A NEW ANTI-POVERTY POLICY LITMUS TEST

KATHRYN EDIN, H. LUKE SHAEFER, AND LAURA TACH

Is welfare addictive? That seems to be the notion that has driven American anti-poverty policy for decades, perhaps centuries. Even Franklin D. Roosevelt, father of our modern welfare state, intoned in his 1935 State of the Union address that poor relief was "a narcotic, a subtle destroyer of the human spirit." Policymakers have devised any number of cures for this alleged ailment. But perhaps the most palpable, at least to those seeking relief, is the stigma these programs impose. If poor relief is indeed a "subtle destroyer of the human spirit," then we are well advised to stigmatize it and thereby ensure that it is taken up only as a very last resort.

AND GENERALLY, WE DO SO. As an illustration, we take the reader to the island neighborhood of East Boston. There, an abandoned, century-old redbrick structure dominates a block of Maverick Street, just off of Meridian Avenue, one of the area's main commercial thoroughfares. Above the decorative limestone lintel, large brass letters, now black with age, spell out the words "OVERSEERS OF THE PUBLIC WELFARE." The building has lain vacant for decades, its functions usurped by an Office of Family Assistance building several miles away. Yet its stern visage—stained with a century's worth of grime—broadcasts much about the system it once represented. One can almost feel the stigma and shame that the neighborhood's needy must have felt as they entered—the large letters erasing any doubt why someone would be passing through its doors. To be a welfare recipient was to wear a scarlet letter in the eyes of fellow Americans, one that robbed you of dignity and self-worth. Due to the stigma, the program served to isolate the poor from—rather than integrate them into—the rest of society.

We have, then, an implicit social contract with the poor, a social contract that implies that anyone who uses the available relief is effectively disenfranchised. The idea is that poverty relief needs to exact such a personal toll that it will never turn into a "narcotic."

Is this social contract working? Our answer: No. Our recent, on-the-ground investigations into the fate of the poor in the aftermath of welfare reform have convinced us that this method of cure may be a toxin rather than a palliative. We believe it is neither good for the poor, nor for our nation. And it probably does not make optimal use of the marginal welfare dollar.

There is another way forward. In this essay, we feature one means-tested program that confers social inclusion among the poor and that has substantial benefits that extend beyond the recipient to their families, their communities, and our democracy. Building on its success, we propose the following litmus test for America's means-tested programs going forward: *Do they serve to incorporate, rather than separate, the poor from the rest of society?*

It could be said that it took a Harvard professor's appearance on *The Oprah Winfrey Show* to strike the match that would illuminate a new approach. During the 1980s, David Ellwood and Harvard colleague Mary Jo Bane had conducted the first-ever analysis of welfare spells, and had shown that despite the public obsession with dependency, most stays were short.[1] But when Ellwood took the stage at Harpo Studios in Chicago to talk about their findings, his words inspired nothing but vitriol from the crowd. The hour ended in a screaming match—caught on tape—between audience members. Ellwood was shocked, and wondered how a system that engendered such hate could ever survive. There had to be a better way.

Pondering these experiences, Ellwood came to a critical realization: Americans didn't hate the poor as much as they hated welfare. Not only that, but the public's concerns didn't center around what it cost—most told pollsters that the country should be doing more, and not less, to help the poor. What they hated was a method of aiding the poor that went so against the grain of American values, especially those surrounding the primacy of the family and the virtue of work; it was mostly only single parents who eschewed work who could get on the program. Perhaps if aid to the poor could be restructured with an eye toward American values, he reasoned, the American public could be convinced to be more generous toward the needy.[2]

Ellwood's ideas caught the attention of a young governor from Arkansas, Bill Clinton. When Clinton was elected president, he recruited Ellwood to join the administration, and these insights were put to the test. In his first public address, Clinton pledged to radically expand aid to the working poor, a group everyone viewed as deserving that at the time didn't get much help from the government. This would make good on a Clinton credo: "If you work, you shouldn't be poor." While still at Harvard, Ellwood had identified a vehicle for accomplishing this aim: a small tax credit that had been crafted to compensate low-wage workers for regressive payroll taxes. Ellwood and others in the Clinton administration developed a plan to dramatically expand the value and reach of the Earned Income Tax Credit (EITC). Implementation was simple: It was administered by the IRS and dispensed annually, as part of filers' tax refunds. Soon, welfare rolls plummeted, while poor single mothers started working at rates never seen before, in no small part because of the expanded EITC.

