CHAPTER 37

WELFARE

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"Is the level of welfare benefits in Hawaii adequate, inadequate, or overly generous?"

That question really doesn't have a "correct" answer. Certainly it is possible to find informed opinions, as well as uninformed opinions. Let me tell you a bit about Hawaii's welfare system so your opinion can be "informed."

Assistance generally can be divided into two categories: cash grants and noncash benefits. Both are funded and administered jointly by the state and federal governments. People cannot own much if they want to qualify for either type. Maximum assets in Hawaii for a family of four, for example, are \$1,000 to qualify for cash grants, \$3,500 for medical assistance, and \$2,000 for food stamps. People can qualify for welfare even if they have an income, and there is no stated maximum. However, welfare benefits are reduced by a predetermined "cutback" rate. Consequently, anyone with an income that approaches whatever the poverty line happens to be at that time, generally will not qualify for any benefits. They will have been "cut back" to zero.

As of July 1991, "poverty lines" were:

Size of Family	Annual Income
Single person	$7,608
Family of 2	10,200
Family of 3	12,804
Family of 4	15,408
Family of 5	18,000
Family of 6	20,604

Qualifying for grants. To qualify for a cash-grant program people must be more than just poor; they must also fit into well-defined categories. For example, those who are both poor and blind, disabled or aged are eligible for Supplemental Security Income. Those who are poor and have children, may qualify for Aid to Families with Dependent Children (AFDC). Most AFDC recipients are families without a male parent. However, a small AFDC-UP (unemployed parent) program provides assistance for intact families who can demonstrate deprivation in the absence of aid. Another cash grant program, called general assistance, aids a small number of poor people who do not fit into either of the above categories.

Noncash assistance programs such as food stamps and Medicaid were developed in part because of a concern that cash benefits might be spent unwisely or, worse yet, on destructive agents such as liquor and drugs, thus depriving the children of recipients. Noncash grant programs are attractive in that they are limited to food, housing and medical care—goods that address basic needs and are likely to directly benefit the applicant's children as well.

In January 1992, a record 25 million Americans, or nearly 1 in 10, received food-stamp aid. Despite Hawaii's long-time low unemployment rate, 1 in 12 here were receiving food stamps in Hawaii that same month.

The welfare system is a "patchwork" affair, in part because of conflicting concerns. Most people genuinely desire to assist the truly needy. This instinct, however, is tempered by an unwillingness to aid able-bodied adults. Also of great concern (especially now that many mainland states are reducing their benefit levels) is the possibility that qualifying individuals will migrate to Hawaii in part because we have been identified as the fifth most generous state when it comes to welfare. California, although poised to reduce its benefits, was two notches up in third place at the time of the survey.

Hawaii's welfare system is such that, in theory, all people will be caught by a safety net at or above the poverty line. In reality, some potential recipients either don't know about all the possible benefits or are intimidated by the bureaucratic application process.

Representative payments for cash and noncash programs are listed below. These numbers were computed by the State Department of Human Services (DHS) for a hypothetical family of four in 1990 and are the most recent data available.

Cash Grants (covering basics and shelter)	$9,120
Food Stamp Benefits	$4,008
Estimated Medical Benefits (actually may be higher or lower)	$2,354
Total Welfare Benefits	$15,482
1990 Poverty Line (family of 4)	$14,604
Total Welfare Benefits÷Poverty Line	1.06

While tax-free income of $15,482 for a family of four may seem generous, especially when measured against the poverty line, few readers could credibly argue that these benefits could provide a comfortable lifestyle in Hawaii.

Once eligible, families that receive aid find it difficult to wean themselves from it. For example, after some exemptions, grants are reduced dollar for dollar with respect to every additional dollar earned. How enthusiastic would you be about finding and holding a job at, say, $6 an hour if every single penny effectively had to be paid back to DHS in the form of a smaller benefit check? Under these circumstances it's a wonder any recipients are gainfully employed.

