

Pathways

a magazine on poverty, inequality, and social policy

Spring 2017

BOLD VISIONS

BLUEPRINTS FOR ENDING POVERTY





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Editors' Note

We've all heard the lament: "It's not that we don't know *how* to reduce poverty ... the real problem is that we lack the political will to get it done." But what, exactly, needs to get done? And is it true that we really know "what to do" to reduce poverty?

The purpose of this issue is to explore the answer to these questions. We have asked distinguished commentators to go beyond well-known "consensus poverty plans" that place political constraints at the forefront. We of course admire these plans, think they're the work of angels, and are foursquare in favor of continuing to develop them. But there is also value in developing plans that ignore all the usual assumptions about what is or isn't politically feasible and instead rely exclusively on our aspirations, our commitments, and the best available evidence on how they might be realized. How, in other words, might poverty be eliminated if we could freely recast our approach and investments in ways that are most consistent with the evidence? Would we resort to a basic income? Is a jobs program the answer? Should we work instead on human capital development? Is a hybrid program the best way to hedge our bets? Or are all such conventional answers off the mark?

This line of questioning might be viewed as the very definition of an academic exercise. Although it may make for a good magazine issue (we hope!), skeptics would argue that it ends at that. We are not so skeptical ourselves. When the history of major institutional change is examined, one finds that fundamental reforms widely assumed to be impossible, impractical, or infeasible are suddenly on the table. As Michelle Jackson notes in her concluding essay, such swift changes often unfold when it is assumed—wrongly—that "everyone else" is a moderate and would never support fundamental change. It often turns out, as with the gay marriage movement, that "everyone else" is in fact a far smaller group than anyone imagined. The moral here is that second-order assumptions about everyone else's beliefs can sometimes be an unduly constraining force and that we would accordingly do well to shake loose, at least occasionally, from the shackles that those beliefs impose.

Are we nearing one of those moments when fundamental change becomes possible? It is not altogether implausible. The takeoff in income inequality has triggered widespread worries; these worries have parlayed into anti-inequality movements on the left and right alike; and the resurgence of populist politicians is tapping, at least in part, a growing interest in distributional problems and a growing distrust of reformist approaches to them.

This issue is a response to precisely such sentiment. We of course recognize that the voices represented here cannot possibly do justice to the many poverty plans and visions on offer. As a further tribute to these visions, we have opened up a new forum devoted to collecting and representing them, the most compelling of which will be summarized in our next issue of *Pathways Magazine* (please visit the Stanford Center on Poverty and Inequality Facebook page to contribute). The discussion that we're seeking to open up here is, then, nothing more than a beginning. We would be honored if our readers further developed it by contributing their own thoughts and visions.

—David Grusky, Charles Varner, and Marybeth Mattingly

THE FACTS BEHIND THE VISIONS

CHARLES VARNER, MARYBETH MATTINGLY, AND DAVID GRUSKY

In recent years, much attention has been paid to the changing structure of U.S. income inequality, but somewhat less to the changing structure of U.S. poverty. Why has the discussion of “new poverty facts” been sidelined? It is certainly not because the changes have been minor or unimportant. To the contrary, the landscape of U.S. poverty appears to be changing rapidly, with many of the most popular proposals to reform the country’s safety net motivated precisely by new empirical developments. But these developments have typically been invoked in piecemeal fashion and have not captivated the country to the extent that the spectacular takeoff in income inequality has. Although there are many reasons for this reticence (including the obvious one that recent trends in income inequality are, by any standard, especially dramatic), we cannot dismiss the frequently voiced worry that an open discussion would be counterproductive because some reformers might seize on that discussion to justify reforms oriented more toward reducing spending than reducing poverty. This worry sometimes leads to less-than-transparent discussion.

We offer this article in the admittedly quaint hope that it is better to operate with full and complete transparency and that an open and honest discussion of the facts will in the end lead to informed poverty-reducing policy. The simple predicate of this piece is that, given the massive externalities brought on by running a high-poverty economy, there is an open-and-shut case for reform efforts that are authentically focused on *reducing* the poverty rate. We will attempt, therefore, to identify the key poverty facts that such legitimate reform efforts should bear in mind. In the course of doing so, we will reveal how the current array of reform proposals, including those published here, attend to different sets of stylized facts.

We thus begin this review by focusing on two stylized facts that inform many current proposals to reform the U.S. safety net. The first stylized fact, the ongoing increase in “jobless poverty,” may be understood as one of the fallouts of a more general decline in the prime-age employment rate. The second stylized

fact, the rise of “childless poverty,” refers to the growing share of poor adults who are either childless or are not living with their children. The rise of this noncustodial form reflects a more general increase in nonmarital childbearing and nontraditional family structures. These two stylized facts, taken together, paint a “jobless-childless” picture that provides the foundation for many of the reform proposals on offer and are thus a useful starting point for our review.

Why are these two facts so frequently selected from among the many changes in play? It is partly because the U.S. safety net, as it is currently configured, cannot readily respond to these two developments. The welfare reforms undertaken by President Bill Clinton in 1996 ultimately led to a safety net that, mainly via the Earned Income Tax Credit (EITC), expanded wage subsidies for working families with custodial children. Because the country’s new safety net was built around a vision of “working custodial poverty,” its capacity to respond to increases in nonworking or noncustodial poverty was weakened, thus motivating a spate of reform proposals.

These two stylized facts, although very frequently invoked, are not of course the only ones around which welfare reform might be built. The balance of our article thus turns to such additional relevant developments as the rise of low-wage labor and the gig economy, the emergence of a racially and ethnically diverse poverty population, the growth of immigrant poverty, the rise of highly concentrated poverty, and the growing need for post-secondary training to provide protection against poverty. The proposals featured in this issue of *Pathways Magazine* respond—to varying degrees—to these developments as well.

We conclude by discussing how most of these developments, far from being unrelated, reflect a growing commitment to allocate opportunities on the basis of one’s capacity to pay for them, a development that might be dubbed the “commodification of opportunity.” The market is gradually emerging as the go-to source for delivering opportunity-conveying goods and services. This development in turn implies that all reformers must choose

between either (a) “decommodifying opportunity” by providing universal services (e.g., free child care, free college), or (b) acquiescing to commodification by delivering the money that allows poor families to buy opportunity on the market. The fate of a new war on poverty, if the country ever does decide to wage one, will likely depend critically on which of these two possible pathways is taken.

The Rise of Jobless Poverty

We begin, then, by discussing the rise of jobless poverty. The main backdrop to this rise is the ongoing decline in the employment rate of men who are 25 to 54 years old. This prime-age employment rate fell from approximately 97 percent in the late 1940s to approximately 89 percent in early 2017.¹ Is this a large decline? Yes. If the higher employment rates of the mid-20th century had been maintained, nearly 5 million more men would now be employed.²

This decline in male prime-age employment has not taken a simple linear form. As might be expected, the long-term trend in male prime-age employment has instead been highly cyclical, with each of the postwar recessions (especially the Great Recession) driving the rate down and every recovery then reversing only some of that decline. The general trend, ignoring such complicating effects of the business cycle, has nonetheless been relentlessly downward. For women, the historic changes in gender equality produced increases in prime-age employment up to 2000, but thereafter the decline has also been steep.³ These employment problems may of course worsen. There are growing worries that, even if automation has not yet had a net job-reducing effect, it may well have that effect in the future as new “autonomous forms” of technology (e.g., self-driving cars) reduce complementarities and pose a more complicated threat to jobs.

There are few, if any, scholars who would argue that automation has been the driving force behind *past* declines in prime-age employment. The debate on the sources of the decline in prime-age employment has nonetheless been contentious, with some scholars emphasizing reductions in labor supply as a main cause (e.g., “choosing” not to work), and others emphasizing reductions in the demand for labor, especially relatively low-skill labor, as a main cause. We cannot of course review this debate in any detail here. But the key result is clear: The Council of Economic Advisors (CEA) released an especially thorough report in 2016 concluding that reductions in labor supply are far less important than reductions in labor demand in accounting for the long-run trend.⁴

This does not mean that labor supply effects are *entirely* irrelevant. There is likely a growing group of prime-age adults who are now disconnected from work and unresponsive to the recovery and the strengthening demand for labor. This unresponsiveness is attributable to or reinforced by such recent developments as (a) the rising use of disability insurance, (b) growing geographic immobility, and (c) rising incarceration rates (which then blocks reentry to the labor market because of criminal records). The CEA report establishes that supply-side forces of this sort, although hardly the dominant source of the

long-run trend, may still play a small role in contributing to it.

What are the implications of these trends for the composition of the poverty population? In answering this question, it is useful to divide the recent historical record into two periods, one encompassing the effects of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and the ensuing economic expansion and another reflecting the gradual reversal of these effects from 1999 to the present day. We trace the trend line over these two periods for noncustodial and custodial parents separately, as shown in Figure 1.

PRWORA Period: The PRWORA period shows the expected sharp decline in jobless poverty among prime-age custodial parents (i.e., parents who are 25-54 years old and living with their children). Whereas 56 percent of these parents were jobless in 1995, this statistic dropped to 49 percent in 1999, a decline attributable to the economic boom, the newly expanded Earned Income Tax Credit, and the new work requirements and welfare time limits. The latter result may in large part be understood as PRWORA working as it was intended to work. By contrast, poor adults without custodial children did not experience the same increase in employment, presumably because this group never received Aid to Families with Dependent Children and hence was not as strongly affected by welfare reform. Moreover, because this group had more limited eligibility for the EITC, it did not provide as large an employment incentive.

Post-PRWORA Period: It is not well appreciated that the employment-increasing effects of PRWORA were quite short-lived. Why didn't PRWORA continue to deliver? The effects of PRWORA were overwhelmed after 1999 as the labor market for low-skill workers was permanently reset at a much lower level of employment. As shown in Figure 1, the nonworking share of poor custodial parents rose a full 10 percentage points over the next 11 years, from 49 percent in 1999 to 59 percent in 2010 (in the aftermath of the Great Recession). It has since dropped to 55 percent in 2015. For poor prime-age adults without custodial children, we have likewise seen steadily rising levels of joblessness since 1999, a trend that appears impervious to the business cycle and shows no sign of improving. Indeed, joblessness among poor noncustodial adults continued to rise even during the slow recovery from the Great Recession, reaching the highest level on record, 71 percent, in 2015.

Because of this rising joblessness, the U.S. poverty population is becoming a more deprived and destitute class, one that's disconnected from the economy and unable to meet basic needs. As shown in Figure 1, 40 percent of the 1999 poverty population was in deep poverty (i.e., an income less than half the threshold), whereas 46 percent of the 2015 poverty population was in deep poverty. Likewise, rates of extreme poverty (i.e., living on less than \$2 per day per person) are also increasing, again because of declining employment as well as growing “disconnection” from the safety net.⁵

These results suggest that conventional supply-side solutions to poverty, as embodied in PRWORA, are foundering as the prime-age employment rate remains relatively low. Although PRWORA did initially bring about employment gains, these gains proved to be transitory and nonworking poverty has

again become the norm. In this new world of growing low-skill employment problems, we no longer have the luxury of focusing laser-like on economic growth, confident in the knowledge that, if we can just get the requisite growth, poverty will take care of itself.

