



**THE IMPACT OF WELFARE REFORM ON  
PUERTO RICO AND ON LATINO FAMILIES IN THE U.S.:  
POLICY DIRECTIONS FOR REAUTHORIZATION**

**SUBMITTED TO:**

**THE COMMITTEE FOR INTERNATIONAL AND FEDERAL  
AFFAIRS AND THE COMMITTEE FOR SOCIAL WELFARE AND  
SPECIAL COMMUNITIES OF THE SENATE OF THE  
COMMONWEALTH OF PUERTO RICO**

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## I. INTRODUCTION

My name is Sonia Pérez Alvarado and I am Deputy Vice President of the National Council of La Raza (NCLR); I also oversee the activities of NCLR's Puerto Rico office. NCLR is a private, nonprofit, nonpartisan organization established in 1968 to reduce poverty and discrimination and improve life opportunities for Hispanic Americans. NCLR is the largest national Hispanic constituency-based organization, serving all Hispanic nationality groups through our network of 277 affiliate community-based groups and regional offices throughout the U.S. and Puerto Rico.

NCLR has been documenting issues facing low-income Latino families for more than two decades, as well as promoting public policy measures and community-based initiatives to reduce poverty and increase economic mobility among Latinos. With respect to welfare reform, NCLR has monitored welfare legislation and reform efforts since 1988.

There are several troubling issues relevant to our discussion today regarding the impact of welfare reform on Puerto Rico and on U.S. Latinos and our efforts to ensure that these perspectives are included in reauthorization. First, Latinos have not traditionally been central to discussions of federal welfare policy and the lack of a more visible and coherent Latino social policy agenda at the national level has hurt both Hispanic families in the U.S. and Puerto Rican families on the island.

Second, Latinos continue to be ignored in welfare and social policy debates in part because no one has analyzed ways to improve their outcomes. Given that national research and policy institutions have not made this a priority – and that Latino organizations have had limited resources to conduct welfare-related analyses and raise the visibility of these important policy questions – policy attention has instead turned toward “welfare leavers” and low-wage worker issues. As a result, policy responses to help those Latino families still receiving public assistance have not been crafted.

Third, available data show that, in Puerto Rico, welfare caseloads have been cut by almost 40% since the implementation of the 1996 welfare law. However, a recent study by NCLR<sup>1</sup> indicates that only 15% of welfare recipients cited employment as the reason for leaving the welfare system. On the mainland, Latino families constitute a larger share of the overall TANF caseload today than they did before welfare reform was enacted.

Therefore, President George W. Bush's recent reauthorization proposal that seeks to increase the percentage of recipients required to work in exchange for welfare benefits from 50% to 70% raises serious issues about how such a goal can be achieved for families in Puerto Rico and for Latinos in the U.S. when the experience of Latino families on TANF has been decidedly mixed.

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<sup>1</sup> Boujouen Ramírez, Norma, *Welfare Reform Implementation in Puerto Rico: A Status Report*, Research Paper Series (1-01), Washington, DC: National Council of La Raza, May 2001.

In light of these concerns, I truly appreciate this opportunity to appear before the Committee today to share with you what NCLR has learned about the impact of welfare reform on Puerto Rico, as well as on the U.S. Hispanic community. I have briefly outlined the current status of implementation, emphasizing what we have learned over the past five years. In addition, I discuss the challenges remaining for the next wave of implementation as well as common policy issues for Puerto Rico and U.S. Latinos regarding reauthorization. I conclude by briefly mentioning the next steps to be considered if welfare reform is going to help low-income families in Puerto Rico.

## **II. WELFARE REFORM IMPLEMENTATION IN PUERTO RICO AND AMONG U.S. LATINOS: CURRENT STATUS**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) dramatically changed the nation's welfare system. This comprehensive reform of social welfare programs was based largely on the perception that social safety-net programs discouraged work and encouraged out-of-wedlock births, and that fraud and abuse were widespread throughout the system. Moreover, PRWORA, as a cost-saving measure, targeted legal immigrants, many of whom are Latino, for cuts in assistance.

