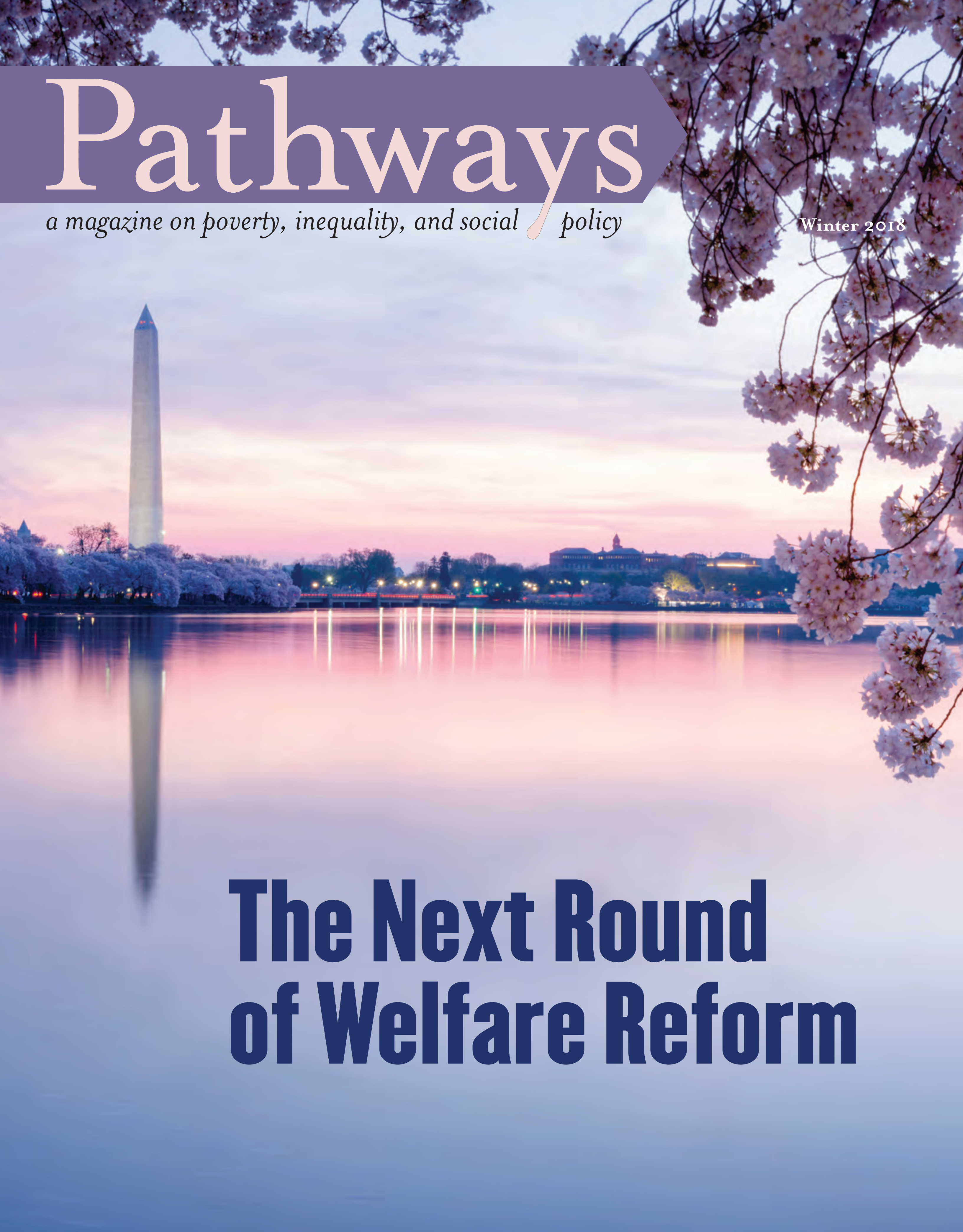


Pathways

a magazine on poverty, inequality, and social policy

Winter 2018

The Next Round of Welfare Reform

Pathways

a magazine on poverty, inequality, and social policy

STANFORD CENTER ON POVERTY AND INEQUALITY

The Stanford Center on Poverty and Inequality is a nonpartisan research center dedicated to monitoring trends in poverty and inequality, explaining what's driving those trends, and developing science-based policy on poverty and inequality. The Center, a program of the Institute for Research in the Social Sciences at Stanford University, supports research by new and established scholars, trains the next generation of scholars and policy analysts, and disseminates the very best research on poverty and inequality.

SUBSCRIBE NOW!

Would you like to continue receiving a free copy of *Pathways*? Sign up for hard copy delivery or PDF notification at inequality.stanford.edu.

inequality.stanford.edu

Table of Contents

Pathways
a magazine on poverty, inequality, and social policy
Winter 2018

STANFORD CENTER ON POVERTY AND INEQUALITY
Building 370, 450 Serra Mall
Stanford University
Stanford, CA 94305-2029
Tel: 650-724-6912
Email: inequality@stanford.edu
Website: inequality.stanford.edu

Editors' Note

Two decades ago, the Personal Responsibility and Work Opportunity Reconciliation Act came into effect, a landmark event in our country's tortured efforts to take on poverty. The simple purpose of this *Pathways* issue is to examine whether that reform delivered as intended and whether it's time to undertake a new round of reform. We have asked key leaders from industry, politics, and academia to weigh in on these two questions. The articles in this issue have been drawn in part from a conference on welfare reform at the Brookings Institution that was organized by Marianne Bitler, Hilary Hoynes, and James Ziliak.

The cynic who makes a quick pass through the articles in this issue might argue that nothing ever changes in the world of U.S. welfare debates. We're still worrying about the large number of prime-age workers who are not working. We're still debating whether welfare programs are increasing the size of this nonworking population by creating disincentives to work. We're still discussing whether marriage is an antidote to poverty. And we're still adopting positions on these issues that can be reliably predicted by that single variable—political party—that is becoming the great binary of our time.