The Rise of Childless Poverty

The rise of jobless poverty is especially consequential because it often comes together with childless poverty. We use the latter term colloquially to refer to poor adults who either (a) have no children, or (b) are not living with their own children.

The rise of childless poverty emerged gradually over the last 40 years. Among poor adults who are 18 to 64 years old, 47 percent were childless in 1975, while 58 percent were in 2015. There are three main forces behind this gradual increase in childless poverty.

Baby Boom: The rise of childless poverty partly reflects the sheer size of a baby boom cohort that has reached the “empty nest” stage. Because this cohort is so large, and because its members are typically too old to be living with children under age 18, the proportion of the poverty population that is in a “noncustodial situation” is now larger.

Delayed Marriage: Although the latter cohort effect is an important part of the story, childless poverty has increased among all age groups by virtue of the delay in the age at marriage. This growing tendency, while especially prominent among the poor, is also evident throughout the income distribution.⁶

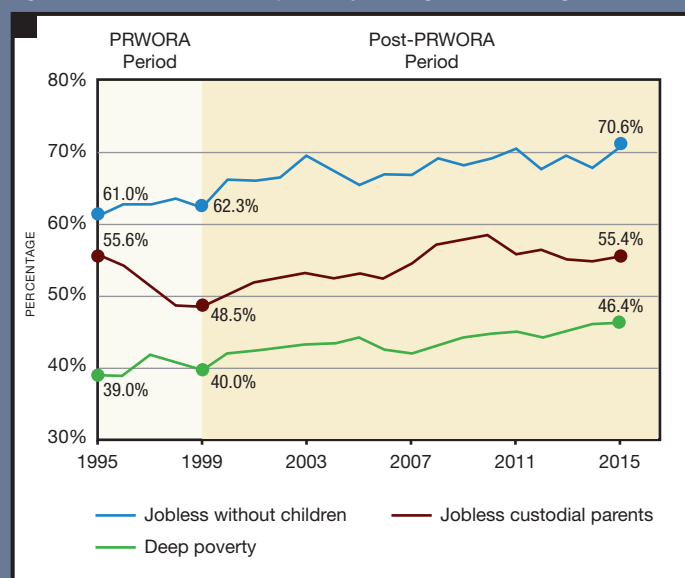
Complicated Families: The third main cause of rising childless poverty is the emergence of increasingly complicated family situations marked by multi-partner fertility, divorce, and repartnering. As families become more complicated, adults who have children may often not live with them, thus increasing the amount of noncustodial poverty.

These three inter-related developments, which have led to declines in both parenthood and co-residential parenthood, have made childless poverty an increasingly common form. In Figure 2, we examine these changes in childless poverty from 1975 to 2015, presenting separate trend lines by both poverty status and age. The most important conclusion from Figure 2 is that childless poverty, although increasing for all ages, has grown at an especially rapid pace for those under 50 years old. For poor adults between 35 and 49 years old, childless poverty increased from 22 percent in 1975 to 43 percent in 2004, with the time series declining slightly thereafter. By contrast, childless poverty took off later for poor adults in the young age group (ages 18 to 34), increasing from 46 percent in 1994 to 61 percent in 2015. Because teen birth rates are now at record lows, noncustodial status has become the new norm for young adults, even those who are poor.⁷

The second main conclusion from Figure 2 is that, among younger *nonpoor* adults, one sees much the same takeoff in noncustodial status, thus making it clear that the younger poverty population is simply registering the effects of larger population-wide forces. There is, by contrast, no evidence of an increase in noncustodial status for the oldest group (whereas the corresponding trend line for poor adults does increase slightly).

These demographic changes arise in part because fewer children now live with both of their parents. Why does this matter?

Figure 1. Joblessness and Deep Poverty Among Poor Prime-Age Adults



Source: Unless otherwise noted, statistics cited in this article are based on the authors' calculations using data from Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren. *Integrated Public Use Microdata Series, Current Population Survey: Version 4.0*. [dataset]. Minneapolis: University of Minnesota, 2015. <http://doi.org/10.18128/D030.V4.0>.

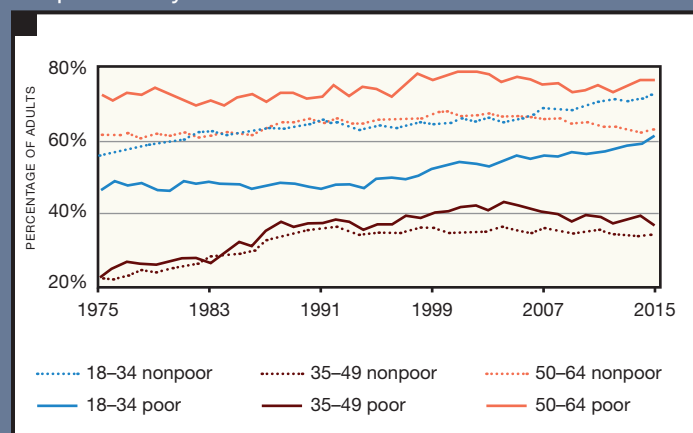
Because single adults have no partner to insure them against the vagaries of the labor market, children raised in a single-parent context face more stress and insecurity, which in turn lead to poorer health, cognitive, and schooling outcomes.⁸ Although the child support system is designed to preserve access to the resources of both parents, it is less successful in doing so in weak labor markets and in neighborhoods with high incarceration rates. Moreover, when single custodial parents repartner, the nonresident parent tends to reduce contact and support payments.⁹ These types of results have led some scholars to argue for various types of safety net reforms that take growing family complexity into account.

The Two Great Mismatches

The rise of jobless and childless poverty, both of which emerged after PRWORA, are not well handled by current safety net programs. There is a growing misalignment, in other words, between the key features of our safety net and the characteristics and circumstances of the contemporary low-income population. This mismatch takes the two forms described below.

A Work-Based Safety Net in a World Without Work: The two-fold purpose of PRWORA was (a) to ensure that programs such as TANF (Temporary Assistance for Needy Families) worked to increase employment among the low-income population, and (b) to shift safety net spending toward employed parents. This approach was predicated on the assumption that the demand for labor remains adequate and that the safety net should accordingly be focused on training labor (e.g., TANF), incentivizing labor (e.g., EITC), and otherwise solving problems with labor supply. The key question here: Is this approach still appropriate for a new world in which prime-age employment is foundering and rapidly developing technologies, such as the rise of auto-

Figure 2. The Rise of the Noncustodial Condition Among Adults, by Age Group and Poverty Status



mous systems, may lead to more precipitous declines in future employment? There are good reasons to worry that it is not.¹⁰

A Family-Based Safety Net in a World Without (Traditional) Families: The first type of misalignment, then, is that our work-based safety net is not well adapted to an economy that may not reliably deliver low-skill jobs. The second type of misalignment is that our family-based safety net is not well adapted to a society that does not reliably produce traditional families. The latter misalignment partly arises because the EITC provides especially large benefits to families with residential children. Because the share of low-income adults with residential children has declined sharply in recent decades (see Figure 2), the EITC is accordingly providing poverty relief to a reduced target population. Some 20 years ago (when PRWORA was enacted), fertility and marriage rates were higher, and the EITC could do adequate anti-poverty work by targeting families with residential children. If we want the EITC to do more anti-poverty work now, it has to recognize that noncustodial status is a new norm for low-income adults.

We have to this point emphasized the mismatch between the present-day safety net and ongoing economic and demographic developments. Do current reform proposals address this mismatch? Not always. Indeed, just as there is a mismatch between the new poverty facts and the safety net's existing configuration, so too there is a mismatch between these facts and many current proposals to reform the safety net. The Congressional Republican poverty plan, for example, is intended to incentivize work by expanding the federal EITC, adding work requirements for the Supplemental Nutrition Assistance Program (SNAP), and devolving safety net programs to the states (which in principle allows states to remove the particular types of disincentives or "cliff effects" that are locally relevant).¹¹ These reforms focus almost exclusively on issues of labor supply and ignore emerging worries about the capacity of our economy to deliver enough demand.

Are other proposals any more responsive to the "new poverty facts"? The new consensus plans that have recently been proposed do indeed hew closely to existing evidence on the effectiveness of the EITC, ongoing family and demographic

changes, and many of the other developments reported here.¹² At the same time, some of our commentators will question whether they address such problems as the faltering demand for low-skill labor, the stigmatization of poverty relief, or the rise of deep and extreme poverty. It should nonetheless be clear that most everyone recognizes the importance of developing consensus proposals that appeal to wide constituencies and have a realistic chance of being adopted. It is also important, however, to sometimes take off the political shackles and devise blue-sky proposals that open up to a fuller range of institutional reforms.

The Commodification of Opportunity

We have focused to this point on rising joblessness and childlessness as two developments that *might* inform future reform efforts. Although the plans featured in this issue do indeed respond (in part) to these developments, there are a host of other post-PRWORA developments of interest to our contributors and other poverty reformers. We review some of the most important such developments here.

Low Wages and the Gig Economy: If the first type of "jobs problem" is that there are not enough of them, the second is that the jobs that are available do not always provide the requisite hours, wages, or security that are needed for a sure pathway out of poverty. As David Autor has shown, the real hourly earnings of low-skill males declined substantially between 1980 and 2012, falling by 22 percent among high school dropouts and by 11 percent among high school graduates.¹³ Although females without any college education have fared better, even their real earnings growth during this three-decade period was exceedingly modest. It follows that low-skill individuals are not just working less but also that, even when they are working, there is no guarantee that their jobs will lift them and their families out of poverty. This is partly because an increasing share of low-income workers are now working in less secure gig-economy positions (e.g., independent contractor, on-call worker, or temp agency employee).¹⁴ The resulting "wages problem" might in principle be addressed through such approaches as (a) mandating higher wages for low-skill jobs (e.g., minimum wage reform), (b) increasing income supplements for low-skill workers (e.g., EITC reform), (c) increasing human capital investments and thus reducing the number of low-skill workers, (d) introducing a basic income supplement, or (d) introducing subsidized jobs that increase the demand for (and price of) low-skill labor.

Increasing Diversity: The post-reform period is also marked by growing racial and ethnic diversity within the poverty population. On the eve of welfare reform (1995), a full 70 percent of the poverty population was either black (i.e., 26% non-Hispanic black) or white (i.e., 44% non-Hispanic white), and much of our poverty policy and discourse accordingly focused on those two groups. In the post-PRWORA period, the white and black (non-Hispanic) shares of the poverty population grew gradually smaller, while the Hispanic share grew gradually larger.¹⁵ This compositional shift in the low-income population has implications for neighborhood segregation, language acquisition, and many other safety net policies. Although the 2016 election usefully refocused the country's attention on the great many whites

in poverty (and near-poverty), it bears noting that they nonetheless constitute a declining share of the total poverty population.