Five years after PRWORA was signed into law, numerous reports have described the significant declines in welfare caseloads on the U.S. mainland, but few have studied the effect of welfare reform specifically on Puerto Rico or on U.S. Latinos. Existing data compiled by NCLR suggest that because very few paid attention to how Latinos would be affected by welfare reform, the consequences of reform were greatest for Latino families. For example:

- ◆ **Provisions of the 1996 welfare law, coupled with immigration law that same year, cut assistance to several categories of legal immigrants, a large share of whom were Hispanic.** The largest single piece of welfare reform legislation enacted in 1996 was a budget cut in services to immigrants who are legally in this country, of whom Latinos are a significant proportion. In addition, one in ten children in the U.S. lives in a household with a legal immigrant parent. As a result of welfare reform, as many as 600,000 immigrant children lost access to Food Stamps by virtue of their parents' status.
- ◆ **The number of Latino families receiving "Temporary Assistance to Needy Families" (TANF) declined between 1995-96 and 1998-99, but at a slower rate than for White and Black families.** Between 1995-96 and 1998-99, the number of Hispanic families on TANF (the program that replaced Aid to Families with Dependent Children – AFDC) dropped by almost 300,000 in the U.S., a decline of 31.5%. However, in comparison, during the same period, the number of White and Black families declined by 50.6% and 39.6%, respectively. In addition, a recent study of welfare "leavers" revealed that Hispanics only constituted 13.1% of former recipients who left the TANF rolls during the study period (between 1995 and 1997) while more than half (52.2%) were White non-Hispanic.
- ◆ **The share of all families receiving TANF/AFDC that is Hispanic increased between 1995-96 and 1998-99.** Between 1995 and 1996 Hispanics constituted 20.8% of all families

receiving AFDC; comparable data show that between October 1998 and September 1999, 24.5% of all families receiving TANF were Hispanic. Similarly, the share of all families on AFDC in the 1995-1996 period that were African American was 36.9%; in the 1998-1999 period, that share rose to 38.3%. By contrast, White families made up 35.9% of the overall caseload in 1995-1996 and that proportion declined to 30.5% by 1998-1999.

- ◆ **The segment of all children receiving TANF/AFDC that is Latino also increased between 1995-96 and 1998-99.** Between 1995 and 1996, Hispanic children constituted 22.4% of the AFDC caseload; that share increased to 26.0% between October 1998 and September 1999. The proportion of African American children increased slightly from 38.4% in 1995-1996 to 39.5% in 1998-1999. The segment of White children receiving public assistance declined from 31.6% to 25.8% over the same time period.
- ◆ **Similar to what is happening in the states, Puerto Rico has experienced declines in welfare caseloads since the 1996 welfare law was passed, but this has not been primarily due to the movement of recipients into the workforce.** While the number of recipients receiving welfare declined by 17% from 1990 to 1996, the number of recipients receiving public assistance declined by 38% in the three-year-period after the welfare law was passed. In addition, data show that more than one-third of families (36.7%) left the welfare rolls in Puerto Rico in 1999 because of “failure to comply with program rules” while only 15% reported “employment or excess of earnings” as the reason for leaving.

These data suggest that welfare reform may have resulted in caseload declines and fewer families receiving public assistance, but has not necessarily improved the economic outcomes of poor families. In the case of Puerto Rican families on the island, there are some specific challenges that have affected implementation efforts and that must be considered as reauthorization moves forward.

### **III. CHALLENGES FOR REAUTHORIZATION: A FOCUS ON PUERTO RICO**

As discussed below, there are three sets of challenges that are critical to the discussion of reauthorization of welfare reform for Puerto Rico.

#### **Economic Issues**

Implementation of PRWORA coincided with record-breaking economic growth in the U.S. On the other hand, economic indicators for Puerto Rico did not reflect the same expansion of the labor market or increased employment prospects. In particular, over half of the population in Puerto Rico (59% in 1990) and over two-thirds of children live below the federal poverty level, compared to 24% of Hispanic families and 28% of Latino children in the U.S. These high poverty rates are due, in part, to insufficient educational preparation.

