back toward a proposal that addresses the underlying problems with welfare. Now Clinton is revising his plan. While hardly ideal - many find the time limits harsh - it is far more rational, and Congress should look again at its provisions.

To become independent from welfare, poor parents need services - especially child care and health insurance. Furthermore, given their low earnings capacity, welfare recipients need training, education, job guarantees and wage support. Yes, the Clinton package carries a price tag - the original estimate of approximately \$9 billion over five years. But that is an investment in poor families that will surely pay for itself. Without it, the costs associated with poverty, especially among children, will only rise.

(Editor's note: Janet Gornick is assistant professor of political science at Baruch College of the City University of New York.)

Disparity Between Wealthy And Poor Worse Than Expected

The inequality between rich and poor in the United States is far worse than even its sternest critics have charged, a study by a California think tank said Monday.

The study comes as the Clinton administration is battling with Congress over what to do about the widening gap between haves and have-nots in society. The president has accused Republican lawmakers of planning to use cuts in government spending on the poor and elderly to pay for tax cuts for the wealthy, exacerbating the gap between rich and poor.

The analysis by Rand Corp. senior economist James Smith noted that the disparity on accumulated wealth comes as the pension system is in steep decline and Social Security's promises seem impossible to keep as the population ages.

"Loud alarm bells are ringing for the future," it said.

"Wealth inequality in America

is simply enormous, several times greater than the growing income differentials that have triggered so much recent discussion and dismay."

The study said most middle-aged and elderly households have very modest holdings at best, while large segments of the over-50 population have no net worth at all. Disparities in conventional wealth such as financial assets, home equity and business holdings are very large among white households.

The top five percent of white families with at least one spouse over 70 have wealth of \$655,000, seven times the \$90,000 held by the median white household. White households in the bottom 10 percent have less than \$800.

Among white households in the pre-retirement years of 51 to 61, the top five percent have socked away \$300,000, while the typical family has \$17,300 and the bottom fifth has

\$800 or less.

The situation for minorities is far worse. The typical black and Hispanic household has less than \$500 in assets and four out of 10 have nothing.

The analysis used two national surveys by the National Institute on Aging to reach its conclusions. One sample examined 7,600 households with at least one member between 51 and 61, while another looked at 6,000 families with at least one spouse 70 years or older.

Differences, it said, can be accounted for by less income complicated by higher divorce levels, which apparently affect savings behavior, and the fact that poor families tend to have poorer health, also a key determinant of wealth.

Labor Secretary Robert Reich has been waging a campaign to increase training for those unable to compete in the new global economy.

Helpful And Practical Advice

This year in the face of federal government cutbacks, there will still be more than \$200 billion given out to independent contractors. Despite the controversy surrounding Affirmative Action, many of these contracts will be assigned to small businesses, minority businesses and businesses owned by women.

Why do some businesses get these contracts and other don't? According to A Manual for Small, Minority and Women-Owned Businesses: Government Programs and Opportunities, it's because only a few business owners understand how the process of government contracting works.

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University Of California Scraps Affirmative Action

White House Chief of Staff Leon Panetta said Sunday that federal contracts with the University of California would be reviewed following last week's controversial decision to scrap race and sex preferences.

"We're going to be reviewing our contract laws and the provision of resources to that state," Panetta told "Face the Nation" on CBS, adding that he does not know whether the state system would end up losing crucial federal contracts.

"The Justice Department and the other agencies are going to review that relationship with the state," Panetta added.

Later, California Gov. Pete Wilson told CNN's "Late Edition": "I think these are absolutely shameful threats. ... I do not intend to be swayed by them."

Wilson, who angrily clashed with civil rights leader Jesse Jackson in television appearances this weekend, said he "can't conceive of any" circumstances in which the University of California affirmative action ruling would be revisited.

Jackson on ABC's "This Week with David Brinkley" and later on CNN said he would mount a legal challenge to the California action and accused Wilson of posturing to advance his quest for the 1996 Republican presidential nomination.

The University of California's governing Board of Regents

voted Thursday to end a decades-old policy that gave preference to women and racial minorities in enrollment and employment at the nine-campus, 162,000-student body.

The decision puts California in the forefront of national moves to rethink affirmative action policies, used since the 1960s to help women and minorities.

The San Francisco Chronicle reported Saturday that the change in policy at the California university system puts at risk billions of dollars in crucial federal research contracts.

Woody Gilliland, deputy director of the Office of Federal Contract Compliance Programmes in San Francisco, told the Chronicle his of-

fice wants to meet with the university administration to determine what funding changes would occur.

"The point is they must continue to have an affirmative action programme if they're going to continue to be a federal contractor," Gilliland told the newspaper.

Panetta told CBS that the affirmative action vote was a major setback for the university system and the state.

"I think it's wrong and I think it is divisive and I think it's really going to set that state back," Panetta said.

The change in admissions policy will take effect in January 1997, the change in hiring and contracting in 1996.

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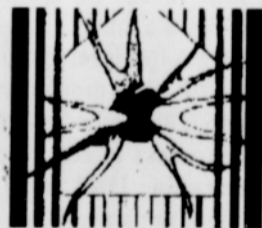
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Albina Youth Opportunity School, INC Memorandum

To: Parents, Guardians, Students
To: High School Placement Professionals
From: Albina Youth Opportunity School (AYOS)
Subject: 1995 - 1996 Enrollment Procedures

Several forms must be signed and/or completed prior to enrollment in AYOS. To receive an AYOS enrollment packet, prospective and returning students and their parents/guardians should do the following between July 1st and September 4th:

- 1 - Call AYOS at 288-5813.
- 2 - Leave a message with names, address AND phone number on AYOS Executive Director, Rance Spruill's voice mail. (203-9618)
- 3 - Students, Parent/Guardians attend the MANDATORY enrollment meeting at AYOS on September 5th at 9 am. Bring a current transcript (new students only), and any other pertinent information.
- 4 - Also, on September 5th schedule an individual intake interview with AYOS counselor, Faith Love.
- 5 - Attend the intake interview as scheduled. Parent/guardians must attend this interview.

PLEASE BE ON TIME.

Placement at AYOS is limited. Enrollment will be on a first come first served basis. Students who do not attend the September 5th enrollment and intake interview are not guaranteed placement.

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