Chapter 18

Social Welfare Policymaking
What Is Social Policy and Why Is It So Controversial?

Social welfare policies provide benefits to individuals, through:

- 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 distribution: the “shares” of the national income earned by various groups
– Income: amount of funds collected between any two points in time
– Wealth: value of assets already owned
– One-third of America’s wealth is held by 1 percent of the population.
# Income, Poverty, and Public Policy

## Table 18.1 Who Gets What? Income Shares of American Households

The following table demonstrates how much of the nation’s income is received by people within each quintile (or fifth) of the population. In other words, the 3.4 percent in 2004 means that people whose income placed them in the lowest 20 percent received just 3.4 percent of the nation’s income in that year, while the highest fifth got just half of the nation’s income. The rich are getting richer and the poor poorer. What accounts for the growing divide between rich and poor?

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</thead>
<tbody>
<tr>
<td>Lowest fifth</td>
<td>4.9</td>
<td>5.5</td>
<td>5.1</td>
<td>4.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Second fifth</td>
<td>11.8</td>
<td>12.0</td>
<td>11.6</td>
<td>10.8</td>
<td>8.8</td>
</tr>
<tr>
<td>Third fifth</td>
<td>17.6</td>
<td>17.4</td>
<td>17.5</td>
<td>16.6</td>
<td>14.8</td>
</tr>
<tr>
<td>Fourth fifth</td>
<td>23.6</td>
<td>23.5</td>
<td>24.3</td>
<td>23.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Highest fifth</td>
<td>42.0</td>
<td>41.6</td>
<td>41.6</td>
<td>44.3</td>
<td>50.0</td>
</tr>
</tbody>
</table>

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—37 million Americans—about 12.7 percent—poor in 2003
- Many people move in and out of poverty in a year’s time.
- Feminization of poverty: high rates of poverty among unmarried women
Figure 18.1  Poverty Rates by Race and Hispanic Origin: 1959–2004

Ever since the federal government started measuring the poverty rate (about 1960), poverty rates for some groups have been consistently higher than for others. African American and Hispanic groups consistently have had higher rates of poverty. In this graph, you can trace the changes in the poverty rates of groups over the past few decades.


Note: The data points represent the midpoints of the respective years. Data for African Americans are not available from 1960 to 1965. Data for the other race and Hispanic origin groups are shown from the first year available. Hispanics may be of any race.
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: burden falls relatively more heavily on low-income groups—opposite of a progressive tax
  - Earned Income Tax Credit: “negative income tax” that provided income to very poor people in lieu of charging them income tax
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, such as social security—entitlements
    - Other transfer benefits are “in kind” benefits where recipients get a benefit without getting actual money, such as food stamps—means tested
## Table 18.2 The Major Social Welfare Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>DESCRIPTION</th>
<th>BENEFICIARIES</th>
<th>FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entitlement Programs—“Social Insurance”</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Social Security</td>
<td>Monthly payments</td>
<td>Retired or disabled people and surviving members of their families</td>
<td>Payroll tax on employees and employers</td>
</tr>
<tr>
<td>Medicare (Part A)</td>
<td>Partial payment of cost of hospital care</td>
<td>Retired and disabled people</td>
<td>Payroll taxes on employees and employers</td>
</tr>
<tr>
<td>Medicare (Part B)</td>
<td>Voluntary program of medical insurance (pays physicians)</td>
<td>Persons 65 or over and disabled Social Security beneficiaries</td>
<td>Benefits pay premiums</td>
</tr>
<tr>
<td>Unemployment Insurance (UI)</td>
<td>Weekly payments; benefits vary by state</td>
<td>Workers who have been laid off and cannot find work</td>
<td>Taxes on employers; states determine benefits</td>
</tr>
<tr>
<td><strong>The Means-Tested Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid</td>
<td>Medical and hospital aid</td>
<td>The very poor</td>
<td>Federal grants to state health programs</td>
</tr>
<tr>
<td>Food stamps</td>
<td>Coupons that can be used to buy food</td>
<td>People whose income falls below a certain level</td>
<td>General federal revenues</td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families (TANF)</td>
<td>Payment</td>
<td>Families with children, either one-parent families or, in some states, two-parent families where the breadwinner is unemployed</td>
<td>Paid partly by states and partly by the federal government</td>
</tr>
<tr>
<td>Supplementary Security Income (SSI)</td>
<td>Cash payments</td>
<td>Elderly, blind, or disabled people whose income is below a certain amount</td>
<td>General federal revenue</td>
</tr>
<tr>
<td>Children’s Health Insurance Program (CHIPs)</td>
<td>Subsidies for insurance</td>
<td>Poor families with children</td>
<td>Federal and state revenues</td>
</tr>
</tbody>
</table>
Helping the Poor? Social Policy and Poverty

“Welfare” as We Knew it

- Social Security Act of 1935—first major step by the federal government to help protect people against absolute poverty
  - Set up Social Security Program and AFDC, a national assistance program for poor children
- President Johnson declared a “war on poverty” and created many new social welfare programs.
“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)
    - Welfare rolls declined, even though income of TANF recipients is still low
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 “bank account” into which Social Security contributions are “deposited” and used to pay out eligible recipients.
    - The Trust Fund will soon be in the red as the ratio of workers to beneficiaries is narrowing.
The Future of Social Security

- The problem: number of Social Security contributors (workers) is growing slowly, while number of recipients (retired) is growing rapidly
  - At some time—currently 2038—payouts will exceed income.
  - Solutions of cutting benefits or raising taxes are hard choices.
Living on Borrowed Time: Social Security

How George W. Bush Tried and Failed to Reform Social Security

- Bush proposed diverting 2 percent of social security contributions to private retirement funds—private savings accounts
- Problem: social security trust fund would run out of money very quickly as people put their money into private savings account—or, government would have to borrow trillions of dollars
- Social security reform failed.
Living on Borrowed Time: 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 Europe) have worked to reform their welfare programs, as their programs are in trouble, too.
Social Welfare Policy and the Scope of Government
  - The growth of government has been driven by the growth of social welfare policies, which grow 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.
    - Elderly are well-organized and influential; poor are not
Summary

- Social welfare policies include entitlement and means-tested programs.
- Entitlement programs affect social welfare status but are expensive.
- Welfare has been reformed.
- Is Social Security next?