Recent research shows that, similar to their Latina counterparts in the U.S., TANF recipients in Puerto Rico have low levels of education. The 2001 NCLR study cited data from the Administration for the Socioeconomic Development of the Family (ADSEF) that showed that in

five regions across the island (Arecibo, Bayamón, Guayama, Humacao, and Ponce), the percentage of TANF recipients who had completed high school ranged from 22% in Ponce to 69% in Guayama. Overall data from 1999 show that only 39% of adult recipients had high school diplomas, while half had not completed high school. This is consistent with a recent study completed by Dr. Carmen L. Guemárez Cruz and Dr. Carmen A. Guzmán López of TANF recipients in one housing project in San Juan, of whom 34% were high school graduates.<sup>2</sup>

Low levels of education, at a time when the economy both in Puerto and in the U.S. requires greater educational preparation and training, helps to explain why a substantial share of TANF recipients is unable to find a job. Moreover, current labor market conditions in Puerto Rico are not favorable, especially for low-skilled workers. A recent wave of plant closures that has resulted in the loss of thousands of manufacturing and other jobs available to TANF recipients means that these women now have to compete with displaced workers for the available jobs at the low end of the labor market spectrum.<sup>3</sup> Moreover, the unemployment rate in Puerto Rico has hovered at about 10%-12%, even during the most recent economic expansion in the U.S. that produced historically low unemployment levels in almost every state.

### **Public Policy Climate**

With respect to public policy, both the climate in Puerto Rico and that at the federal level in the U.S. are relevant to outcomes for low-income families under welfare reform. In Puerto Rico, a recent poll of legislators indicated that 0% stated an interested in welfare reform as a pressing issue for Puerto Rico (the top issue was the political status of the island). There does not appear to be a coherent Puerto-Rico focused welfare reform agenda that can be shared with U.S.-based advocates or coalitions, or with Congress. By contrast, researchers and advocates across the U.S. have been working to assess welfare reform implementation in the states and organize elements of a policy agenda for reauthorization, while several legislators at federal level have already prepared proposals.

This lack of interest coupled with few studies and little available data may translate into poorer outcomes for families receiving TANF, simply because there is not the political will or desire to refocus the debate on issues that are relevant for Puerto Rico.

### **Other Considerations**

Several other challenges must be considered in this discussion regarding welfare reform's effects in Puerto Rico.

- **Support Services.** As on the mainland, welfare recipients in Puerto Rico face barriers that affect their employment options. Two in particular have not been adequately addressed. First, the need for childcare options is critical as work requirements are implemented. NCLR research shows that almost nine in ten TANF minor recipients are between the ages of one and three. Furthermore, in about 65% of all TANF families, the youngest child ranges in age

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<sup>2</sup> Guemárez Cruz, Carmen L. and Carmen A. Guzmán López, *Características Socio-Económicas, destrezas laborales y conocimiento sobre la reforma de Bienestar Social de mujeres participantes del Programa de Ayuda Temporera a Familias Necesitadas*, Editorial de la Universidad de Puerto Rico, forthcoming summer 2002.

<sup>3</sup> See, "Gestán estrategias para enfrentar la propuesta," by Benjamín Torres Gotay, *El Nuevo Día*, 27 de febrero de 2002, página 5.

from three to 11 years.<sup>4</sup> TANF recipients who are required to work need high-quality, affordable childcare but such services are not always available, especially in rural areas. Another factor is that recipients report delays in payments to child care workers from ADFAN funds. A second concern related to support services has to do with transportation issues. TANF recipients residing in semi-rural and rural areas of the island who do not have cars do not have adequate, reliable public transportation options to be able to help them get to work.

- **Client Information.** At a 2001 forum on welfare reform sponsored by NCLR, the Center for the New Economy, the National Puerto Rican Coalition, and the Puerto Rican Legal Defense and Education Fund, the issue of public education to TANF recipients was raised. Although the welfare reform law was signed in 1996, there continues to be misinformation among clients regarding work requirements and other provisions. This may help explain why some are cited for not cooperating with new regulations.
- **Lack of Earned Income Tax Credit (EITC).** The EITC, a refundable income tax credit designed to help offset federal payroll taxes, promote work, and add to the earnings of low-income working families, was a central element to the strategy to emphasize work requirements in the 1996 legislation. According to Mark Greenberg, Senior Staff Attorney at the Center for Law and Social Policy in Washington, D.C., the lack of an EITC in Puerto Rico is significant to welfare reform implementation efforts in Puerto Rico. Moreover, “the EITC experience . . . suggests that tax policy will be an increasingly important part of federal low-income support policy in the U.S in the future.”<sup>5</sup> If this is the case, it is unclear how TANF recipients in Puerto Rico can be expected to comply with the same requirements imposed on their counterparts in the states without the same income supplements or supports.