But these questions, as important as they are, are not the only ones that today's reformers are discussing. There is also a new and more disruptive debate that's fast emerging and that shows up throughout this issue. We're referring to the debate between advocates of thick and thin reform, where "thick reform" is all about building new and innovative welfare-preserving institutions, while "thin reform" is all about daring to think about institution-free approaches to poverty. This new debate may prove to be *the* poverty debate of the 21st century.

The classic thin reform, as laid out by Sam Altman and Elizabeth Rhodes, is that of basic income. It of course relies on the "institution" of money, but otherwise it's thin in the sense that it lets money itself do all the poverty-abating work. It's that rare anti-poverty proposal that, instead of championing some new program or service, is instead about providing the money needed to take advantage of existing jobs, programs, and services. The other main thin reforms are those that look to Silicon Valley innovations, like machine learning or big data, to reduce poverty by lowering transaction and information costs (e.g., efficiently matching workers to jobs) or to usher in a new evidence-based policy world. These "thin reform" movements are post-ideological in the sense that they draw widely from all ideological quarters.

The thin-reform movement, as popular as it is, coexists with an emerging thick-reform movement that looks to new institutions to solve new problems. How should we respond to the gig economy and the specter of rising displacement? The thick-reform answer: We need new flexicurity-styled social insurance institutions of the sort that Elizabeth Warren describes. How should we deal with low rates of prime-age employment and the possibility of further automation-induced declines? The thick-reform answer: We need new public jobs programs of the sort that H. Luke Shaefer and Kathryn Edin have previously described in *Pathways*. These thick-reform proposals, which come principally from the left, rest on the view that we need another New Deal and that we're well past the time when simply patching up existing institutions will suffice.

We dedicate this issue to nourishing this emerging debate between thin and thick reforms. If the landscape of 21st-century poverty is truly to be transformed, it will likely reflect how this new debate—not just the old one—is decided.

—David B. Grusky, Charles Varner, Marybeth Mattingly, and Stephanie Garlow

Past, Present, and Future of Welfare

Newt Gingrich
Former Speaker of the U.S. House of Representatives

Bruce Reed
Former Director of the Domestic Policy Council

Diane Schanzenbach
Director, Hamilton Project;
Senior Fellow, Brookings Institution; Professor, Northwestern University

This conversation, which was the keynote at the Brookings Institution conference titled "The 20th Anniversary of Welfare Reform," has been edited for clarity and length. To listen to the full conversation, please visit: inequality.stanford.edu/welfare-reform-conversation.

DIANE SCHANZENBACH: I want to start with a couple of questions about the history of welfare reform. Mr. Speaker, the basic question for you is: How did we get there? What sort of intellectual and political groundwork was done prior to the signing of the 1996 law?

NEWT GINGRICH: From our side, welfare reform started during Ronald Reagan's first campaign for governor of California, and with his efforts to get an Aid to Families with Dependent Children (AFDC) waiver and to move toward a workfare model. Under a workfare model, welfare recipients have to meet certain participation requirements to continue to receive welfare benefits. For me personally, welfare reform took off in two stages. The first stage was in the mid-1980s, when Charles Murray wrote *Losing Ground*. I think that book is still the most decisive explanation of the fact that the real cost of welfare is not borne by the taxpayers who pay for it, but by the people who receive it because it's so devastating in its cultural and social impact. That book moved a lot of us toward a replacement model of thinking. Former Wisconsin Governor Tommy Thompson, former Michigan Governor John Engler, and several others started trying to figure out how to rethink welfare and move back toward a focus on work. The second stage for me was Marvin Olasky's book, *The Tragedy of American Compassion*, which is still the most trenchant analysis of what happened to thinking about the poor over the last century or so.

When we all came in, Bill Clinton had run on ending welfare as we know it. Now, being Clinton-esque, one didn't know exactly what he meant by that, but it's a great phrase. Everybody who was conservative assumed he meant work. Everybody who was liberal assumed he meant a lot more money. And he was having to say, "Yes, I'm with both of you." But he had set a standard that was way, way to the right of the Democratic Party at the time. So we were in a position to have a common dialogue around welfare reform. Ron Haskins was one of the key players on the House side, and the governors played a big role in helping us shape the legislation because we wanted it to be doable. And then we had a fairly significant fight internally between people who wanted to marginally change the system and people who believed you had to make a real break, and ultimately that's the fraction that won.

We passed it twice after attaching it to Medicaid reform, and the president cheerfully vetoed it, hiding behind Medicaid. We faced a real decision: Do we continue to pass a welfare reform bill that we know Clinton will veto? If we do that, then we'll have welfare reform as an issue in the midterm elections. Welfare reform was very popular among voters, including among people on welfare. But others—including Louisiana Rep. Jim McCrery—argued for passing welfare reform as a freestanding bill. This strategy would make it much harder for Republican presidential candidate Bob Dole to win but would almost guarantee that House Republicans would be reelected. We had not been reelected since 1928. We had held the House twice in 1946 and 1952, but we had never been reelected. We made the decision to pass welfare as a freestanding bill, and I was the guy who got to call Dole's campaign manager, Scott Reed, and say: "We hate to tell you this, but we just bailed out on you." I think they took it as a very serious blow to their campaign.

SCHANZENBACH: Bruce, I imagine you agree with about 90 percent of that. Is that right?