While other grant programs reduce aid more gradually (the "cutback" rate is 25 percent for food stamps, for example), when the various welfare programs are tiered, a family that works to get itself off welfare may find working harder only *lowers* its standard of living.

AFDC also provides disincentives for the formation of families and incentives for the dissolution of intact families. Consider the plight of a pregnant teenager. Should she form a household with the father of that child, their financial outlook might be bleak. In Hawaii in 1990, almost two-thirds of the graduates of the high school class of 1989 were earning less than $6 an hour. High-school dropouts face an even less attractive labor market. If the father worked full time (40 hours a week), 50 weeks (2,000 hours a year), the family would still fall below the poverty line. If the mother goes it alone, however, she can qualify for benefits that probably lift her to or above the poverty line, and the father can pocket all his earnings.

Similarly, consider the plight of a chronically unemployed male head of a low-income household. The message is clear. His family would be financially better off if he abandoned it.

Inadequate data. How long do people stay on welfare? Unfortunately, DHS does not keep such statistics.

It might also prove interesting to calculate how much of the money going into the welfare system actually ends up in the hands of the needy. Cynics have called welfare a full-employment program for its many administrators and social workers. Unfortunately, the raw data for Hawaii are not available and interpreting it would be tricky anyway. For example, it would be quite difficult to divide the budget into administrative overhead, welfare benefits, and other truly essential social services provided by DHS.

Hawaii, like its nearest neighbor California, has been a generous state. Southern states such as Texas, Louisiana and Mississippi provide less than a third as much aid. Under the U.S. Constitution, all citizens, rich and poor alike, are free to migrate. This includes the right to move to Hawaii in search of more generous aid. State welfare residency requirements are consistently struck down by the federal courts. In a worst case scenario, welfare migration could bankrupt our limited resources.

A recent local rumor claims an unidentified mainland jurisdiction has a simple and relatively inexpensive way of dealing with its homeless—it gives them one-way tickets to Hawaii. This supposedly is described there as a win-win solution. The mainland jurisdiction is permanently relieved of its financial responsibility and the homeless person's income is tripled by moving to paradise. These stories have been investigated thoroughly by DHS which has a strong incentive to determine the facts. As of the spring of 1992, it had found absolutely no evidence that the stories are true. Let's all hope this is just someone's bad joke.

Depends on values. Some people believe the first principle of welfare should be to make life so uncomfortable for recipients that they will have a burning desire to get off welfare. Others speak of things like human dignity, argue that every citizen has a right to more than just basic existence and "there but for the grace of God ...." And, of course, most people soften when children are involved. No one wants them to suffer. Values come into play.

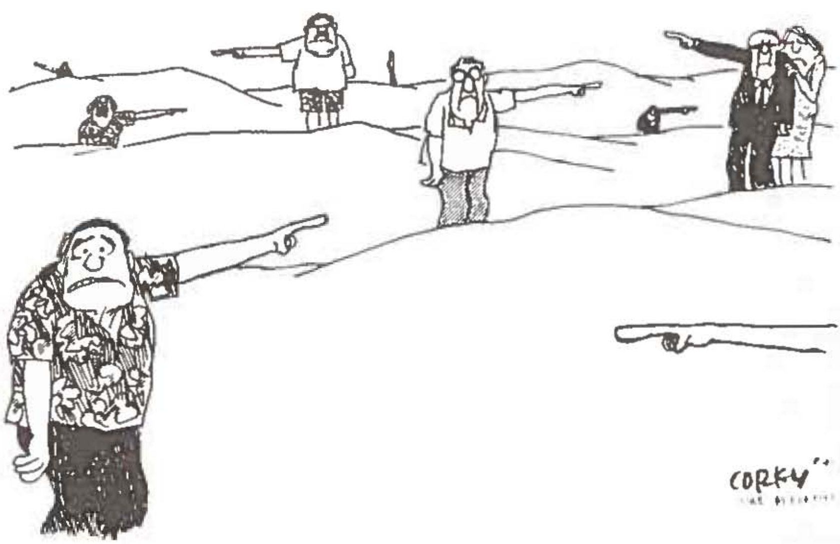
The founder of Habilitat—a Windward Oahu drug-rehabilitation center "that teaches residents to break drug dependency through discipline and self-respect"—in the spring of 1992 offered to house and train 50 homeless adults for one year without charge. According to the press, no one took him up on his offer despite his promise to have them ready to be productive citizens within a year. Stories like this, whether true or exaggerated, harden the hearts of taxpayers and work to the disadvantage of welfare recipients who are truly deserving.