Rising Immigration: The backdrop to all poverty reform is of course ongoing changes in immigration. Since PRWORA, immigrants have come to comprise an ever-larger share of the poverty population, a development that reflects the rapid increase in the number of immigrants rather than any heightened risk of poverty among immigrants. As worries about ramped-up deportation intensify, existing problems with program takeup will likely only worsen, even among immigrants who are authorized or otherwise eligible for safety-net benefits.¹⁶ Given that immigrants comprise 18 percent of the poverty population, any credible reform effort will have to find a way to engage a very large share of the poverty population that is now overwhelmed by worries of deportation, facing new difficulties in finding employment, loath to engage with any government-delivered programs, and thus likely to be increasingly at risk of poverty. This is arguably one of the most pressing poverty-reform tasks of the next several years (and perhaps longer). Although this problem is not likely to be addressed with government-initiated reform, many nongovernmental initiatives are already in play and may have to serve a heightened role in poverty reduction.

Rising Segregation: It is becoming increasingly common for the poor to live together in high-poverty neighborhoods. From 2000 to 2014, the share of the poor living in an “extreme poverty tract” (a tract with a poverty rate of 40% or higher) rose from 9.1 percent to 13.5 percent, an increase that shows up in nearly every state.¹⁷ There is growing evidence that poor children who exit these high-poverty neighborhoods and move to better ones have superior labor market outcomes.¹⁸ These findings suggest such reforms as (a) ramped-up support for relocating low-income families into better neighborhoods (e.g., housing vouchers), (b) increased investments in poor neighborhoods (e.g., Promise Neighborhoods), or (c) new zoning policies that support mixed-income development.

Changing Training Requirements: When PRWORA was implemented 20 years ago, it was still the case that a high school degree, typically available as a “public good” in local neighborhoods, provided ample protection against poverty. This is of course no longer the case. It is increasingly important not just to secure some post-secondary training but to secure the right type of training (e.g., avoid predatory for-profit training) and to successfully complete that training. Because post-secondary training, unlike primary and secondary training, is very costly for students (in the form of tuition, fees, and foregone wages), this ramping-up of credential requirements means that the poverty-reduction effort is now intimately connected with the task of facilitating access to post-secondary training in its vocational and academic forms. Although the community college and vocational training reforms (e.g., Workforce Innovation and Opportunity Act) implemented during the Obama period marked the beginning of this effort, we have yet to fashion a safety net that fully builds in the new supply-side demands for a new economy.

The preceding discussion of low-wage labor, the gig economy, racial and ethnic diversity, immigration, economic segrega-

tion, and training requirements hardly exhausts the relevant developments in the country's poverty economy. If a more comprehensive assessment were attempted, it might additionally cover such developments as the suburbanization of poverty, the spectacular takeoff and more recent decline in the prison population, the decline in geographic mobility, the especially rapid increases in spending on disability insurance, and a very general shift in safety net spending that favors the “working poor” over the more destitute.¹⁹

In lieu of attempting any exhaustive discussion of these developments, it may be more useful to conclude by noting that, although the new facts discussed here may seem quite unrelated, in fact there is much that connects them. As David Grusky and Jasmine Hill have argued, they reflect a growing tendency to allocate opportunities on the basis of one's capacity to pay for them, a development that might be dubbed the “commodification of opportunity.”²⁰ It follows that low-income adults are now doubly disadvantaged: It is not simply that, by virtue of rising income inequality, they have less money than their middle-class peers, but also that money is precisely what they now need to secure opportunities for their children. The “commodification of opportunity” arises because the market is gradually replacing the nuclear family, extended family, and neighborhood in delivering child care, education and training, social networks, and many other opportunity-conveying goods and services.

The commodification of opportunity raises a host of problems for low-income parents intent on helping their children. If early childhood education is now delivered in the market (rather than delivered informally within the family), how will poor families be able to pay for it? If access to high-quality primary and secondary schooling, although nominally free, is in principle only available within neighborhoods with a high entry price, how will poor families be able to access them? If protection against poverty increasingly requires very costly post-secondary training, how will poor parents be able to provide for it? If access to marriage (and the supplementary economic resources it provides) is increasingly a luxury good only available to the well off, how will poor men and women gain access to those resources and the economies of scale that marriage affords? These are all simple—but consequential—examples of the growing commitment to price opportunities at their market value rather than “give them away.”

There are two solutions to this dilemma. The first entails capitulation to commodification: We can acquiesce to the process but insist that, insofar as the poor increasingly need money to buy opportunities for their children, we must then commit to a basic income or to other similarly aggressive redistributive approaches. We can make commodification work, in other words, only if there is enough money at the bottom of the distribution to enable the poor to purchase opportunities for their children. The second approach entails reversing commodification rather than acquiescing to it. This approach proceeds by reinstalling various types of public goods—including free high-quality education, free high-quality child care, and integrated neighborhoods—that then allow the poor to access opportunities for their children without buying them. If this approach

were taken, a relatively high level of income inequality may be more palatable, as basic needs are now met through direct delivery rather than market mechanisms.

If ever there were a big fork in the road for poverty reform, this would clearly be it. The second war on poverty, insofar as a real and authentic one is ultimately waged, will either entail acquiescing to commodification or attempting to reverse it. In reading the

various reforms proposed in this issue, it may be useful to consider (a) which of these two paths is adopted, and (b) whether a considered case for that choice is provided.

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Notes

1. These statistics were retrieved on March 7, 2017 from <https://data.bls.gov/timeseries/LNS11300061>.
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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.

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Additional Resources

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CASH MATTERS AND PLACE MATTERS

A Child Poverty Plan That Capitalizes
on New Evidence

TIM SMEEDING

SOME CHILDREN ARE THE BLAMELESS VICTIMS OF POVERTY, while others are the lucky beneficiaries of affluence. We use the terms “blameless” or “lucky” because, as best we can tell, children do not choose their parents. It all depends on where the stork happens to drop them.

However, the case against child poverty goes beyond this now-standard point that poor children do not deserve their fate. There is also a strong consequentialist case against poverty. In many countries, both rich and poor, child poverty threatens future national income growth and stability. Societies with lower child poverty rates have higher rates of economic mobility and greater equality of opportunity, and thus better exploit their available talent.¹ It follows that it is in everyone’s interest, not just that of poor children, to minimize child poverty.

Whatever the larger macroeconomic effects of poverty may be, it is clear that early-childhood poverty leads to major downstream problems for the children experiencing it. Poverty in early years can have long-lasting consequences for brain development, health status, school performance, labor market outcomes, and future well-being more generally.² And family instability, which is frequently linked to poverty, has negative effects as well. When children are raised in households with constantly changing family members, housing, and income, they experience negative consequences across the life course.³

The case for taking child poverty more seriously is accordingly strong. Why, then, doesn’t our country have a long-term plan to reduce poverty substantially? The purpose of this essay is to discuss what types of anti-poverty plans would be consistent with the social science evidence and also dramatically reduce child poverty.



The First Key Result: Money Matters

There is now ample causal evidence that increasing family income—providing “more money”—matters for the long-term outcomes of poor children, especially when that additional money is provided in the earliest years of life. For instance, when annual family income is increased by \$3,000/year over the pre-natal period up to age 5, children have a 17 percent earnings increase in their adulthood.⁴

These income effects appear to be mediated in part by cognitive development. When young children raised in low-income families are compared to those raised in middle-income families, there are substantial differences in brain surface area, an important indicator of cognitive ability.⁵ Likewise, poverty also has large negative effects on the amount of gray matter, which in turn depresses brain development and reduces school readiness and academic achievement.⁶ These and related results suggest that *getting more money into poor households with young children* is the appropriate foundation of an aggressive anti-poverty plan. But how might that money be delivered? The social science evidence suggests that it would be cost-effective to ramp up child allowances, refundable tax credits, and earnings-enhancing policies.

Child allowances: Recent studies suggest that boosting a child’s family income by means of child allowances (or refundable tax credits) improves a host of long-term outcomes by expanding opportunity and increasing economic mobility in adulthood. Higher child allowances have substantial positive effects on maternal health, children’s physical and mental health, test scores, academic achievement, higher-education enrollment, and adult employment.⁷ Giving every child a universal child allowance of \$250 per month, or \$3,000 per year, would create a universal floor under family incomes, while offering all parents an equal base for raising their children. The allowance could be delivered monthly through the Social Security system to all parents, paid for largely by substituting the child allowance for current child tax credits and the personal child exemption, with a tax-back provision for high-income families. If we are really concerned about young children’s well-being, a slightly higher tax credit of, say, \$300 per child per month for children 5 or under could also be engineered using this same delivery system. This allowance would eliminate extreme poverty for children, and reduce the current child poverty rate by almost 50 percent. The Earned Income Tax Credit (EITC) would be left largely as is to encourage work for low-income parents as well. It bears noting that there are several existing proposals for child allowances from both conservatives and liberals.⁸

Tax credits: The EITC and its complement, the refundable Child Tax Credit (CTC), are two other well-known programs that reduce child poverty by increasing income. The payoff to these programs is exceedingly well documented. Recent work suggests that a \$1,000 increase in the EITC translates into a 7.3 percentage-point increase in the employment of single mothers.⁹ Moreover, the EITC reduces cardiovascular diseases and

metabolic disorders as well as premature births and low birth weight.¹⁰ Tax credits also raise test scores for elementary- and middle-school children and, by virtue of these increases, lead to higher rates of college attendance. The likelihood of college attendance increases further if parents retain eligibility for the EITC when their kids go to four-year colleges.¹¹ Moreover, when families receive a *larger* tax credit, their children have higher rates of high school completion and greater adult earnings.¹²

Increasing income from work: The foregoing income supplements should of course complement policies that increase the amount of income from work. For example, without child care subsidies, single mothers cannot afford to work. We need to foster greater labor market participation among single mothers while ensuring the appropriate balance of family and professional lives and access to high-quality child care.¹³ It goes without saying that any ramped-up program would have to be designed to maintain (1) incentives for self-support; (2) protection against lack of income from work; and (3) incentives to encourage absent parents, usually fathers, to support their children.