BRUCE REED: I think the history starts a little earlier than that, with Daniel Patrick Moynihan's work in the 1960s, and with failed efforts in both the Nixon and Carter administrations to reform welfare. Joe Califano, former U.S. secretary of health, education, and welfare, called welfare reform the Middle East of domestic policy. Governors started experimenting with welfare in the 1980s, and that led to the Family Support Act of 1988, which revised the AFDC program to emphasize work, child support, and family benefits. That act was a step in the right direction, but most of us felt that it was missing the central part of what would make welfare reform work, which was real work requirements.

Clinton had built his career around welfare in Arkansas. He had spent more time in welfare offices than any other president. He came from a poor state and understood what a difference it would make. It became the centerpiece of his campaign in part because welfare had become a symbol of everything that was wrong with government and politics. As far as government goes, it was good intentions gone wrong. And as far as politics goes, there had been more division and demagoguery and less real action and progress on this issue than just about any other. Even before the beginning of the campaign, we saw that the people who were the angriest about the welfare system were the people trapped in it. It certainly went against Democratic orthodoxy to take such a strong stand, but I think Clinton recognized that our politics needed dramatic change, that this risk was worth taking, and that we could build a social contract around work.

The first thing he did when he came into office was to expand the Earned Income Tax Credit (EITC), which had been a bipartisan idea up until then. I think he firmly believed that if you ask people to go to work, and you reward them for going to work, and you make work pay better than welfare, then they would go to work. I don't think anyone who lived through 1995–1996 would get particularly nostalgic about the tenor of American political life during that time. But it demonstrated that bold promises are harder to keep, but also harder to stop. And the American people got behind it. The experts all told us it couldn't

The experts all told us it couldn't work. They said people wouldn't go to work or look for work. They said employers wouldn't hire them or keep them. They said welfare offices couldn't help people find work. I think the experts were proven wrong by the people on welfare who left for work.
— Bruce Reed

work. They said people wouldn't go to work or look for work. They said employers wouldn't hire them or keep them. They said welfare offices couldn't help people find work. I think the experts were proven wrong by the people on welfare who left for work.

SCHANZENBACH: Did you write this other sound bite of his, "The best anti-poverty program is still a job"? I thought that was a great Clinton line.

REED: I'm not sure that was even original to Bill Clinton, but that was the centerpiece of our philosophy. Work is the best ticket out of poverty, and if we can't do anything about the decline in marriage, it may be the only ticket out of poverty. We have to do everything we can to support people who want to work, and to help the working poor make it to the middle class.

SCHANZENBACH: Bruce, there were some real problems with the final bill that he signed, such as the devastating cuts against illegal immigrants. Why did he choose that one to sign?

REED: The first bill that he vetoed was part of the bill that block-granted Medicaid and shut down the government. The second welfare bill that the president vetoed was identical to the first. The only reason they sent it to us was that Leon Panetta, who was the director of the Office of Management and Budget, went on the Sunday shows in December 1995 and was asked, "If the president was sent that same welfare reform as a standalone bill, would he sign it?" And Leon, without consulting anyone, said no. The speaker and his colleagues said, "Whoa, this could be a really good opportunity." They sent the bill to us right away, and the president was really ticked off that we had to veto the same bill all over again. The third time was a different story. We'd been able to get a number of changes that we wanted on the welfare side. We were quite happy with the welfare-to-work provisions that had a lot more money for child care, good incentives on the states, real work requirements, and terrific child support enforcement provisions. The poison pills instead were totally unrelated to welfare, and that's what made it such a painful decision for the president. He ultimately decided that the cuts in benefits for illegal immigrants and the cuts in food stamps were things he could restore in the next Congress, but that the chance to pass a historic welfare reform bill might not come around again. So he decided to keep his promise and sign it, and in the next couple of years, he was able to restore most of those cuts.

SCHANZENBACH: It seems like not a lot is getting done in D.C. these days. Things seemed different 20 years ago. Was it easier to work together back then? Is it still possible to get good things done in Congress?

GINGRICH: Bill Clinton had been governor of a small Southern state, and he was used to dealing with a legislature. The enormous Balanced Budget Act was much, much harder than welfare reform. I think we figured out we'd spent part or all of 35 days negotiating face-to-face. We also had the great advantage that Clinton and I were policy wonks. It was like being in a graduate seminar. We both BS'ed constantly. It was just unbelievable. When you try to govern at a distance from the Congress, it's very hard to get things done. People underestimate how really human politics is, including the legislative process. Bill Clinton likes people, and that makes it much easier to deal with him. Once you're talking, he can't help himself. He has to get engaged. And now you can get something done.

REED: I agree with all that. I don't think that the times were that different. Maybe the makeup of the respective caucuses was a little bit different, but I think there's an underappreciated divide in this town between those who see politics as a quest for power and those who see it as a contest of ideas. As bitter as it was in the mid-1990s, it was definitely a contest of ideas. That's an exciting thing to be part of. I think that one lesson of welfare reform and the balanced budget agreement is that it may be easier to get bipartisan agreement with big, bold ideas than with timid, small ones. Honorable compromise is easier when both sides can walk away with something big that they believe in, even if they have to accept something else from the other side. In that kind of agreement, you're likely to get better outcomes because both sides will push their best ideas to the front, and drop the ones that were there just to keep their bases happy.

SCHANZENBACH: How have the politics around poverty, work, and welfare reform changed over the last 20 years?

GINGRICH: We tend to forget that we were reforming only one small piece of the enormous entitlement system. I think there were 187 different entitlement programs and bureaucracies, and many of them now dwarf the traditional welfare program. Look at the size of disability, look at the size of EITC—the system has now become so cumbersome and so screwed up. I'll give you an example. Journalist Sam Quinones wrote a book, *Dreamland: The True Tale of America's Opiate Epidemic*. It's a mind-blowing book, and one of the things that he does in the book is explore this chain that connects disability benefits, Medicaid, Walmart theft, and OxyContin and heroin abuse. He describes this entire ecosystem that virtually no one in D.C. knows anything about. My point is that we haven't even begun to identify the ecosystems that we have to fix. We don't understand all these relationships. If you come rushing in and say, I want to take care of Entitlement No. 17, you have no idea about the consequences because we haven't made the initial investment to understand the system that we need to reform.