#### IV. REAUTHORIZATION, PUERTO RICO, AND U.S. LATINOS: COMMON POLICY ISSUES

This year, Congress must reauthorize the TANF block grant. Since 1996, the nation's welfare caseloads have declined by more than 50% but, as described above, unfortunately, the successes of welfare reform have not extended to many Hispanic families on the mainland or Puerto Rican families on the island. In the U.S., Latino families have become a larger share of the total TANF caseload since 1996 and the percentage of families in Puerto Rico who have moved from welfare to work is very small.

Welfare reauthorization represents an opportunity to frame a serious, comprehensive anti-poverty agenda for Puerto Rico and for Hispanic families on the mainland. The unfolding reauthorization debate provides an opening for addressing both strategic and substantive issues with respect to broader social policy. A strong foundation exists in policy arenas to examine and

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<sup>4</sup> *Welfare Reform Implementation in Puerto Rico: A Status Report, op.cit.*

<sup>5</sup> See Greenberg, Mark, “Welfare Reform in Puerto Rico and the Reauthorization Process,” in *Welfare Reform Implementation in Puerto Rico: Assessing Implementation and Preparing for Reauthorization*, Summary of Presentations and Remarks, Draft prepared by the National Council of La Raza, March 2002, pps. 49-51.

respond to challenges facing low-wage workers and working-poor families, including the need to help low-income families save money and build assets.

While the implementation context is different and there are some issues that are specific either to Latinas in the U.S. or to women in Puerto Rico, there are areas of common ground that, if addressed, can help to improve welfare reform outcomes for Puerto Rico and for Latinos in the U.S. Specifically, in order to help more Puerto Rican and Latino families move from welfare to work and out of poverty, NCLR believes that the upcoming reauthorization of the TANF program should:

- **Seek to reduce overall poverty as a goal of reauthorization.** The primary goal of the 1996 welfare reform law was to reduce the welfare rolls, not to reduce poverty. In that sense, welfare reform has been effective, but on a larger social policy scale, reductions in poverty have had more to do with the recent economic boom than with welfare reform or any other anti-poverty policy. As the labor market tightens, especially in Puerto Rico, and as unemployment rises, the consequences of straightforward caseload reductions are worrisome, particularly given that the majority of welfare recipients are children. Policy makers should seek poverty reduction as the principal goal of reauthorized legislation, and provisions that are helpful, not harmful, to poor families should follow accordingly.
- **Improve workforce development, education and training programs.** Despite its emphasis on work, the 1996 law did not facilitate training and skill building for low-income women to help improve their labor market prospects. Among TANF recipients in Puerto Rico, this is critical given their overall low education level and the tight competition for available jobs. In the U.S., Latino TANF recipients have had more difficulty navigating through and ultimately exiting the welfare system, in part, because many Hispanic welfare recipients are not proficient in English and over half have minimal education and job skills. Consequently, Latinos remain disproportionately poor and families who leave welfare are extremely vulnerable to job and income loss during the recession. In Puerto Rico, while language is not the primary issue, basic education and skills training are relevant, since a large share of TANF recipients has low education levels or limited work experience. Up-front individual job search is not consistent with the needs and profile of TANF recipients who must be provided with job preparation, skills training, and guided job search assistance, and these elements should be central to reauthorization efforts.
- **Identify models and best practices to help “hard-to-employ” recipients.** The work-first approach of the 1996 law has meant that, for the most part, women who were already able to work have moved into the work force, while those with limited skills have been left behind. It is this group of “hard-to-employ” recipients that reauthorization provisions must address. Both in the U.S. and in Puerto Rico, effective program models and policy strategies must be identified that can be helpful in responding to the needs of this segment of the TANF population.
- **Emphasize support services.** TANF recipient profiles both in Puerto Rico and the U.S. show that an approach focused on work can only be effective for Latinas if support services are also available. Specifically, childcare and transportation are paramount and appropriate

funding must be provided to enable women to address these issues so that they can meet the work requirements.