How might one rate recent developments in U.S. safety net policy against the foregoing standard? Although refundable tax credits (the CTC and the EITC) were expanded by President Barack Obama in the wake of the Great Recession,¹⁴ several states have since reduced their EITCs instead of expanding them to cover childless adults. Legislation to extend the EITC and CTC expansions that President Obama enacted after the Great Recession is now law.¹⁵ But absent some unforeseen development, a major ramp-up in cash transfers seems unlikely to occur. Although the evidence is clear that such a ramp-up would have a substantial beneficial effect, there is at this point no clear pathway that allows us to exploit that evidence under current political conditions, unless Congress and the administration come to agree that the child allowance would be a valuable tool to reduce child poverty.¹⁶

The Second Key Result: Place Matters Too

The evidence is also clear that children are harmed not just by growing up in poor families, but by growing up in poor neighborhoods.¹⁷ The bad news in this regard is that poor children are increasingly finding themselves in poor neighborhoods; from 1980 to 2010, residential economic segregation grew, while racial segregation changed very little.¹⁸ The effects of place would also appear to be color-blind; there’s a high cost to growing up in poor neighborhoods for both middle-income and poor white children as well as black children.¹⁹

The contrast between high-income and low-income neighborhoods is stark. In low-income communities, neighborhood amenities (e.g., schools, parks) are poorly funded, and there are high rates of crime, unemployment, single parenthood, and multiple-partner fertility.²⁰ In high-income neighborhoods, there are clean parks and play spaces, new schools and child care centers, readily available high-quality health care, and little crime. These amenities are “purchased” by parents who pay higher housing

and property tax prices to segregate themselves and their families. This purchase is of course partly subsidized by our federal tax policies.²¹

Why does place matter? Although the effects of place are clear, we know less about the pathways through which those effects are exerted. But the evidence is accumulating and suggests that differences in school quality, exposure to community violence, and the physical environment (e.g., air pollution, noise, lead) affect academic trajectories, child cognitive development, and later economic outcomes.²²

The total effects of place, however they may be generated, are large. A recent study concludes that “neighborhood effects are substantial, especially for children in low-income families. The U.S. county in which a child grows up explains nearly half as much of the variation in his/her earnings as his/her parents’ incomes.”²³

What is to be done? The poverty-generating effects of place can be reduced by moving poor children to better neighborhoods. Recent research suggests that moving to a lower-poverty neighborhood significantly improves college attendance rates and earnings for children who were young (below age 13) when their families moved. These children grow up to live in better neighborhoods as adults and are less likely to become single parents. The effects are substantial: Children who move to a lower-poverty area when they are younger than 13 years old have an annual income that is 31 percent higher (in their mid-20s) than that of a control group, and the longer the exposure to good neighborhoods, the larger the gain. In other words, children are better off moving when they are younger, as the gains from moving decline as children get older, a result that is consistent with recent evidence that the *duration* of exposure to a better environment matters.²⁴

A Related Plan

Is my proposal too radical? Hardly. It mainly builds incrementally on existing proposals.

A recent proposal by the Children’s Defense Fund (CDF) is a case in point.²⁵ The CDF plan, which would cost only \$77 billion per year, would reduce child poverty by 60 percent—and deep poverty (i.e., poverty below half the poverty line) by even more. Although the proposal does not include a child allowance, it is otherwise very comprehensive. It builds principally on the new evidence, as reviewed above, that cash and place matter. It also builds exclusively on programs that work, such as refundable tax credits (e.g., CTC/EITC), while also encouraging more work and self-responsibility, greater neighborhood mobility, and greater responsiveness of absent fathers to their child support obligations. The CDF plan bears a striking resemblance to the AEI-Brookings working group consensus report on reducing poverty and restoring opportunity.²⁶

The CDF plan increases housing vouchers for relocation of poor children to better neighborhoods. These have been shown to be cost-effective. As argued above, when families with young

children use vouchers to move from high-poverty housing projects to low-poverty neighborhoods, there is reduced inter-generational persistence of poverty and thus positive returns for taxpayers.²⁷

Three types of work aids are also added to improve self-sufficiency. The CDF plan would make work *available* to unemployed parents by offering “transitional” jobs of last resort to adults who are unemployed or underemployed (via private and nonprofit sector job subsidies). It would make work *accessible* by providing subsidized child care to low-income parents.²⁸ And it would make work *pay* by raising the minimum wage.

The CDF plan will coordinate well with local and national increases in the minimum wage. While an increase in the minimum wage to \$10/hour may reduce the number of jobs by approximately 500,000, this effect would be offset by the 16.5 million workers, most of them in lower- and middle-income families, who would find their paychecks larger and their need for public benefits to enhance these earnings smaller.²⁹

U.S. Exceptionalism

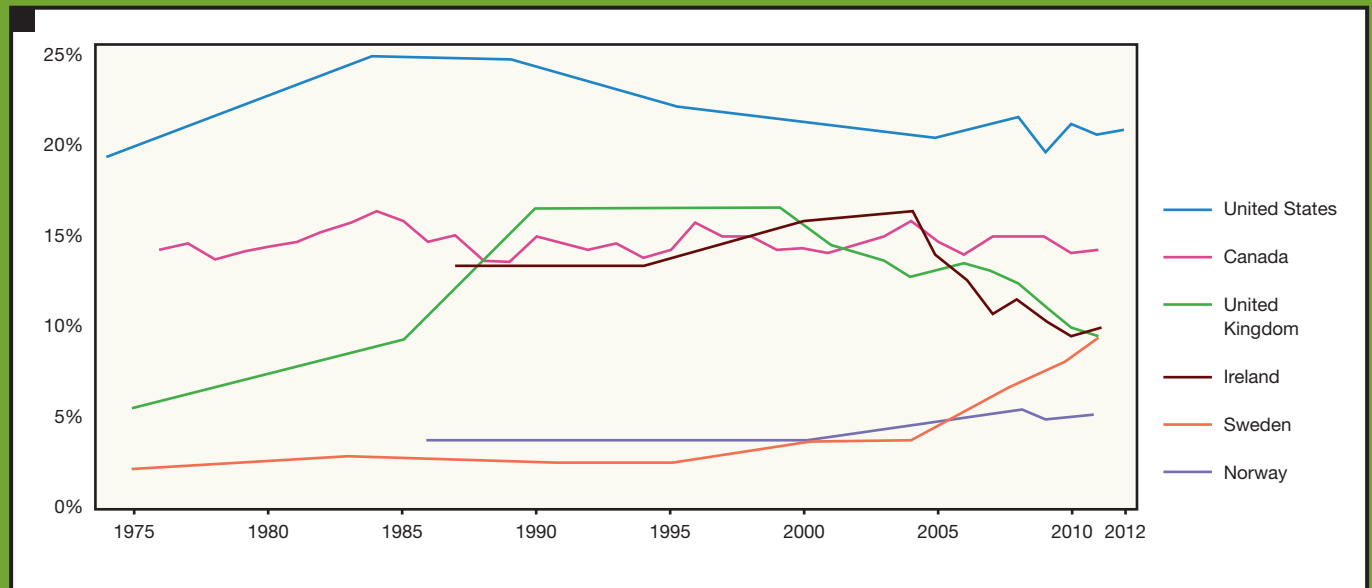
The CDF program is both reasonable and affordable, as is the child allowance. The CDF plan stresses market work and ties benefits to work, which fits with American values as espoused in the AEI-Brookings consensus report. It addresses two of the key lessons we’ve learned during the last decade of poverty research: that cash matters and that place matters. It builds a second War on Poverty explicitly on these two lessons. And, as with the child allowance, it relies on benefits that, for the most part, are consistent with the Edin-Shaefer “litmus test” that the poor shouldn’t have to sacrifice their dignity when they draw on safety-net programs.

It bears noting that, were the CDF or child allowance program adopted, it would push the currently very “exceptional” U.S. policy somewhat closer to the rich-country norm. Other countries that, like the United States, once ran very weak poverty programs have succeeded in reducing child poverty through deliberate public policy to maintain incomes in families with children, to invest in their future, and to provide child allowances. This result is shown in Figure 1.³⁰ As this figure also shows, cutting back on benefits can produce the opposite result. The Swedish child poverty rate, once very low, has been driven up by a national minimum income benefit freeze and by increases in single-parent families. It is now almost as high as the child poverty rate for the United Kingdom.³¹

The United States is a clear and constant outlier in the child poverty league. We do less to help children and their families than any of the rich countries in Figure 1. It is also clear that policy matters: As the figure shows, our policy successfully lowered child poverty rates during the Great Recession, a reduction that is now threatened as poverty-relief programs are reduced and cut back.

The United States has just experienced a presidential election in which issues of poverty and inequality, as well as a lack

Figure 1. Long-Term Trends in Child Poverty (Children with Family Disposable Income Less than Half the National Median, Adjusted for Family Size)



Source: OECD, Income Distribution Database, as in Smeeding and Thevenot, 2016.

of equality of opportunity and mobility, were major campaign issues. The least costly solution, given the Republican election victory, seems to be to help those at the bottom make better lives for themselves. But of course the United States has not had a history of choosing the least costly solution. Because poverty programming has become so politicized, we instead have a long history of opting for the more expensive route, unfortunately

to the detriment of children born into difficult neighborhood circumstances. If nations are judged by the way they treat their children, the United States is currently failing the test. We can make our country great again by reducing child poverty.

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The background of the entire image is a dense, overlapping crowd of people. Most are shown as black silhouettes, but several are filled with colors: a woman in a blue top and light blue skirt, a man in a light blue shirt, a woman in a grey dress, a woman in a pink top and grey skirt, and a child in a yellow shirt. One person is riding a bicycle. The overall composition suggests a diverse, busy community.

A NEW SAFETY NET

for 21st-Century Families

LAWRENCE M. BERGER

Here's a crucial fact: Most U.S. children will not spend their full childhood living with both of their biological parents. The simple theme of this piece is that the rise of complex families—those characterized by nonmarital births and parental-union dissolution, repartnering, and multi-partner fertility—needs to be taken into account in building a viable anti-poverty policy for the 21st century. If we continue to pretend that we're in the 1950s and that family arrangements remain relatively simple and stable, our policies will remain ill-equipped to handle the reality of how children are now being raised.

The key problem with most existing U.S. social policies is that they were created in an era when family complexity, fluidity, and multi-partnered fertility were much less common (as well as when disadvantaged men had greater employment and earnings prospects). Today's families are considerably more complex and more fluid; adults and children are more likely to be affiliated with multiple family and household units, to take on multiple family roles within and across these units, and to transition between multiple family configurations over time.

In this article, I present a policy proposal aimed at reducing child and family poverty in a context of growing family complexity in the United States. The proposal has two pillars:

The prevention pillar: The first pillar aims to prevent and reduce *unintended* pregnancies that often lead to family complexity. It does so by making long-acting reversible contraceptives (i.e., intrauterine devices and implants, also called LARCs) widely and easily available to all women *seeking family planning services*.¹

The noncustodial parent pillar: The second pillar aims to reduce poverty directly by offering noncustodial parents (largely fathers) access to a parallel portfolio of social welfare benefits and services that are available to custodial parents. Access to these benefits and services would be conditional on both work and child support payment.

The claim that I'll be advancing here is that a safety net for the 21st century needs to be built on these two pillars.

