The Impact of Welfare Policies on Poverty in the U.S

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Introduction

According to the United States Census Bureau, the poverty rate increased from 37.3 million in 2007 to 46.9 million in 2010. This was the largest increase in the 52 years for which poverty rates have been published. The World Bank defines poverty as having lack of shelter, hunger, lack of medical care, lack of education and lack of clothing. Poverty is broken down into two types, absolute and relative poverty. Absolute poverty is one of complete powerlessness and relative poverty is having unavoidable cost on working. Poverty is increasing at an unprecedented rate so Social Welfare programs are there to help those in poverty.

Social Welfare programs are created especially by the government and an institution to help those in need. Each welfare program targets a special group of people. Welfare fare programs such as the WIC focuses on women, infant and children. As for Social Security focuses on the elderly. Each Welfare program’s main objective is to help those in need back on their feet.

Research Question

Does welfare reduce poverty?

Background

Before the 1930s, care for the elderly was a struggle of state, local and family rather than a federal concern. Yet, the shared suffering produced by the Great depression brought provision for several proposals for a national old-age insurance system. In 1935 President Franklin D. Roosevelt recommended to Congress financial safety legislation on behalf of the recommendations of a specially formed Committee on Financial Safety. There shadowed the passageway of the Social Security Act, signed into law August 14, 1935.

One of the programs formed via the Social Security Act was Aid to Dependent Children (ADC). The words “families with ADC” were added in 1962, partially due to fear that the program’s rules lowered the marriage rate. In 1966 President Bill Clinton suggested an act to fix poverty which was TANF. The Act replaces ADC by providing short-term financial assistance while encouraging people to get off of assistance, mainly through employment. There is a maximum of 60 months of assistance within one’s era so people won’t depend on the government help.

The 1967 National Nutrition Survey exposed that numerous lower-income kids agonized from anemia and not enough growth. These conditions can unpleasantly affect brain size and intellectual skill. The study showed that children got off to a poor start both physically and psychologically since they didn’t have plenty to eat or they didn’t eat the correct foods. Several children also agonized because mothers did not acquire reasonable nutrition throughout their pregnancy. On September 26, 1972, WIC was formally approved by an amendment to the Child Nutrition Act of 1966. The program was so effective that in 1973 a Federal court judge ordered the agency to implement the program.

The Earned Income Tax Credit (EITC) is a reimbursement of the taxes charged throughout the course of a work year. The EITC was passed in 1975, and was later modified by former President Bill Clinton in 1993. The Clinton administration introduced a tax cut for over 15 million working Americans. Qualifying individuals and families with low to medium incomes received a credit to offset the excessive deductions withdrawn from their gross pay. The Earn Income Tax Credit received are based primarily on the amount of dependents and their age, relationship and health.

Findings & Graphs

The United States Economy relation to the poverty rate

• In the 1960’s the United States was experiencing the longest economic expansion in history. The Poverty rate was dramatically declining starting from 22% in 1960 to 12% in 1970.

• In 1970’s The Vietnam war ended and the economy was not doing well which lead to a recession but the poverty rate decreased by 1% then increased by 1% between 1970-1975.

• During the 1980’s the poverty rate increased to its highest after remaining below 14% for 10 years. The nation was going through another deep recession which increased the poverty rate. 

• In 1990 the country was going through an expansion called the “1990 Boom”. The poverty rate fell to its record low to 11% in 2000.

Social Security Act

• President Franklin D Roosevelt makes Social Security act a law in 1935.

• The social insurance program is to provide income to retired workers ages 65 and above.

• As Social Security went into effect, the poverty rate declined. The most dramatic change was in 1959, the poverty rate was about 35%. By 1990 the hit to its lowest.

• As the Social Security expenditures increased over time, shown in Figure 1 the poverty rate declines. Showing the impact of this welfare program has on the elderly.

WIC Program- Women, Infant, Children

• A Nutrition Program to help Women, infants and children. Helps in terms of health benefits. It improves the health of pregnant women, new mothers and their infants and children by offering nutrition education and breastfeeding support.

• Poverty rate among Female-headed Families with children in Figure 4.4 shows that it was at its highest during 1960-1965.

• Figure 4.2 shows the poverty rate for children (younger than 18) declining to about 16% from 1960 to 1970.

AFDC/TANF

• AFDC/TANF is aid given to families with dependent children and temporary assistance for needy families.

• AFDC/TANF no longer exist but the welfare’s main goal was to provide money to families where parents are unemployed. TANF replaced AFDC in 1996, the new programs promotes working, marriage, and reducing out-of-wedlock birth.

• AFDC/TANF do not seem to have such impact on the poverty rates on families compared to what the Social Security had on the elderly because they did not bring them out of poverty.

U.S. Poverty Rate: 1959 to 2009

Results

The poverty rate in 1993 prior to the EITC was estimated at 15.1 percent, the poverty rate then decreased to an astonishing 12.7 percent by 1998. A grand total of 4.3 million adults and 2.3 million children were freed from poverty. Due to social security poverty among the elderly has decreased from 1.2 to less than 1.8.

The poverty rate of female-headed households with children was at its highest point between 1960-1965. After WIC was formally established in 1972 the poverty rate decreased dramatically.

Conclusions

After analyzing our findings and results we have come to a conclusion that some welfare programs that we studied have a huge effect to the poverty rate. The Social Security act and EITC did play a fundamental role in decreasing the poverty rate. Welfare programs that were ineffective in reducing the poverty rate were WIC and AFDC/TANF. The roles of these two program did not play a huge factor in decreasing the poverty rate because it left the poor in a cycle of poverty.

Our Proposal

Knowing that the two social welfare programs such as WIC and AFDC/TANF are flawed we propose that the government break these programs down and rebuild them with alternatives. The money being spent in these two programs can be utilized more efficiency. We are committed to figuring out a solution.

References