- **Direct program and policy attention to teen pregnancy prevention and teen parenting.** One of the factors associated with public assistance use is unplanned pregnancy, especially among adolescents. In the U.S., young Latinas now have the highest teenage birth rate, and teenage pregnancy is a serious issue in Puerto Rico, with over two in five births to women under 19 [confirm data].<sup>6</sup> While PRWORA sought to reduce out-of-wedlock births, it did not provide a comprehensive approach to doing so. Reauthorization of the law should seek to focus resources to a range of parenting and prevention programs, especially community-based efforts that serve both young women and young men.
- **Strengthen the role of community-based organizations (CBOs).** Declines in public assistance and the weakening of the economy suggest that CBOs have been called upon further to respond to the needs of poor families. In addition to providing basic social services, many CBOs operate training programs that can help low-income, low-skilled adults increase their preparation for the workforce. CBOs can play a greater role in facilitating the next phase of welfare reform implementation, but they also need additional resources to do so.
- **Focus on an asset-building agenda.** A central issue for both Puerto Rico and Latinos in the U.S. is economic development and policies that will enhance the economic and social well-being of both populations. To be truly effective, welfare reform reauthorization efforts should be linked to broader anti-poverty measures that help move low-income families up the economic ladder. These include initiatives to promote savings, homeownership, and assets.

## V. NEXT STEPS

Welfare reform reauthorization is already underway in Washington, DC and the work of the Latino Coalition for Families, as well as individual organizational efforts, will seek to ensure that the perspectives of Puerto Rico and U.S. Latinos are included. This hearing is a good, first step to drawing attention to these issues, but more must be done.

First, I believe we need a two-part strategy, that includes an agenda focused on implementation issues in Puerto Rico and one addressing larger issues for policymakers who are undertaking reauthorization. Within Puerto Rico, we need more analysis of what has occurred during implementation, as well as a better sense of whether Puerto Rico is maximizing the way in which it implements the law. On the other hand, at the federal level, we should work with other Latino and low-income advocacy organizations to align our agendas to include the elements listed above.

Second, compared to the states, there seems to be less available data regarding TANF implementation in Puerto Rico. To my knowledge, there is not an official “leaver” study to describe the experiences of TANF recipients who have moved into the workforce. There is also

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<sup>6</sup> Need cite

insufficient research concerning the families who continue to receive assistance and what they need to make the transition. Without these data, it is very difficult to craft an effective agenda for either implementation or reauthorization.

An additional issue is that Puerto Rico should respond to current proposals, or seek to shape upcoming proposals to include a Puerto Rico perspective. For example, the President's proposal to increase TANF employment to 70% will be extremely difficult to implement on the island, particularly without concurrent and complementary funding for education, work skills training, childcare, and transportation services. With respect to a recent proposal to set aside 3% of available jobs in government agencies for TANF recipients, a similar proposal at the federal level met with mixed results. This proposal was difficult to implement because it was not clear whether TANF workers would be treated like federal employees, which raised issues of employment discrimination. In addition, from a union perspective, it was not clear if TANF workers were "workfare" participants or fully recognized government employees. This proposal, while well-intentioned, must be thought through and carefully implemented. In addition, in the case of Puerto Rico, the private sector and other employers (besides the government) also have a role to play in job creation and in employing TANF recipients.

Finally, low-wage workers in the U.S. have a supplement in the Earned Income Tax Credit that boosts their earnings and encourages work. Low-wage workers in Puerto Rico, who already earn significantly less than their U.S.-based counterparts, do not have this cushion. The Legislature should explore the costs and other factors associated with the creation and implementation of such a tax credit in Puerto Rico.

I appreciate the opportunity to share the perspectives of the National Council of La Raza on these issues. I welcome any comments or questions, and encourage you to call on NCLR as you consider policy proposals related to welfare reform and low-income families in Puerto Rico.