7 Pounds, 8 Ounces of Prevention

Let's begin with more facts. Currently, more than 40 percent of all births and more than 50 percent of births to women under age 30 are to unmarried parents. Nonmarital births are disproportionately common among less advantaged groups. For example, 57 percent of births to women with less than a high school degree are nonmarital, whereas this is true of only 9 percent of births to women with at least a bachelor's degree.² Additionally, about 72 percent of births to black mothers and 53 percent of births to Hispanic mothers are nonmarital, compared to 29 percent of births to white mothers.³ By international standards, cohabiting relationships in the United States are characterized by high levels of instability, such that most cohabiting parents

will break up, many within the first few years of their child's life.⁴ Moreover, the majority of nonmarital births—and an estimated 73 percent of births to unmarried women under age 30—are the result of unintended pregnancies, which also occur disproportionately to socially and economically disadvantaged individuals.

These are striking facts. What's to be done? Because unintended nonmarital births often lead to child poverty, we can do much to reduce poverty by simply reducing the number of such births. This does not require changing sexual behaviors: As detailed in Isabell Sawhill's recent book, *Generation Unbound*,⁵ current evidence suggests that the sexual behaviors of less advantaged individuals and their more advantaged counterparts do not differ much. What does differ, however, is contraceptive behavior. More advantaged individuals are more likely to use contraception, use it more consistently and correctly, and use more effective forms of it.^{6,7}

How can the contraceptive behavior of less advantaged individuals come to resemble that of more advantaged individuals? The answer is LARCs: Sawhill provides convincing evidence that making LARCs widely and easily accessible has the potential to reduce family complexity and poverty. LARCs have lower rates of failure than other forms of reversible contraception. They are more effective at preventing pregnancy than are condoms, the ring, the patch, and the birth control pill. Furthermore, compliance with many forms of birth control is limited in that individuals must decide each time they have sex, or within a window of a few hours each day, to avoid unintended pregnancy. By contrast, LARCs limit the decision to avoid unintended pregnancy to once every few years.

Despite these benefits, LARC usage rates remain relatively low in the United States, particularly for disadvantaged women. There are three barriers to LARC use: (1) limited awareness and understanding of the method and its availability (by both potential users and their providers); (2) greater amounts of time required to explain the method and, often, the need for an additional appointment to receive the device; and (3) high upfront (though not necessarily long-term) costs relative to most other birth control methods. At the same time, recent studies suggest that explaining how LARCs work and making them available for free could result in a substantial increase in their use and a resulting decrease in unplanned births. For example, 75 percent of the disadvantaged women in the St. Louis Contraceptive CHOICE project selected LARCs over other forms of reversible contraception when it was explained how they work and when

they were offered for free. Those who chose LARCs were, in turn, 22 times less likely to experience an unintended pregnancy over the next three years.⁸ Similarly, an evaluation of the Colorado Family Planning Initiative found that increased access to LARCs was associated with a 27 percent decrease in births to disadvantaged young women (unmarried, younger than 25, with less than a high school education) over a two-year period.⁹

The implication is clear: To prevent family complexity, policies and practice should make it as simple as possible for all individuals to avoid unintended pregnancy. Easy and affordable (or free) access to the full range of available contraceptive options, and accurate information about their use and effectiveness, should be available to all individuals who seek family planning services. The existing evidence suggests that many, if not the majority, of disadvantaged women would *choose* LARCs and that this would result in a substantial reduction in unintended pregnancy and resulting family complexity, with an accompanying substantial decrease in child poverty.¹⁰ Furthermore, by delaying pregnancy, individuals have additional time to pursue education and employment to enable them to better support a child when they intentionally decide to have one. In short, not making existing LARC technology widely and easily accessible to disadvantaged individuals seeking fertility planning simply invites family complexity and associated child poverty.

Supporting Noncustodial Parents

The first pillar, even if successfully implemented, will not eliminate family complexity. Even if LARCs were widely and easily accessible to low-income individuals, there would of course continue to be a large number of complex families in the United States. The second pillar of a modern safety net is ensuring that it works well in the context of this family complexity.

A key weakness in our existing safety net is the treatment of noncustodial parents (NCPs). As it stands, many children in complex families receive limited financial support from their NCP, typically their father. Of those disadvantaged custodial parents (CPs) with a child support order, only about a third receive the full amount due to them and about a third receive none. On average, disadvantaged CPs with a child support order receive \$2,000 to \$3,000 per year in support, which accounts for roughly 50 to 60 percent of their order amount.

It is appropriate to focus on child support because when complex families are the norm, it becomes a fundamental source of income for children. For CPs that receive the full amount due to them, child support accounts for about two-thirds of their total income.¹¹ Current estimates of the poverty-reducing effect of

child support vary substantially across states, ranging from 8 to 23 percent. Moreover, even when child support doesn't take a family out of poverty, it nonetheless brings the family much closer to the threshold. The upshot: *Child support is simply critical in a complex-family society.*

Although child support contributions from NCPs have the potential, then, to substantially reduce poverty, actual effects have been limited because a large proportion of low-income CPs receive only partial or no support. This is partly because the NCPs of low-income and poor children are often low-income and poor themselves, lacking consistent employment or working for low wages.¹²

We thus need to build a safety net that helps NCPs become self-sufficient. Currently, U.S. social policy treats low-income NCPs more like non-parents than like parents, with their primary interactions with government being in such domains as the criminal justice system, family and criminal courts, the child support enforcement system, and the IRS. Although some low-income NCPs also receive Unemployment Insurance and employment services or participate in fatherhood programs, these benefits are less common. Receipt of food assistance and Medicaid by NCPs is particularly rare relative to receipt of these benefits by CPs. In this context, NCPs primarily experience government as saddling them with mandates and penalties, while

Current evidence suggests that the sexual behaviors of less advantaged individuals and their more advantaged counterparts do not differ much. What does differ, however, is contraceptive behavior.

offering limited direct economic supports and services. By contrast, they experience CPs as benefitting from multiple supports and services, including the Earned Income Tax Credit (EITC); the Child Tax Credit (including the refundable Additional Child Tax Credit); Women, Infants, and Children; Temporary Assistance for Needy Families (TANF); Child Support Enforcement; Supplemental Nutrition Assistance Program; Medicaid; and (sometimes) housing assistance. These perceptions are not off the mark.

The remainder of this section thus describes some policy proposals that will produce parallel economic support systems—as well as parallel expectations—for CPs and NCPs. The goal is to

ensure that NCPs, just like CPs, can come to be self-sufficient and support themselves and their children.

The proposals consist of two major initiatives: (1) a temporary work- and child support-conditioned cash benefit for non-working NCPs (modeled on existing state TANF programs, which typically target CPs) and (2) tax and other incentives for NCPs to engage in work and child support compliance. I focus on this particular set of policies because it has elements that may be politically feasible, whereas this may be less true of other potentially appealing policy options in this arena (e.g., a universal, refundable child allowance; a guaranteed child support benefit).

A TANF-Like Program for Noncustodial Parents

The first initiative, oriented toward non-working NCPs, entails creating a joint federal-state TANF-like policy program targeting them. This could be established as a separate program, or the federal government could work with states to fully include NCPs in their current state TANF programs. In this section, I describe how such a program may operate, using the State of Wisconsin's current Wisconsin Works (W-2) TANF program as a guide.¹³

Complex families are doubly linked to poverty: They are disproportionately formed by disadvantaged individuals, and they then bring about adverse social and economic outcomes for the adults and children within them.

Existing TANF programs are generally only available to income- and asset-eligible NCPs who also have resident children. However, I propose increasing the number of families that are eligible by partially counting nonresident children in the family unit, resulting in a larger family size and thus increased eligibility. The new eligibility threshold would be set at 115 percent of poverty based on an NCP's current coresident family unit, with partial inclusion of nonresident children (e.g., each nonresident child could be counted as being 20 to 40 percent in the family unit, or some other reasonable proportion based on a combination of child support and visitation expectations). Thus, by partially counting their nonresident children, many NCPs would become eligible for the new TANF-like program, or existing TANF programs.

Like the W-2 program, the NCP program would be organized around various tiers of work readiness based on NCP capacity and work experience. In all tiers, NCPs would be required to have a formal child support order and participate in the child support enforcement system. Child support would be automatically withheld and fully transferred (passed-through) to the CP from any cash benefit or wages earned, in accordance with the child support order in place, regardless of whether the CP is

receiving public assistance or had a Medicaid-funded birth. Minimum child support orders for non-working or very low-income NCPs would be universally set to assume income at the program benefit level, and order amounts would routinely be adjusted based on changes in NCP earnings and benefits. Similar to current TANF policy, participants would be subject to sanctions for noncompliance with program requirements, but sanctions would first be applied to only the non-child support portion of the benefit. The child support portion would be reduced only after the portion directly paid to the NCP was depleted.

The bottom tier of the program would serve NCPs with significant barriers to work, such as cognitive or mental health problems, other disabilities, or the need to care for a coresident disabled child. This group would be defined in accordance with existing state TANF policy for CPs. Participants would receive a cash benefit of about \$450 per month (which is roughly 30 percent less than Wisconsin's W-2 cash benefit for CPs).

The second tier would be targeted to NCPs who do not have significant barriers to work, but still need work experience and training. It would consist of a mix of community service jobs and job training and educational activities, with a benefit of about \$500 per month (as compared to \$673 per month in W-2). Educational and training opportunities would be equivalent to those offered to CPs under current state TANF policy. Community service jobs could also be made available for NCPs who hold part-time jobs but need to increase their work hours.

The top tier would consist of trial-subsidized jobs with private employers. Both community service jobs and subsidized jobs may be particularly useful for assisting the large number of NCPs who have trouble finding employment due to criminal records. Case-management services to assist NCPs in acquiring additional skills or better jobs would continue to be available even after NCPs have moved into unsubsidized (market-wage) jobs. Program participation could be subject to state lifetime limits for TANF participation for CPs or some other form of time limit.

On the whole, the goal would be to offer CPs and NCPs equitable forms of assistance toward self-sufficiency and the ability to support their children. It would increase incomes for NCPs, as well as child support transfers to nonresident children.

Tax and Arrears Forgiveness Incentives

The first plank is thus oriented toward treating non-working NCPs like non-working CPs. But this plank alone will not suffice: Many, if not most, NCPs will not need or participate in a TANF-like program, just as most CPs do not. The second plank builds a tax policy for low-income working NCPs much like that for low-income working CPs. As it stands, low-income working CPs are in a privileged tax position relative to their NCP counterparts, as they are eligible for a much wider range of tax benefits.

I thus propose a more equitable provision of tax benefits for NCPs. To begin with, eligible CPs receive the Child Tax Credit

and, in many cases, its refundable Additional Child Tax Credit component. By contrast, NCPs do not generally receive this benefit for their nonresident children, even though they are expected to financially support them and often reside with them some of the time. Furthermore, child support is completely ignored by the tax system. It is neither tax deductible for NCPs nor taxable (as income) for CPs. A more equitable approach would allow NCPs to fully deduct formal child support paid from their taxable income, which would both incentivize child support payment and increase the disposable incomes of NCPs, many of whom also have resident children (for whom they may already receive tax benefits).¹⁴

We must also reform the EITC. The key proposal here: Rather than defining NCPs as childless adults (and therefore eligible only for the single-adult EITC benefit), they would be defined as parents and hence eligible to claim a reasonable proportion of the benefit available to CPs. To receive the benefit, they would be required to have a formal child support order and participate in the child support enforcement system, including wage withholding. But program eligibility would not be conditional on prior child support compliance. Child support would be withheld both from wages and from the NCP EITC, essentially guaranteeing payment (though not necessarily full compliance in cases in which orders do not accurately reflect NCP income). NCP EITC programs have been implemented in New York and Washington, D.C.