One indication that Ellwood had truly gotten things right was that unlike cash assistance, the EITC has mostly enjoyed bipartisan support, despite the fact that we spend many billions more on it now than we ever have on cash welfare programs, whether the Temporary Assistance for Needy Families program (TANF), which was created in 1996, or its predecessor, Aid to Families with Dependent Children (AFDC). Twenty-eight million households now claim the EITC,[3] making it the largest means-tested cash transfer program for working-age parents of children in the country. Meanwhile, less than a million adults remain on TANF. Another win, especially from the point of view of recipients, is that while TANF lifts few out of poverty, fully 6.2 million people, including 3.2 million children, escape poverty every year via the EITC.[4] Today, a single mother with two children whose earnings put her a bit below the federal poverty line can expect a tax credit of over $5,000.[5] This is equivalent to more than three months of earnings.

But even Ellwood probably didn't fully grasp the true genius of the program. We stumbled upon it only a mile away from the old public welfare building in East Boston. Here sits another structure, a tidy brick storefront with a sparkling plate-glass window covered with bright green-and-white signage. This shiny storefront is a symbol as well—of that radical new approach to aiding America's poor, the EITC. "Money in minutes!" it proclaims, in both English and Spanish. Inside, a receptionist and two tax professionals prepare to open the store. As they greet the day's first customers, they are all smiles. It is through these doors (or that of another for-profit firm) that 70 percent of EITC claimants come to apply for government aid, along with filing their tax return. In 2006, we spent hours in the lobby of that East Boston H&R Block, recruiting EITC claimants as research participants, and were struck by the mood of the place, the way customers seemed to relish the experience, so often leaving with a smile, even though they'd paid a pretty price for the service. It seemed as if passing through the doors of H&R Block virtually consecrated these claimants as citizens. When we talked with them in their homes, many spoke eloquently about how claiming the credit at tax time made them feel like part of the society, "like a real American" one said. What we learned was that claiming the EITC serves to incorporate, not separate, the poor from the rest of society.

Much of the magic of the EITC is due to who it targets. It gives a pay raise to the one group of disadvantaged Americans virtually everyone agrees deserves assistance—working poor parents. It conditions that aid in a way that is right in line with core American values. But in our book *It's Not Like I'm Poor*, two of us (Edin and Tach) and our collaborators (Sarah Halpern-Meekin and Jennifer Sykes) argue that there is far more to it than that. It isn't just *who* is served; it is *how*—as a service rendered with a smile. What a contrast between that shiny storefront on Bennington Street and that old public welfare building on Maverick Street, just a mile away.

There is reason to believe that by applying our *incorporation litmus test* to anti-poverty efforts going forward, our nation has the opportunity to significantly increase the value of the marginal dollar spent on anti-poverty programs. First, EITC dollars have been shown to boost child achievement, high school graduation rates, college attendance, and even adult earnings, both in the short term and over time.[6] But perhaps even more profound is what political scientists have shown: Policies that incorporate

the needy can motivate behaviors that benefit communities and our democracy.

Political scientist Joe Soss's work is particularly instructive.[7] Research conducted in the years just prior to welfare reform contrasted the experience of claiming Social Security Disability Insurance (SSDI)—a program restricted to disabled people with a substantial work history, who are generally considered deserving—with those who claimed benefits from AFDC, a program as stigmatized as any. Soss's qualitative interviews revealed that recipients of the two programs received wildly different treatment by program staff—one respectful and the other demeaning. His survey analysis showed that all else being equal, SSDI recipients voted just about as often as non-recipients who shared their demographic characteristics, but AFDC mothers voted at far lower rates than their economic and social characteristics would suggest. It is not implausible that voting rates are reduced in part *because* participation in AFDC is so stigmatizing. Andrea Campbell, also a political scientist, has contrasted the disenfranchising experience of claiming AFDC to Social Security, a program that helped to transform one of America's most beleaguered groups, senior citizens, into the most politically active segment of the population.[8]

For all its merits, the EITC isn't a perfect social welfare program by any stretch of the imagination. Most importantly, it's not a true "safety net," in that only those who are working can claim it. As your earnings fall to zero, your EITC falls to zero too. Thus, for those who lose a job or experience a crisis that keeps them from working, they don't just forfeit their wages, they lose their benefits too: a double crisis.