SCHANZENBACH: If we were to commission a new Moynihan report today, what would it cover?

GINGRICH: If you want to do a commission, get people out of D.C. and send them to about 25 different places. Tell them to imagine they are detectives in a detective story and just listen to everybody. When you're done, put it in a mound and try to figure out what the hell it means. Nobody in public office today has any clue how dense and complex the system is. People in the bottom fifth of American life have adjusted to the governmental infrastructures in which they operate. My mother-in-law has a friend in a very small town in Wisconsin who has figured out every angle of getting on and off disability, unemployment, and two or three other programs. She has developed a model to optimize her capacity to live off the taxpayer.

REED: I'm having this amazing flashback. During the second government shutdown, right after Christmas, we were all gathered in the Cabinet room, and the president and the speaker were sitting on the same side of the table with Bob Dole in between. We started talking about welfare reform, and the president and the speaker started bouncing ideas off each other: "What will you do to reduce poverty?" "Have you read this book?" "Have you read that book?" It went on for what seemed like hours. And Bob Dole sat there thinking, "Haven't I suffered for my country enough?"

SCHANZENBACH: I want to ask a series of questions about what we've learned over the last 20 years about what it means to have a social contract built around work. Under the 1996 law, the federal-state matching grant for welfare spending was replaced by a fixed block grant. The block grant has eroded in real terms and the population has shifted, so places that received relatively small block grants now have larger poor populations. One of the challenges we've faced over the last 20 years is what I would call the cyclical problem. The block grant didn't respond during the Great Recession, so there wasn't any more money available, even though there were a lot more poor people. Are you comfortable with how the block grant is set up? Should we be doing something different?

REED: I don't think it's fundamentally a problem with the block grant. There was a reason why Bill Clinton was vehemently opposed to a Medicaid block grant and not as concerned about an AFDC block grant. A Medicaid block grant would put all that money up for grabs in the state legislatures, which means you could have a situation where the nursing home lobby could grab all that money for seniors and nothing would be left for poor kids. With welfare, states were already able to set benefit levels wherever they wanted. The downside was not nearly as great as some people thought. What's been disappointing in the last 20 years is how the states have handled the money they've received. In the first decade, there was a lot of pressure on the states to move people from welfare to work, and they had a lot of success. In the last decade, there's been much less focus and less success. As to the structure of the block grant, we could certainly use an inflation adjustment and a population adjustment. But more than that, we need to figure out how to keep the states' feet to the fire so they actually continue to put people to work. That's harder when caseloads are smaller, but the need is still there.

SCHANZENBACH: We've also experienced stagnant wage growth, especially for people with low skills, who are exactly the people who moved into the labor market as a result of welfare reform and the expansion of the EITC. Should we be considering policies that would help address the fact that there's been no real wage growth?

GINGRICH: If somebody asked me to design the next layer of reform, I wouldn't reform the Temporary Assistance for Needy Families (TANF) program. I would start by trying to understand the ecosystem within which it operates, and I would try to understand that this is a motion picture, not a Polaroid picture. You want to get somebody in the habit of working, then you want to get them the skills to do better work, and then you want to help them network to get a better job. The goal has to be to figure out a way to get people on escalators where, over a 5-, 10-, 15-year period, they rise out of poverty and begin to enter the lower middle class or the middle class. We don't think holistically about all the pieces. There is very deep crisis of the whole system. You can look at Charlotte, Baltimore, and Milwaukee, and look at the underlying patterns, and realize there are whole communities that ought to be pretty angry. The system doesn't work. The schools don't work. The neighborhoods don't work. The safety system doesn't work. There aren't jobs available. The ability to start jobs is killed by city bureaucracies and taxes. Why do people end up being really angry and being potentially triggerable? There's a seething sense for a substantial number of

You shouldn't see the 1996 act as the last dance. Let's say it only worked for three-quarters of people who were on welfare. That's a pretty good victory. . . . Now we need a new welfare reform bill for the one-fourth who weren't met by the last bill. — Newt Gingrich

people that, whatever the American dream was, it isn't theirs. I think what we achieved was extraordinary, and it was a pretty good model of bipartisan negotiating and getting something done. Local welfare offices learned how to be employment offices. It was an amazing and rapid transition. But it was tiny. We didn't think about all the other components.

We have an anti-male system. We may have thought we were doing the right thing by requiring fathers to help provide support for their children. But if you're in prison, by the time you get out, the amount that you owe has built up so much that it's hopeless. We haven't thought through these kinds of permutations. We need to put the whole thing together and realize that this is an ecosystem with linkage points. If you're going to change A, you'd better know what it means for X. Because if you don't, you could do extraordinary damage, even with the best of intentions.

REED: There's a lot that we need to do outside of welfare to deal with the downward pressures on wages and the fact that returns to labor have not nearly kept up with returns to capital in recent years, which is only going to continue with automation and innovation. We need to figure out ways to make more workers into owners. There are concrete things that we can do for low-income workers—increase child care availability, raise the minimum wage, expand the EITC. The next big set of unfinished business is with low-income men and fathers. We did what we could, but we haven't done nearly enough for this demographic to expand work and opportunity and demand more responsibility.