Stronger incentives to work could be accomplished if only benefits declined less as earned income increased. Recipients who find themselves financially better off by working harder likely will do so. However, a lower "cutback" rate on earned income means that more earners would be eligible for aid, thus imposing a larger burden on taxpayers. Lowering the basic grant could cut the tax burden, but at the cost of lowering the quality of life for those most in need. There are no easy answers.

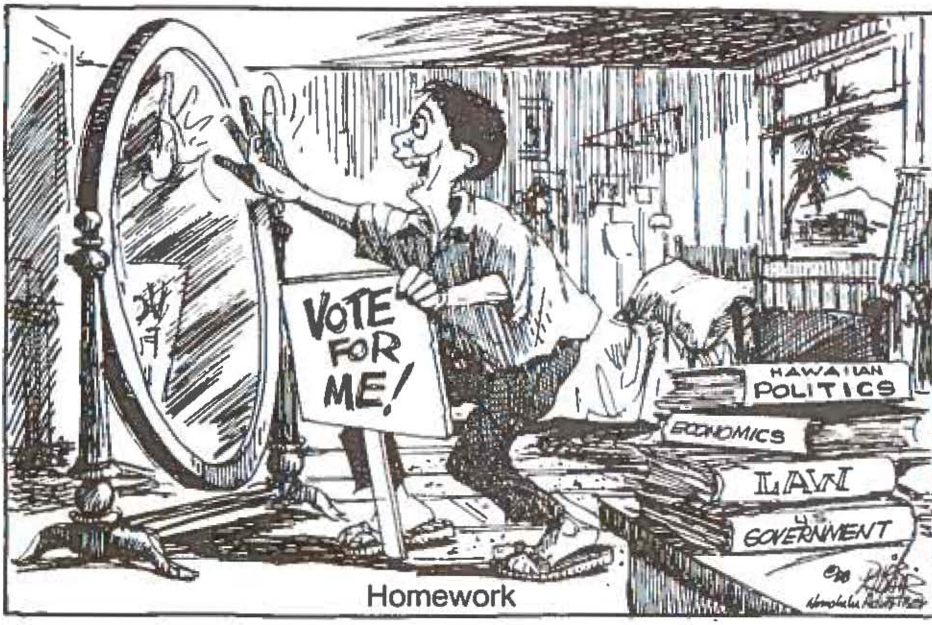
Our choices thus far have been relatively easy due to the longstanding healthy Hawaiian economy, which as of early 1992 had weathered the 1991-92 U.S. recession with a remarkably low unemployment rate of about 3 percent. Hawaii's economy, however, is inextricably linked with the national economy. With the slow rate of productivity growth and the resultant slow growth in real incomes in the nation as a whole, the Hawaiian economy may yet sputter and stall.

According to a *New York Times*—CBS News 1992 poll, 44 percent of Americans said they were no longer bothered by the presence of homeless people. Michigan, for example, confronted with budget deficits in large part related to layoffs in the auto industry, cut off all general assistance to able-bodied adults in 1991 just as the winter snow began to fall.

Charity comes easily in a robust economy. How we deal with the poor during hard times tests the depth and resiliency of our vaunted aloha spirit.



EVERYBODY FAVORS 'HOMELESS VILLAGES' AND WHERE TO PUT THEM...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SO, HAVE YOU DECIDED WHO YOU'RE VOTING AGAINST?