And of course, expanding the EITC wasn't the only big policy change of the 1990s. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) did away with AFDC and replaced it with TANF, which imposes lifetime limits on aid and subjects able-bodied adult recipients to work requirements. In the wake of this change, the reach of cash assistance declined precipitously. At the old welfare program's height in 1994, it served more than 14.2 million people. By 2000, that had fallen to 6.1 million, and by September 2016, the TANF caseload was at 2.6 million. Welfare is a shell of its former self.[9]

What if any program, public or private, seeking to help the poor were designed with social inclusion as a defining principle?

Today, while one segment of the poor—those who are able to find and maintain work—receives more federal aid than ever before, those at the very bottom get much less than they once did. Edin and Shaefer's *$2.00 a Day* chronicles the rise in the number of families with children living for periods on virtually no cash income, using household survey data and ethnographic research.[10] Not only is the spike in this group visible in government surveys such as the Survey of Income and Program Participation (SIPP), there are numerous other indicators too. Starting in 2001, more and more families with children who were receiving benefits from the Supplemental Nutrition Assistance Program (SNAP) began to report that they had no cash. There has been a big increase in the number of homeless children reported by schools, and a sharp uptick in the number of Americans seeking emergency food assistance as well.[11]

What does an approach that passes the litmus test look like? In *It's Not Like I'm Poor,* our detailed accounting of the budgets of workers who claim the EITC shows that parents spend their tax refunds remarkably responsibly—paying off debt; investing in durable goods and other purposes they associate with upward mobility; and even saving, often for the purpose of purchasing a home. This research also finds that the ability to choose how you will spend that large lump sum of cash is empowering. Currently, many of our social programs restrict choice, offering only non-fungible benefits, such as SNAP. Other shifts in social policy, such as the Department of Housing and Urban Development's move from hard-unit public housing to vouchers, which needy renters can use on the private market, have enhanced choice, especially in certain jurisdictions where the voucher amount is adjusted upward in parts of the metro area with higher median rent. Similar to our research on the EITC, Eva Rosen's in-depth study of families on the housing voucher program finds that, despite the program's limitations, getting to choose where to live affirms people's dignity, and enhances their sense of citizenship.[12]

Policies that affirm positive identities may have greater success than those that take a more punitive approach. Currently, fathers who fail to pay child support can be—and are—thrown in jail in many jurisdictions, even if they don't have the money to pay. South Carolina is such a place, and it could be said that this policy played a role in the death of Walter Scott, who feared that he would be arrested for nonpayment of child support on the eve of a new job, set to start the next day. Currently, nonpayment can lead to seizure of assets and the loss of driver and professional licenses. It can also bring the police to your place of employment.

To be clear, *we believe noncustodial parents should pay child support*. Yet a far more incorporating approach would be to affirm these men's roles as fathers and affirm the importance of their roles in their children's lives by ensuring that unmarried fathers can enter into parenting time agreements at the same time that child support orders are adjudicated. In 48 states, unmarried fathers get slapped with a child support order without any process in place that ensures them parenting time. Not only do fathers feel this policy unjust, sometimes calling it "taxation without representation," they feel degraded as men and devalued as dads, as the research of Edin and Nelson has shown.[13] A mammoth research literature shows that fathers who see their children more also pay more child support.[14] Ensuring such men the right to see their kids and share in parenting could be just the thing to prime the pump that keeps the child support dollars flowing.

Perhaps the litmus test ought to go beyond government policies or programs. What if any program, public or private, seeking to help the poor were designed with social inclusion as a defining principle? What if building dignity and enhancing feelings of belonging to mainstream society became the norm in our food pantries and homeless shelters? How might that change things? Might we have stronger families, more vibrant communities, and a thriving democracy with participation from all corners of the nation? As you read through the proposals that follow, we suggest that you evaluate them against this very simple litmus test.

After decades of research among the poor, we've found that a common theme is the desire for basic human dignity and respect. Perhaps it's time for all anti-poverty efforts to take this need a lot more seriously.

Kathryn Edin is Bloomberg Distinguished Professor of Sociology and Public Health at Johns Hopkins University and Leader of the Poverty Research Group at the Stanford Center on Poverty and Inequality. H. Luke Shaefer is Associate Professor of Social Work and Public Policy at the University of Michigan. Laura Tach is Assistant Professor of Policy Analysis and Management at Cornell University.