SCHANZENBACH: I would add that we especially need to be thinking a lot more about formerly incarcerated individuals. Let's talk more about how states have been spending their block grant. When the president signed the welfare reform bill, he also said, "The states asked for this responsibility. Now, they have to shoulder it and not run away from it." Everyone thinks the states did some great work in the first 5 to 10 years or so. But, over time, state policies have dramatically shifted. Today only about half of the block grant on average is spent on the core activities of cash assistance, child care, and work-related activities and supports. Only 8 percent of the block grant on average is spent on work-related activities and supports. Additionally, there's a lot of cross-state variation in how states spend their TANF funds. For example, Georgia only spends 15 percent of its TANF funds on those three core areas. I think there's evidence that states are kind of using this as a slush fund, and using the block grant money to supplant money that they were spending from their regular budgets, and spending that money in other places. Did you anticipate that this would happen? Do you agree that this is happening? What do you think about how the block grant has played out in practice?

REED: I'd say the states should be spending more on work. I wouldn't necessarily call it a slush fund. Part of why they're spending less on TANF is their caseload is way down, so they're spending it on other things. We can argue about whether that's the best use of that money. I think there has been very little innovation or experimentation with new ways to get people to work. I'd love to see states experimenting more with subsidized private sector employment. I'd love to see more state EITCs. This isn't just a welfare reform problem. On a lot of issues, the laboratories of democracy are not as active as they were in the 1980s and 1990s. Maybe that's a response to their own political problems and to polarization; maybe it's that Washington has been busier, and they are dealing with what Washington has done. But from welfare to a host of other issues, there haven't been enough ambitious experiments or enough governors who are willing to stake their futures on it.

SCHANZENBACH: House Speaker Paul Ryan wants to block-grant large parts of the social safety net. Knowing what we've learned from TANF, what do you think of that?

REED: The countercyclical role that the Supplemental Nutrition Assistance Program (SNAP) played in the last recession is an argument against block-granting it. Governors already have a lot of funds that they could be doing more with, and they have the capacity to raise or re-prioritize funds. One of the great things about welfare reform was that it ended the finger-pointing match between states, localities, and the federal government about who was responsible for people on welfare, and whose fault it was that it wasn't working. We made it very clear that the responsibility belonged first and foremost to the states. The federal government would watch over it and provide money. On any issue, it's good to know who's supposed to be accountable and who's on point.

SCHANZENBACH: Mr. Speaker, any cautionary tales from the block grant?

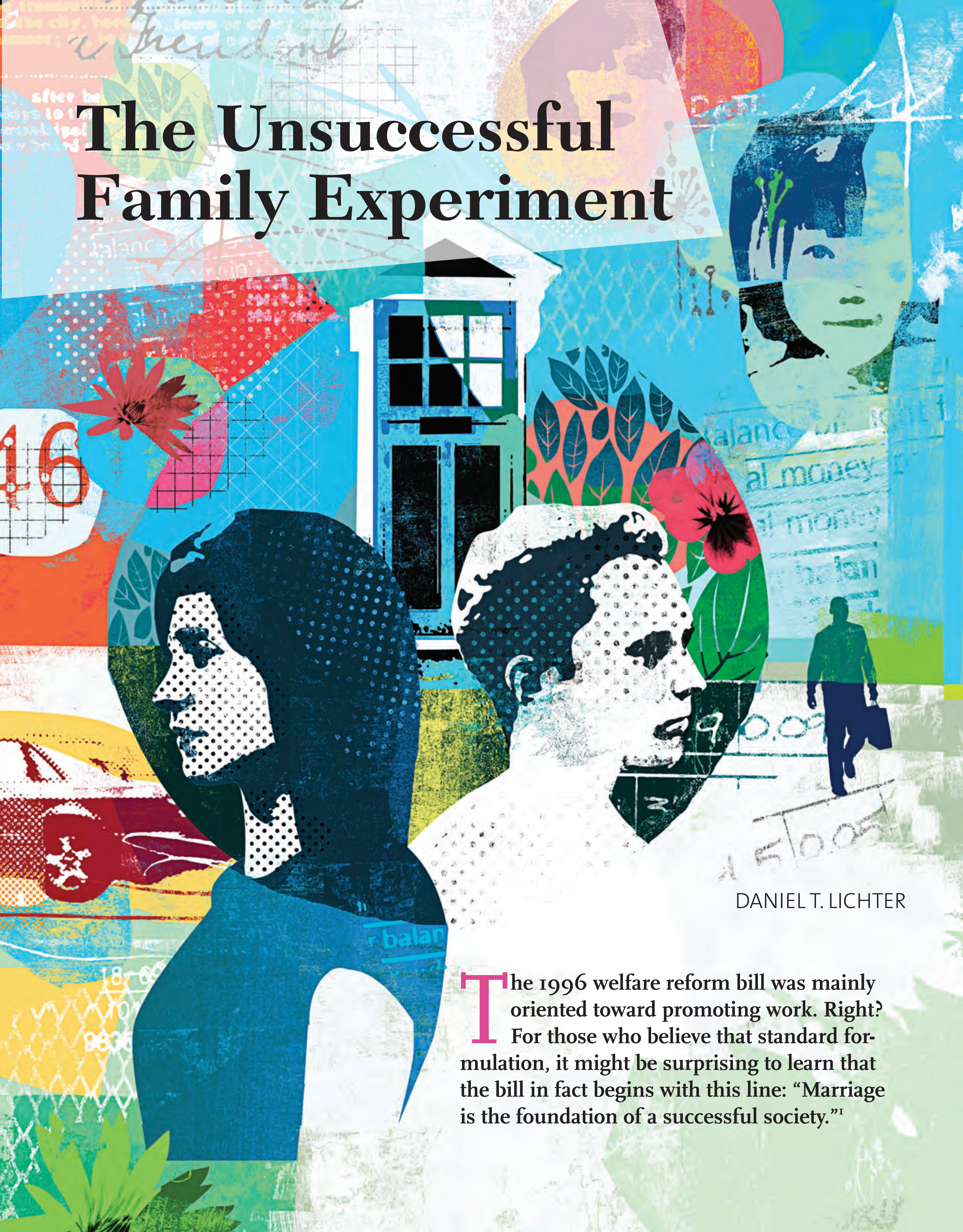
GINGRICH: Part of the reason that we designed the block grant the way we did is that we assumed the states would, at times, be capricious. And the block grant was a bipartisan negotiated effort to keep it under control. But I think there's a deeper part of this. My impression is that today you don't have any kind of driving vision of what success would be in state politics. Imagine that you represent Flint, Michigan. The amount of time and energy you'd have available right now to think about welfare reform would be zero. And so you check off things. And I think to some extent welfare reform became a check-off. We've done it. It's working fine. I don't have to think about it. Next topic. The other challenge, which almost nobody in D.C. wants to talk about, is the degree to which you have theft on an astonishing scale because the federal bureaucracy is so utterly incompetent. Billions and billions of dollars are just stolen from taxpayers. Our estimate is that theft from Medicare and Medicaid totals $110 billion per year. A responsible Washington would ask, "What would it take to thoroughly modernize the information systems so that we know who needs what, who is getting what, and who is getting services that they don't need?"