Finally, NCPs with child support arrears, but who are in compliance with their current child support orders, would have access to an arrears forgiveness program, which would encourage them to work in the formal labor market and pay child support. Arrears owed to government would be forgiven, perhaps at a rate of \$0.50–\$1 per \$1 paid in current child support. Arrears owed to CPs would be forgiven at a similar rate, but forgiveness would be conditional on CP approval. Current research suggests that because arrears forgiveness programs encourage work and future child support payment, children may ultimately receive a greater amount of support than would have been the case if arrears were not forgiven.^{15, 16}

Together, these tax and arrears forgiveness policies have the potential to encourage NCP work and child support payment, as well as to increase the income available to both NCPs and their children. Furthermore, because child support and NCP (father) involvement have consistently been shown to be complements rather than substitutes, these policies should increase NCP involvement (and further promote positive outcomes for children).

Is This an Evidence-Based Policy?

There is no rigorous evidence to support or oppose this proposal as a whole. But there is at least promising evidence regarding several of its pieces. I briefly review that evidence now.

LARCs work: First, there is relatively strong evidence that making LARCs easily available can substantially reduce unplanned pregnancy. This should in turn result in a relatively substantial reduction in poverty. This part of the proposal should be

hard to oppose: If we delay any longer in implementing it, we're effectively deciding in favor of more family complexity and associated child poverty.

TANF for NCPs: Second, the transition from Aid to Families with Dependent Children (AFDC) to TANF was associated with a large number of low-income women (CPs) moving into employment, which suggests that a similar program for NCPs may be worth pursuing. But the analogy is admittedly imperfect. Whereas the CPs moving from AFDC to TANF lost their unconditional AFDC cash assistance (and benefitted from a strong economy and EITC expansions), current NCPs would be starting from a different baseline, which, for the most part, does not include cash assistance. It is thus unclear whether the program would be as successful at moving NCPs to work as it was for CPs. If it were as successful, the resulting increases in employment and child support payment have the potential to reduce poverty substantially, not just for NCPs but also for their nonresident children.

EITC reform: The case for EITC reform is more ambiguous. Whereas the EITC is associated with increases in work and decreases in poverty among CPs, current evaluations of NCP EITC programs have revealed limited effectiveness. This evidence is, however, unconvincing because most existing programs have included stringent eligibility criteria (such as full child support compliance in the prior year) and benefit levels that may be too small to provide a work incentive.¹⁷ A more universal program offering a larger benefit may be more successful at encouraging work among NCPs and reducing poverty for NCPs and their children.

Arrears reduction: Finally, arrears reduction programs have shown modestly promising effects, but they also generally have unrealistic eligibility requirements for low-income NCPs.¹⁸ Nonetheless, current evidence suggests that establishing reasonable child support orders (relative to NCP income) is associated with modest increases in child support payment, primarily through greater participation in formal employment (and associated withholding). To the extent that such programs can increase formal employment and child support payment, they too have the potential to decrease poverty, though the size of such an effect is unclear.

In balance, the evidence is relatively strong, surely strong enough to begin a trial and to assess whether the full program has the anticipated substantial effect. This trial would ideally allow us to evaluate the separate and combined effects of its components.

It's Time to Experiment

We live in a world of increasingly complicated family arrangements. Complex families are doubly linked to poverty: They are disproportionately *formed* by disadvantaged individuals, and they then *bring about* adverse social and economic outcomes for the adults and children within them. We need to build new institutions that break both poverty links. We need to reduce the number of complex families formed by disadvantaged individuals, and we need to find ways to reduce the amount of poverty

even within the context of such families.

The plan laid out here works on these two fronts (1) by helping individuals avoid *unintended* pregnancy and the family complexity associated with it and (2) by incentivizing parents—both CPs and NCPs—in complex families to become self-sufficient and to earn adequate incomes to support their children.

There is no existing evidence to suggest that, as a whole, the policy configuration I propose would reduce poverty. The available evidence on several of its components is, however,

promising enough that it is worth trying, at least on a pilot level. It would take only a single state, a federal waiver, or a single (albeit relatively large) investment by a charitable foundation to pilot and rigorously evaluate a multifaceted program along these lines.

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Notes

- Note that this approach to preventing family complexity focuses solely on preventing *unplanned* pregnancies. An alternative is to attempt to reduce family complexity through marriage promotion and relationship strengthening interventions. To date, however, such interventions have not been particularly effective. See, for example: Wood, Roger G., Sheena McConnell, Quinn Moore, Andrew Clarkwest and JoAnn Hsueh. 2012. "The Effects of Building Strong Families: A Healthy Marriage and Relationship Skills Education Program for Unmarried Parents." *Journal of Policy Analysis and Management* 31(2), 228–252.
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- Wisconsin Works (W-2) Fact Sheets. Wisconsin Department of Children and Families. Retrieved from <https://dcf.wisconsin.gov/w2/parents/w2>.
- This approach would provide a larger benefit to middle- and upper-income NCPs than to lower-income NCPs (because the former face a higher marginal tax rate). Nonetheless, it would increase disposable income for low-income NCPs and, likely, child support transfers to their nonresident children. One option to lessen the public cost of this policy would be to tax the child support received by CPs; however, this would reduce the income available to them and their resident children, thus curtailing the poverty-reducing effect. An alternative approach would be to allow NCPs to claim a portion of existing child-related tax credits (e.g., the Child Tax Credit), based on the amount of formal child support they provide for their children. Tax credits could even be split proportionately between NCPs and CPs based on levels of support provided by each. Although such options would reduce costs, they would be more administratively complicated and potentially have greater perverse incentives than simply allowing child support payments to be tax deductible.
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It's Time to Complete the Work-Based Safety Net

H. LUKE SHAEFER AND KATHRYN EDIN

FAIR-SKINNED, BROWN-HAIRED, AND SLIGHT, Rae McCormick insists that her nine-hour shifts at Walmart, until recently, were the best parts of her week.¹ That is, of course, aside from the fleeting moments she and her two-year-old daughter, Azara, enjoyed together when her “uncle” George and “aunt” Camilla were out of the house they shared in Cleveland. In her life outside of work, Rae lurches from crisis to crisis. At work, at least, she was in control of her own cash register, and she could find some shelter from the storm outside.

Arriving at the store each morning, Rae would tuck away her purse, inhaler, and thyroid, depression, and anxiety meds in her locker, pin on her name tag, straighten her shirt and blue vest, and head up to claim her favorite register. After only a few months, she had become the fastest checkout clerk in the store, in large part due to her ability to key in the four-digit codes of several dozen of the most popular produce items from memory. She achieved this by reading the codes into a recording device on her cell phone and setting it to play on repeat as she slept. “My subconscious did the job!” she reports proudly. In just six months at work, she was named Cashier of the Month twice.

Rae is proud of her commitment to work, which she attributes to her father, her role model, who died when she was eleven. Recently, she was offered a spot on the night shift that came with a small raise, but she turned it down because those hours are too slow. “I would rather be busy; I like to keep moving all the time.”

None of this mattered, though, on the day that she climbed into George’s pickup and the gas light flashed on as she turned the key in the ignition. She had just spent her entire paycheck on rent, groceries, and diapers, and had given George the agreed upon \$50 for gas so she could take the truck to work. Yet somehow George and Camilla had emptied the tank over the weekend, and they had no money for more. Rae called her manager in a panic, explaining that there was no way for her to get to work. Could anyone help her out, she pleaded? Her manager simply replied that if she couldn’t get to work, she shouldn’t bother coming in again. Rae says she “flipped... I completely went crazy. And my uncle sat there and told me that I’m selfish, that I don’t give a shit about anybody else, that it was my fault I lost my job. All of it got put on me. And that’s when I was like, ‘You know what? I’ve had enough. I can’t do it anymore.’ I was like, ‘I love you guys, but fuck you.’”

In the 1990s, we, as a country, began a transformation of the safety net that serves poor families with children. More aid is offered to a group that was previously without much in the way of public assistance—working poor families with children. Extending the safety net through expansions of refundable tax credits, greater access to food assistance, public health insurance, and other benefits to the working poor has greatly improved the lives

of millions of Americans. This new system also has the benefit of being far more popular than what came before. The old system, built around the cash entitlement program Aid to Families with Dependent Children (AFDC), was always widely disliked, often hated, including by those it served. It cut against core American values, isolating recipients from the rest of society. In contrast, the Earned Income Tax Credit (EITC)—a refundable tax credit for low-income families that you only get if you work—has the exact opposite effect. Recipients feel they’ve earned it through work. Americans broadly support it. It is accessed through a process that is nearly universally shared by Americans—filing income tax returns. In short, it incorporates the poor into society rather than separating them from it.²

Yet for all the ways that the new, work-based safety net is better than the old, it is built on a decidedly shaky foundation—low-wage work. Even worked at full-time hours, roughly a quarter of jobs in America pay too little to lift a family of four out of poverty. Low-wage jobs are concentrated in the service sector, in retail, and other such industries that have grown over time, while jobs in higher-paying sectors such as manufacturing have declined for decades. Many of today’s low-wage service-sector jobs exact a physical or psychological toll. Not only do they pay low wages, but those who work them are seldom offered such benefits as affordable health insurance, paid time off, or retirement plans.³

Beyond all this, these jobs can be highly unstable. The costs of paying their workers are often the only expenses over which service sector employers have any real control. They can’t control consumer demand, but they can peg their labor costs as closely as possible to fluctuations in demand, by using “just-in-time” scheduling practices. This basic strategy explains why wide scheduling availability has become a key qualification for getting and keeping a low-wage service-sector job. The days and times you are required to work can shift from week to week. Even more challenging are abrupt changes in the number of hours a worker gets. A worker might be full-time one week, but get only a handful of hours the next.⁴

Despite the low quality of many of the jobs available to those at the very bottom of the economic ladder, such jobs can still be surprisingly hard to get for someone like Rae. She dropped out of high school, a casualty of her bouncing around from home to

home after her mother left during her teenage years. In the summer of 2015, the national unemployment rate for adults with less than a high school diploma was 8.2 percent—even higher in Cleveland. To put this in perspective, the unemployment rate for college graduates was 2.5 percent and never eclipsed 5 percent even at the height of the Great Recession. The fact that there are so many applicants to choose from is part of why Rae's supervisor made no effort to help her in a pinch. She was replaceable.