Additional Resources

Edin, Kathryn, and Laura Lein. 1997. *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*. New York: Russell Sage Foundation.

Ellwood, David. 1988. *Poor Support: Poverty in the American Family*. New York: Basic Books.

Halpern-Meekin, Sarah, Kathryn Edin, Laura Tach, and Jennifer Sykes. 2015. *It's Not Like I'm Poor: How Working Families Make Ends Meet in a Post-Welfare World*. Berkeley, CA: University of California Press.

Shaefer, H. Luke, Kathryn Edin, and Elizabeth Talbert. 2015. "Understanding the Dynamics of $2-a-Day Poverty in the United States." *RSF: The Russell Sage Foundation Journal of the Social Sciences* 1(1), 120–138.

Notes

1. Ellwood, David, and Mary Jo Bane. 1983. "The Dynamics of Dependence: The Routes to Self-Sufficiency." Prepared for the Office of Planning and Evaluation, U.S. Department of Health and Human Services, Washington, D.C.

2. Edin's 2013 interview with Ellwood is captured in Halpern-Meekin et al. 2015, Chapter 3 and in Edin and Shaefer, 2015, Chapter 2.

3. http://www.eitc.irs.gov/EITC-Central/abouteitc.

4. http://www.eitc.irs.gov/EITC-Central/abouteitc. Even further, recent estimates suggest the EITC's true anti-poverty effect is much, much bigger than this because of the impact it has on labor force participation, which increases earnings and reduces poverty. Hoynes, Hilary W., and Ankur J. Patel. 2015. "Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income." NBER Working Paper 21340. Retrieved from http://www.nber.org/papers/w21340.

5. A single parent with two qualifying children and earned income at the federal poverty line in 2016 ($19,337) can expect a federal tax credit of $5,333, assuming no other taxable income. The same family type with earned income of $18,000 in 2016 (and no other taxable income) can expect a federal tax credit of $5,572. EITC calculations are available at https://apps.irs.gov/app/eitc2016/Forward_Filing_Status.do.

6. Maxfield, Michelle. 2013. "The Effects of the Earned Income Tax Credit on Child Achievement and Long-Term Educational Attainment." Michigan State University Job Market Paper, November 14, 2013. Retrieved from https://www.msu.edu/~maxfiel7/20131114%20Maxfield%20EITC%20Child%20Education.pdf; Raj Chetty, John N. Friedman, and Jonah Rockoff. 2011. "New Evidence on the Long-Term Impacts of Tax Credits." Statistics of Income Paper Series, Internal Revenue Service. Retrieved from http://www.irs.gov/pub/irs-soi/11rpchettyfriedmanrockoff.pdf; Dahl, Gordon, and Lance Lochner. 2012. "The Impact of Family Income on Child Achievement: Evidence From The Earned Income Tax Credit." *American Economic Review* 102(5), 1927–1956.

7. Soss, Joe. 2000. *Unwanted Claims: The Politics of Participation in the U.S. Welfare System*. Ann Arbor, MI: University of Michigan Press.

8. Campbell, Andrea L. 2003. *How Policies Make Citizens: Senior Citizen Activism and the American Welfare State*. Princeton, NJ: Princeton University Press.

9. http://www.acf.hhs.gov/programs/ofa/programs/tanf/data-reports.

10. Edin, Kathryn, and H. Luke Shaefer. 2015. *$2.00 a Day: Living on Almost Nothing in America*. Boston: Houghton Mifflin Harcourt.

11. Edin and Shaefer, 2015.

12. Rosen, Eva. 2014. "The Rise of the Horizontal Ghetto: Poverty in a Post-Public Housing Era." Doctoral Dissertation. Harvard University.

13. Edin, Kathryn, and Timothy J. Nelson. 2013. *Doing the Best I Can: Fatherhood in the Inner City*. Berkeley, CA: University of California Press.

14. Nepomnyaschy, Lenna, and Irwin Garfinkel. 2010. "Child Support Enforcement and Fathers' Contributions to Their Nonmarital Children." *Social Service Review* 84(3), 341–380; Nepomnyaschy, Lenna. 2007. "Child Support and Father-Child Contact: Testing Reciprocal Pathways." *Demography* 44(1), 93–112.