SCHANZENBACH: The research has revealed a distribution of impacts. The majority of people who were exposed to welfare reform became gainfully employed. We don't have strong numbers, but we'd probably say about three-quarters were success stories. But the one-quarter that were left behind have high barriers to work. The data indicate that a large share suffer from substance abuse and mental health problems, and there are many, many children in these households. I think the consensus is that the TANF program and the social safety net are failing them. What more should we be doing for them? Is there a way to reach out, or are they just collateral damage?

REED: One of the reasons that we designed the bill as we did is that welfare caseloads were at a record high and states were overwhelmed. Local offices couldn't differentiate between people who needed a lot of help and people who were briefly down on their luck. We anticipated that states would need to make special provisions for about 20 percent of people. I don't know if that's exactly how it has turned out. We need to keep making sure there is a path to work for people who are eager to work. We're not done building a strong enough safety net for the working poor to lift themselves out of poverty. For those in the toughest of circumstances, we need to be conducting more state pilots, looking for new answers, and figuring out whether their barriers are insurmountable. I spend a lot of time working on a project about the future of work. There are plenty of somewhat frightening aspects about the changing nature of work, but one exciting aspect is that the barriers to entry of work are getting lower and lower. We are in a position where certain types of work could become available to anybody who is able to work. It becomes all the more important to do everything we can to help the disabled and unable to work to get to a place where they can give it a shot.

GINGRICH: You shouldn't see the 1996 act as the last dance. Let's say it only worked for three-quarters of people who were on welfare. That's a pretty good victory. Then you ought to ask what do we do next. Now we need a new welfare reform bill for the one-fourth who weren't met by the last bill. To answer the question more broadly, we should eliminate the concept of disabilities and replace it with the concept of capabilities, except for the most extraordinary circumstances. If you're a 32-year-old truck driver with a bad lower back, we should test you for all the things you can do, and get you back into the game. I recently attended a military event with wounded warriors who had everything from PTSD to traumatic brain injury to amputations. Everyone there talked about how important it was to have something—archery, volleyball, anything—that they could invest in and socialize around. If we take the people who are currently on disability and apply the same intensity to helping them that we apply to wounded warriors, you could probably find a way for most of them to enjoy dramatically more complete lives.

The Unsuccessful Family Experiment



DANIEL T. LICHTER

The 1996 welfare reform bill was mainly oriented toward promoting work. Right? For those who believe that standard formulation, it might be surprising to learn that the bill in fact begins with this line: “Marriage is the foundation of a successful society.”[1]

The bill then laments the rise in out-of-wedlock births and outlines its objectives:

(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

(2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

(3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

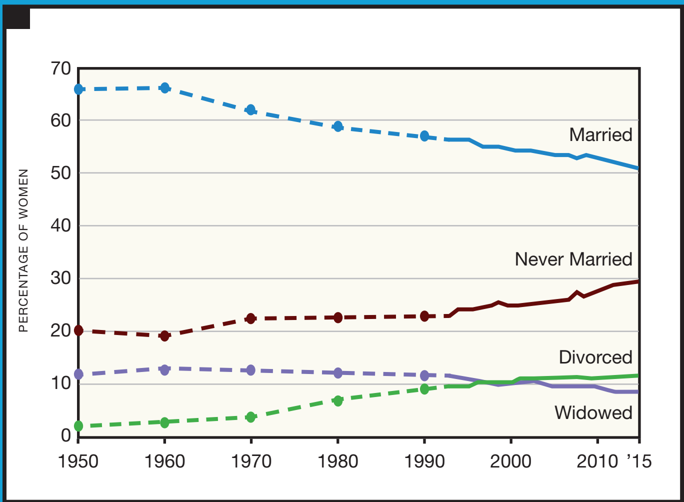
(4) encourage the formation and maintenance of two-parent families.

In a bill that is now known for reorienting the social safety net toward work, it is often forgotten that many of its goals revolved around family formation. In fact, the bill represented a major social experiment with the American family.

The law provided money for states to implement initiatives promoting healthy marriages. The specifics were left to the states, but possibilities included public advertising campaigns on the value of healthy marriages, marital skills training, and divorce reduction programs.

My question in this article is simple: Did this social experiment work? Did the law promote marriage, foster healthy relationships, and reduce nonmarital fertility? To answer this question, I look at trends in marriage, cohabitation, and nonmarital fertility.

FIGURE 1. Women's Marital Status



Note: Married includes separated and married with spouses absent.
Source: U.S. Decennial Census (1950–1990) and the Annual Social and Economic Supplement of the Current Population Survey (1993–2015).