To truly complete the transformation to a work-based social safety net, the federal government's emphasis on personal responsibility must be matched by bold action to expand access to and improve the quality of jobs. There's just no avoiding the fact that there aren't enough jobs to go around, much less ones with adequate pay, hours, and stability.

Government-subsidized job creation is one way forward, and one we've had some success with in the past. During the Great Recession, the federal government sponsored a promising short-term subsidized jobs program in this vein, as part of the Temporary Assistance for Needy Families (TANF) Emergency Fund. States that chose to participate were allowed to use TANF dollars to provide mostly private-sector employers with incentives to hire unemployed workers who were on TANF or had other serious barriers to finding a job.

Among the 39 states plus the District of Columbia that took part, employers created 260,000 jobs with a federal investment of only \$1.3 billion. About two-thirds of participating employers said they created positions that would not have existed otherwise, and many participants made gains that lasted well after the program ended. Researchers who studied the program noted it garnered "strong support from employers, workers, and state and local officials from across the political spectrum."⁵ Creating a program modeled after the TANF Emergency Fund would be one way to improve circumstances for those at the very bottom—and a popular one at that.

Existing research rightly notes that many of those who fall through the cracks of the current incarnation of the work-based safety net have multiple barriers to work, such as mental and physical health problems, family instability, and low education.⁶ Rae McCormick fits this profile exactly. She takes medication for her high blood pressure and is going blind in her right eye. She has lost all her teeth. "I've been beat. I've been raped," she reports matter-of-factly. She lost her father at age eleven, and her mother abandoned her shortly thereafter. Her present network of family and friends is not only not much of a support, it is in and of itself a very clear barrier to work.

Yet Rae is capable of holding a job, and has the ability to excel at it under the right circumstances. Rae is the archetype of a single mother with multiple barriers to work. Rather than need-

ing to addresses her many barriers to work in order to be ready for a job, in Rae's view, it is when she has a job that she feels she can most get a handle on all of the other things that ail her. For Rae McCormick, work is what keeps the problems of mental distress and family dysfunction at bay. The routine and the ability to get lost in one's work may have a certain healing power. Thus, any job creation program should be judged not only based on the impact it has on participants' long-term earnings, but on a host of other outcomes: Does a decent job improve the mental and physical health of participants? Does it reduce involvement in the criminal justice system? Do the children of participants do better in school? Does it increase marriage rates?

We have some evidence from randomized trials of the efficacy of such initiatives. Not all past programs like this have shown improved long-term earnings, but there is evidence that—if structured correctly—they have potential to do so. For such a program to really work for Rae, it would likely need to offer a set of supportive services, such as arranging transportation or child care in a pinch, or a caseworker who could counsel a participant on how to properly deal with a supervisor. What if Rae had had such a resource when she couldn't get to work on that fateful day?

Some evaluations of subsidized jobs programs in the past have found long-term employment and earnings gains for disadvantaged women like Rae, and for welfare recipients in particular. For example, a rigorous evaluation of the Job Training and Partnership Act found that over a 30-month follow-up period, welfare mothers who participated in a form of subsidized employment earned 49 percent more than similar women in a control group.⁷

If we focus solely on improvements in long-term earnings,

There's just no avoiding the fact that there aren't enough jobs to go around, much less ones with adequate pay, hours, and stability.

though—as most evaluations have done in the past—we likely miss much of the impact of subsidized jobs programs. As Rae's case suggests, the benefits could extend well beyond earnings. Evaluations have found that jobs programs can reduce criminal activity among participants.^{8,9} Research from the New Hope experiment conducted in Milwaukee in the late 1990s finds that such programs can improve the health of participants, increase marriage rates, and even improve outcomes for children.¹⁰

Beyond increasing access to work, to truly complete the

transformation to a work-based safety net we need to improve the quality of the jobs available to Rae and others like her. Increasing wages, stabilizing schedules, holding employers accountable for “wage theft”—clear violations of labor standards that include failing to pay overtime rates or forcing employees to work off the clock—are all important steps that we should and must take. But designing such policy reforms to maximize benefits to workers can be a challenge, and simply creating more jobs can go some distance in improving other ones. When employers have to compete harder for workers, they are forced to treat them better. Maybe this is the right place to start.

What is the right scale for a program such as this? Policy makers would have to closely consider this question, and researchers should work in partnership to design a program that both creates new jobs that would not have existed otherwise and provides the kind of support services that help workers succeed. An initial pilot program that is more robust than the recent TANF Emergency Fund could gain support and could be paid for in part by phasing out the ineffective Work Opportunity Tax Credit (WOTC), much of the benefit of which is captured by employers for hiring that would have happened anyway.¹¹ A large evaluation could help plot the course for best practices going forward.

In the long term, however, we could think bigger than this. Much bigger. If a program such as this can increase the incomes of the poor, reduce criminal justice costs, improve school performance of children, increase marriage—and if it has the benefit of being a program that participants like—then what should be the limit? Recent estimates are that federal and state governments combine to spend \$80 billion per year to keep people incarcerated.¹² Given that scale, what’s an adequate investment to put people to work?

The case for experimenting with *large-scale* jobs programs is even more compelling in light of growing concerns that prime-

age employment will continue its sharp decline. The sources of this decline are much debated, but it is increasingly fashionable to worry about job-destroying automation, with “robots in the operating room, self-driving cars snaking through the streets, and Amazon drones dotting the sky.”¹³ These new technologies, so it is argued, will replace drivers, clerks, and untold other low-wage occupations and accordingly drive down the prime-age employment rate even lower than it is today. Although worries of this sort have long been dismissed as “Luddite fallacy,” even former Treasury Secretary Larry Summers has argued that because our newest industries tend to be the most labor-efficient, such worries can no longer be dismissed out of hand.¹⁴ The simple implication: The United States would be well-advised to begin experimenting with high-quality, large-scale, public-sector jobs programs. It is hard to imagine that other proposed responses to the looming jobs disaster, like a guaranteed minimum income, will have equal appeal in a country that despises handouts and worships work.

Rae McCormick doesn’t see a handout from the government as a solution to her plight. Instead, what she wants more than anything else is the chance to work, at a decent wage, with a stable schedule. We, as a country, can do a lot more to help her make this wish come true, and we can give her support that helps her maintain employment. And if we do it right, it may cost us a lot less in the long run than what we’re doing now. Beyond all that, it’s the right thing to do.

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Notes

1. Rae McCormick is one of the individuals written about in our book, *\$2.00 a Day: Living on Almost Nothing in America*. Her name and the names of all individuals and some minor details that do not substantively affect the stories told have been changed here and throughout the book.
2. For more on this, see 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.
3. See Edin, Katherine J., and H. Luke Shaefer. 2015. *\$2.00 a Day: Living on Almost Nothing in America*. New York: Houghton Mifflin Harcourt.
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9. A randomized trial of a youth summer jobs program found that it led to significant reductions in violent crime arrests long after the program ended. Heller, Sara B. 2014. "Summer Jobs Reduce Violence Among Disadvantaged Youth." *Science* 346(6214), 1219–1222.
10. Miller et al., 2008.
11. Bartik, 2001.
12. National Association of State Budget Officers. 2013. "State Spending for Corrections: Long-Term Trends and Recent Criminal Justice Policy Reforms."
13. Thompson, Derek. 2015. "A World Without Work." *The Atlantic*. July/August 2015, 1–33. Retrieved from <https://www.theatlantic.com/magazine/archive/2015/07/world-without-work/395294/>.
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A surreal landscape featuring a person floating in the air, holding onto a cluster of dark balloons. The person is positioned on the left side of the frame. To the right, a large, dark, leafy tree stands on a grassy hill. The sky is filled with large, billowing white clouds, and the overall color palette is dominated by blues, greys, and whites, with a slightly desaturated, ethereal feel.

Don't Let “Conversation One” Squeeze Out “Conversation Two”

MICHELLE JACKSON



We live in a country that, despite being very rich, seems quite willing to tolerate unusually high rates of dire poverty. As Kathryn Edin and H. Luke Shaefer have recently shown, there is real \$2/day poverty in the United States, and much of it.¹

It is perhaps a puzzle that a country so rich is seemingly so untroubled by poverty. It is not that high rates of poverty are altogether ignored: We of course have all manner of poverty reform discussions, poverty conferences, and poverty commissions. The poverty reform business is hardly a small one. But it is striking that we enter into poverty reform discussions with such circumscribed objectives and such narrow-gauge proposals for reform. We assume that the best we can do is contain the problem, and we seldom even consider the idea that we might actually solve it.

This is surprising. When the problem is big, one might imagine that the policy response would likewise be big. But in fact sweeping reform is rarely contemplated and never enacted. This quiescence is especially strange given that the U.S. is a country that prides itself on viewing institutions as perfectible, as humanly created, and as the proper objects of ceaseless recasting as we attempt to bring them into closer alignment with our principles.

In this essay, rather than advocating for one particular type of policy or another, I will instead argue for the need for two conversations about reducing poverty. Although it is important and valuable to continue on with our usual “poverty reform” conversation, there is also a need for a more assertive strategy. The articles in this issue provide important beginnings for that strategy, but I want to suggest that there is room for an even more aggressive conversation. I do not pretend to know exactly where that conversation should go. I will only suggest that we need to begin it.

Conversation One

At present, one conversation dominates the academic and policy discourse: A precisely focused, science-based conversation that identifies social problems and offers specific, evidence-informed solutions. I focus on a single problem—the reduced educational investments of poor children—to illustrate how “Conversation One” works.

The substantial and persistent inequalities in educational attainment across time and countries are well documented. For example, much research demonstrates that test score inequalities are present early in life, and that by the time children reach kindergarten, those from high-income backgrounds are many years ahead of those raised in poverty.² There is strong evidence to show that income inequalities in test scores have substantially increased over the past 60 years or so, even while inequalities related to race have declined.³ Socio-economic inequalities in college access, selective college access, and college completion are similarly ubiquitous, and there is again evidence that such inequalities have only grown larger in recent decades.⁴ These findings—and many others—have led to a growing consensus that if we wish to prevent the transmission of poverty across generations, we might look first and foremost at eliminating inequalities in educational attainment.

The very same academics who document inequalities are increasingly likely to propose and test interventions designed to reduce them. This is all to the good. For example, recent research demonstrating that low-income students are under-represented in college partly because they do not always receive the financial aid to which they are entitled was paired with the development of an intervention in which (1) such students were given information about post-secondary education options, and (2) their college financial aid applications were filled out automatically from tax returns.⁵ This intervention substantially increased the likelihood of poor students enrolling in college and, if taken to scale, would be expected to reduce the income gap in college enrollment. Other research has pointed to a phenomenon known as “summer melt,” wherein graduating high school seniors with a confirmed college placement fail to enroll in college at the end of the summer. Experiments have shown that sending a series of text messages to graduating seniors significantly reduces the number of students who drop out over the summer months.⁶ Given that low-income students are at particular risk of summer melt, this intervention would again be expected to reduce inequalities in college enrollment.