The Retreat from Marriage

If we start by looking at marriage trends, we see that the percentage of women who are married has declined steadily over the past half century, while divorce rates have remained steady. There's little evidence that welfare reform contributed to a rebound in marriage.

Moreover, welfare reform does not seem to have affected the trend toward delaying marriage, with both men and women first tying the knot at much older ages than ever before. In 2015, the median age for men marrying for the first time was 29.2, up from 27.1 in 1996 and 23.2 in 1970. For women, the median age was 27.1 in 2015, up from 24.5 in 1996 and 20.8 in 1970.[2]

It's important that we also consider the populations most affected by welfare reform. When we do so, the main conclusion does not change: The decline in marriage is even more rapid among those with low levels of education. In 2008, 60 percent of those without a college education had married by age 30, down from 75 percent in 1990.[3]

The foregoing results make it clear that welfare reform did not reverse ongoing trends. Did it at least slow them down? This is hard to evaluate because we do not have a counterfactual. It is entirely possible that the trends would have been more extreme absent welfare reform.

The Role of First Unions

We should not, of course, focus exclusively on marriage rates. As discussed above, marriage had been declining well before passage of the 1996 welfare reform bill. Maybe it was too great a feat to expect welfare reform to stem the tide.

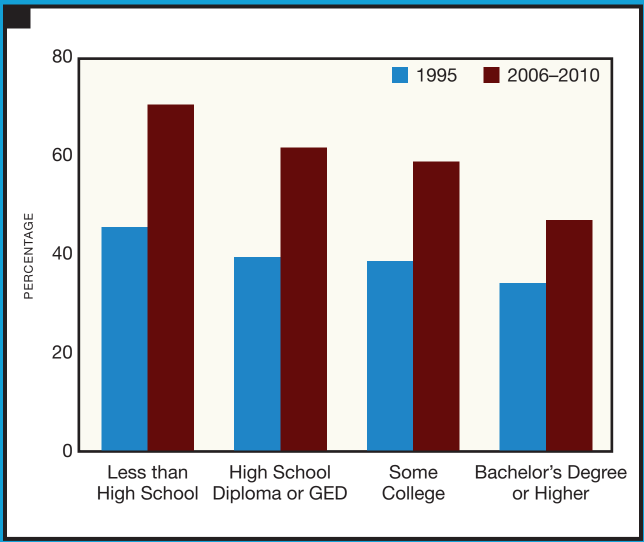
But if young adults are delaying marriage or rejecting it altogether, what is replacing this fundamental institution? The answer: cohabitation.

In fact, the fall in marriage rates is completely matched by the rise in cohabitation. In 1995, 40 percent of women aged 15 to 44 were currently in a first marriage. By 2006–2010, only 36 percent of women were in a first marriage, a 4-percentage-point drop that perfectly matches the rise in cohabitation rates, to 11 percent from 7 percent.[4] Indeed, demographers have shown that the age at first union has not changed at all in American society—what's changed is whether that first union is cohabitation or marriage.

The increase in cohabitation has been particularly pronounced among those women most at risk of receiving Temporary Assistance for Needy Families (TANF). As Figure 2 shows, among women without a high school degree, 70 percent now cohabit as their first union.[5]

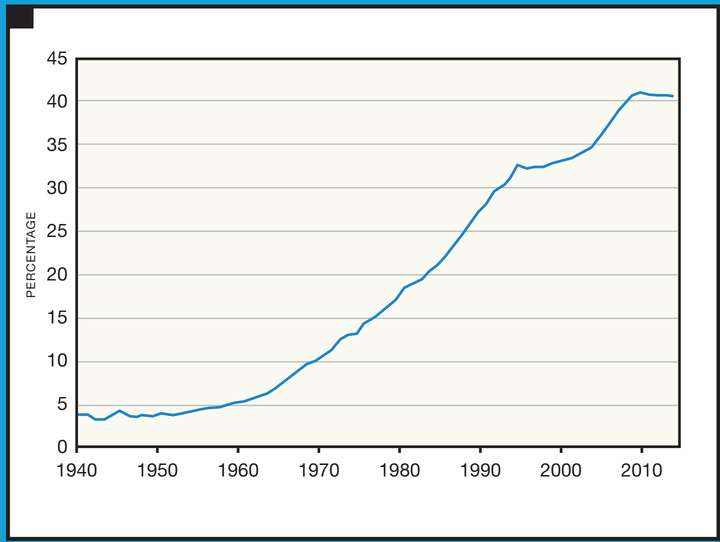
What happens after cohabitation? If these cohabiting unions segue into marriage, then maybe cohabitation doesn't fundamentally undermine the goals set forth by the welfare reform law. Or if these cohabiting unions represent long-term stable relationships, then maybe the framers of welfare reform were relying on outdated ideas about family formation.

FIGURE 2. Percentage of Women Whose First Union Was Cohabitation, Aged 22–44



Note: Analyses of education is limited to women aged 22–44 at the time of interview. GED is General Educational Development high school equivalency diploma. Source: Data from the National Survey of Family Growth (1995 and 2006–2010) in Copen, Daniels, and Mosher, 2013.

FIGURE 3. Percentage of Births to Unmarried Women



Source: Data from National Vital Statistics Reports in Solomon-Fears, 2014.