In Conversation One, narrow solutions are proposed to overcome tightly defined problems, where the problem being solved may be but one manifestation of a much wider inequality. An extreme version of Conversation One is perhaps best summed up in the “nudge” philosophy, originating in behavioral economics, which is particularly influential in the current policy discourse. What are nudges? For Richard Thaler and Cass Sunstein, “A nudge, as we will use the term, is any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.”⁷ The financial aid and text messaging interventions described above are both examples of nudges that have been influential in the policy debate around inequalities in college access.

The nudge is of course an especially extreme rendition of our more general tendency to prefer incremental reform. But it is indicative of our very circumscribed discourse and our preference for tailored interventions: We tinker with different ways to increase the take-up of food assistance (i.e., the Supplemental Nutrition Assistance Program); we tinker with different ways of delivering home visiting programs; and we tinker with different types of qualifying work requirements in the context of existing welfare programs (i.e., Temporary Assistance for Needy Families). It is of course good that we try to make our existing institutions operate more effectively. But when tinkering with existing institutions fails—in a context of growing poverty and inequality—we should at least consider throwing in the towel and casting new institutions. For this to be feasible, we must encourage and foster what I am labeling “Conversation Two.”

Conversation Two

It is perhaps to be expected that contemporary social science should come to be associated with a program of small incisions. An increasing scientism within social science disciplines alongside an emphasis on evidence-informed policy generates pressure to catalog precise mechanisms that address small parts of the puzzle of inequality. This is all to the benefit of human knowledge; a hallmark of science is that it relies upon the accumulation of knowledge across a great many individual scientists and research projects. But by focusing only on the fragmented impact of inequality across many small domains, the larger story is lost. The simple, profound, crushing impact of poverty and inequality on educational attainment or on life chances more generally is missed. At worst, Conversation One may divert our attention from the root problem that the carefully delineated interventions are designed to address.

It is uncontroversial to state that the elimination of poverty would require far-reaching institutional reforms. What is more controversial perhaps is the suggestion that social scientists are likely to undermine the aim of eliminating poverty if Conversation One is the only conversation in which we engage. And yet the very roots of the word “intervention” betray its concerns—the idea is to step in between the process and the outcome.⁸ The methods, usually experimental, by which we test interventions rely on the idea that we change just one thing and keep everything else the same. But if we become so inured to the extent of poverty that our only response is to ameliorate its effects through interventions, we are in danger of treating the symptoms of the disease and not the cause. Alongside Conversation One, therefore, we must also engage in Conversation Two.

Conversation Two insists that in addition to any discussion about expedient, small-scale interventions, we have a wider discussion about where poverty comes from and what types of larger-scale changes might be needed to eradicate it. This is a difficult conversation for social scientists to have because, when asked what it would take to eradicate poverty, we feel immediately constrained by the self-censoring that occurs when we consider whether or not it *can* be done. In addition, it is problematic to advocate for large-scale institutional reform from a social-scientific standpoint, given the difficulty of testing in advance what the effects of such reform might be. An unanticipated effect of the current mantra on “evidence-based” policy is that we have become exceedingly circumscribed in our policy options. We only contemplate narrow changes, and we thereby forego bold moves that might yield big returns.

This is not to suggest that aggressive policy change is necessarily “evidence-free.” We *do* have examples of alternative institutional arrangements that might serve as models for reform. These alternatives take the form of institutional arrangements that are already in place in other countries.

Let us return, by way of example, to the field of education. Here, alternative institutional arrangements abound. In some countries, there have been important steps toward breaking

the relationship between neighborhood and school quality. In the United States, school socioeconomic segregation is seen as a natural consequence of neighborhood segregation, which affects both the quality of schools (because schools in poor areas have a smaller tax base from which to draw) and the student composition of schools. Neighborhood segregation is less extreme in many countries, but there have been attempts to mitigate its effects on educational outcomes. From a cross-national perspective, it is in fact rare to tie school funding so closely to neighborhood wealth: In the majority of European Union countries, for example, the level of resources provided for teaching staff and operational costs is determined by a centralized funding formula.⁹

This is but one example. If we were to insist on retaining our decentralized funding practices, we could instead follow the lead of countries that attempt to break the relationship between neighborhood and school quality by assigning school places through a lottery. South Korea instituted a lottery for upper secondary academic schools in large cities in the 1970s, and researchers have reported a greater degree of socioeconomic diversity within schools and increased equality in school outcomes for those areas with such lottery assignment.¹⁰ Cross-national variation at the college level is also substantial. Most notably, in many countries, college is free for all who wish to attend.¹¹

In other domains, substantial reforms to the economy and labor market could be implemented along the lines of flexicurity, a labor market system initially developed in Denmark, and which is now one of the central planks of EU labor market policy. In flexicurity systems, flexible employment relationships, employment security, and a high minimum wage exist alongside possibilities for lifelong learning and re-training.¹² Perhaps most relevant for poverty policy, flexicurity tackles long-term unemployment by committing to continuous retraining, increasing financial support for the unemployed, and thus reducing the length of unemployment spells. Flexicurity is doubtless a characteristically European policy, but advocates such as Joshua Cohen and Charles Sabel have made a powerful case that the United States should adopt the approach, even if this “would require a sharp departure from past practice, freeing ourselves from the tight grip of the past’s famously cold, dead hand.”¹³ I offer up flexicurity as but one example of big-R reform. We might equally consider new laws that eliminate all intergenerational transfers, that dramatically ramp up unions, that eliminate race-biased incarceration, and that outlaw residential segregation (by race and income). This is but a partial list.

It is sometimes argued that nothing is more sacred in the U.S. than the presumption that only low-income *workers* deserve our help (via, for example, the Earned Income Tax Credit). The American love affair with work is deep. But we must also appreciate that some individuals cannot work and that all individuals, even nonworkers, deserve to be treated with dignity. Edin and

Shaefer exposed the desperate situation of American families existing only on state support of less than \$2 per day, where welfare state policies focused on work have locked out those with precarious positions in the labor market. In addressing non-working poverty, we might draw on alternative conceptions of welfare states that offer support to those both in and out of the labor market. To be sure, these alternative visions require different types of tax regimes, but it bears noting that tax regimes that would be routinely dismissed as unworkable in one country are implemented unproblematically in others.¹⁴

In considering the institutional arrangements of other countries as possible models, it is important to acknowledge that we have already moved away from the most radical form of Conversation Two: A conversation rooted in *what might be* rather than merely *what is*. It is, I confess, already bold to ask Americans to consider how other countries “do poverty.” It is asking far more that they also consider institutional reforms that are limited only by the imagination. In academic and policy circles, such a sentiment is most likely to be met with an eye-roll, the weary response of the battle-hardened. But there are two reasons why social scientists should have this radical form of Conversation Two ready and available. First, science requires us to be honest and up front about the extent of reform that would be required to eliminate poverty. Discussions about the overwhelming and far-reaching effects of poverty and inequality are only undermined by the suggestion that small, or even moderate, tweaks to policy might be able to substantially counter their effects.

The second reason to open up to truly radical reform is yet more important. Namely, what is considered to be a palatable and feasible reform by the public may change, and it may change quickly. Sunstein identifies the phenomenon of a “norm cascade,” in which there is a rapid change in what is seen as deviant or acceptable from one moment to the next; this often occurs because there is a disjuncture between what people feel privately and what they are willing to express publicly.¹⁵ In societies with very high levels of socioeconomic inequality and where most are relatively disadvantaged, it is probably unwise to assume that private beliefs about inequality and deprivation will always match the current normative, public expressions. If contemporary norms around poverty and the appropriate institutional responses to poverty were to change rapidly, social science would need to be ready to weigh in on the viability of alternative institutional arrangements.

Conclusion

To be sure, social scientists in the United States have made the case for institutional reform, and a call for a stronger form of Conversation Two should not undermine those efforts. The clearest example is to be found in the discussion around early childhood education. This was once a radical conversation: After all, early childhood interventions are predicated in part on the view that we cannot rely on the family for early training and that only by re-allocating that function to other institutions can

a substantial reduction in poverty be achieved. The same willingness to undertake significant reform should be ported to the other major institutions of our time. The simple question to be applied to each and every one of our institutions is: What needs to be changed to guarantee that it does not generate or reproduce inequality?

The second conversation is one that ensures that large-scale institutional reform is always on the table. Marx is famous for writing, “Philosophers have hitherto only interpreted the world in various ways; the point is to change it.”¹⁶ Since the moment

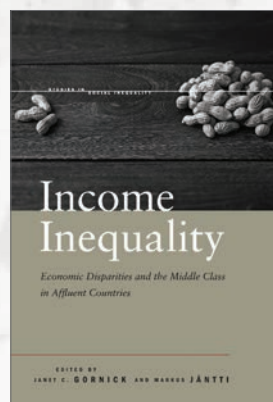
it was committed to print, this phrase has doubtless been perceived as naïve and idealistic, but in fact it encapsulates precisely the naïveté that is seen, at least by some, as the essence of the American experiment. If we do not include Conversation Two alongside the smaller interventions that we think might just have a chance, we are in danger of leaving a legacy of nudges without any real, systemic change.

Michelle Jackson is Assistant Professor of Sociology at Stanford University.

Notes

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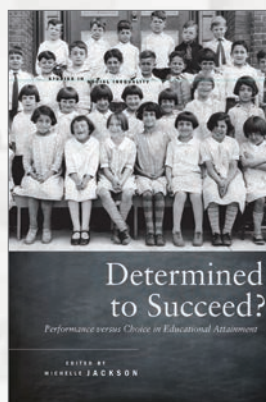
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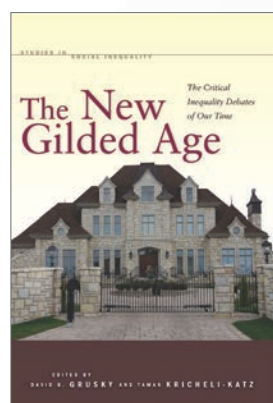
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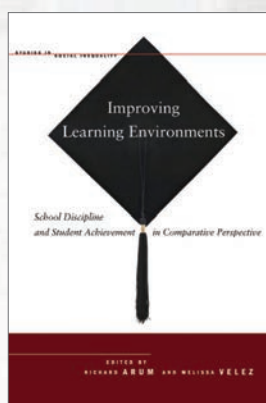
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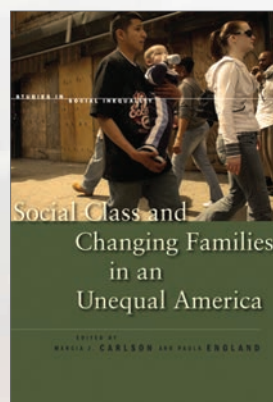


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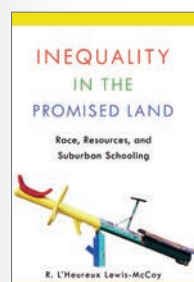


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