But neither of those alternative interpretations appears to hold true. Instead, a large share of cohabiting unions end with the partners breaking up. For those with at least a college degree, about 24 percent of cohabiting couples transition to marriage annually, a rate that hasn't changed much over the past two decades. But those with the lowest levels of education are far less likely today than they were 20 years ago to marry their cohabiting partner. For cohabiting individuals with less than a high school degree, the likelihood of transitioning into marriage in any given year is 10 percent, down from 30 percent in the early 1990s.[6]

Fertility and Family Composition

We turn now to nonmarital fertility, which is a particularly important indicator because it affects whether women marry, whether they stay married, and whether they marry an economically attractive man.[7]

The percentage of births to unmarried women started rising steadily in the 1960s, flattened slightly right after 1996, began rising again, and now hovers around 41 percent, which represents about 1.6 million births annually.[8] It's important to note, however, that the increase in nonmarital births is not due to an increase in the nonmarital birth rate (the number of births per 1,000 unmarried women of childbearing age). Instead, it is largely a consequence of the continuing retreat from marriage. Unmarried women now make up a larger share of women of childbearing age.

Given the record number of nonmarital births, it's worth asking how unwed mothers fare in the marriage market and whether their fortunes changed after welfare reform. In work with Deborah Roempke Graefe, I found that women who have children outside of marriage continue to face significant disadvantages. They are no more or less likely to marry than they were before welfare reform, but when they do marry, they're now more likely to marry a disadvantaged partner.[9]

Finally, alongside this rise in out-of-wedlock births, we've seen an increase in the complexity of children's living arrangements. The share of children who live only with their never-married mother has increased sharply since 1990, and more children now live with grandparents, same-sex couples, cohabiting couples, foster parents, adoptive parents, or divorced parents. The key conclusion here: Many more children across the income spectrum are not living in traditional two-parent families.[10]

Conclusion

Across an array of indicators, there is little demonstrable evidence of large or significant effects of the 1996 welfare reform legislation on marriage and family formation. Since its enactment 20 years ago, we haven't seen a return to marriage, a reduction in out-of-wedlock pregnancies, or a strengthening of two-parent families. Instead, we have moved toward greater family complexity and diversified pathways to family formation, with patterns diverging by economic status, race, and geography.

That leaves us with several important questions: Will the effects of welfare reform ultimately show up sometime in the future, perhaps when the children most impacted begin families of their own? Should we attempt to pull different or more policy levers to halt the retreat from marriage? Or should we accept that we are unlikely to return to an earlier period when marriage rates were high and divorce infrequent? Should we focus instead on how we can promote healthy relationships and family stability in the context of growing cohabitation and new forms of partnering and parenting?

Daniel T. Lichter is the Ferris Family Professor in the Department of Policy Analysis & Management, Professor of Sociology, and Director of the Institute for the Social Sciences at Cornell University. He leads the residential segregation research group at the Stanford Center on Poverty and Inequality.

Notes

1. *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*. Public Law 104-193. Retrieved from https://www.congress.gov/104/plaws/publ193/PLAW-104publ193.pdf.

2. U.S. Census Bureau. "Table MS-2: Estimated Median Age at First Marriage, by Sex: 1890 to the Present." Retrieved March 20, 2017, from https://www.census.gov/hhes/families/data/marital.html.

3. Fry, Richard. 2010. "The Reversal of the College Marriage Gap." Pew Research Center. Retrieved from http://www.pewsocialtrends.org/2010/10/07/the-reversal-of-the-college-marriage-gap.

4. Copen, Casey E., Kimberly Daniels, Jonathan Vespa, and William D. Mosher. 2012. "First Marriages in the United States: Data From the 2006–2010 National Survey of Family Growth." *National Health Statistics Reports* 49, Figure 1. Retrieved from https://www.cdc.gov/nchs/daTa/nhsr/nhsr049.pdf.

5. Copen, Casey E., Kimberly Daniels, and William D. Mosher. 2013. "First Premarital Cohabitation in the United States: 2006–2010 National Survey of Family Growth." *National Health Statistics Reports* 64, Figure 2. Retrieved from https://www.cdc.gov/nchs/data/nhsr/nhsr064.pdf.

6. Kuo, Janet Chen-Lan, and R. Kelly Raley. 2016. "Diverging Patterns of Union Transition Among Cohabitors by Race/Ethnicity and Education: Trends and Marital Intentions in the United States." *Demography* 53(4), 921–935.

7. See, for example, Lichter, Daniel T., Deborah Roempke Graefe, and J. Brian Brown. 2003. "Is Marriage a Panacea? Union Formation Among Economically Disadvantaged Unwed Mothers." *Social Problems* 50(1), 60–86.

8. Data from Ventura, Stephanie J., and Christine A. Bachrach. 2000. "Nonmarital Childbearing in the United States, 1940–99." *National Vital Statistics Reports* 48(16); Martin, Joyce A., Brady E. Hamilton, Michelle J.K. Osterman, Sally C. Curtin, and T.J. Mathews. 2013. "Births: Final Data for 2012." *National Vital Statistics Reports* 62(9); Hamilton, Brady E., Joyce A. Martin, Michelle J. K. Osterman, and Sally C. Curtin. 2014. "Births: Preliminary Data for 2013." *National Vital Statistics Reports* 63(2). Published in Solomon-Fears, Carmen. 2014. "Nonmarital Births: An Overview." Congressional Research Service. Retrieved from https://fas.org/sgp/crs/misc/R43667.pdf.

9. Graefe, Deborah Roempke, and Daniel T. Lichter. 2008. "Marriage Patterns Among Unwed Mothers: Before and After PRWORA." *Journal of Policy Analysis and Management* 27(3), 479–497.

10. U.S. Census Bureau. "Table CH-1. Living Arrangements of Children Under 18 Years Old: 1960 to Present"; U.S. Census Bureau; "Table CH-5. Children Under 18 Years Living With Mother Only, by Marital Status of Mother: 1960 to 2014." Retrieved March 20, 2017, from https://www.census.gov/hhes/families/data/children.html.

THE KIDS ARE ALL RIGHT

JANET M. CURRIE

Bill Clinton ran on a promise to "end welfare as we know it." He vetoed the first two welfare reform bills passed by Congress, but in August 1996, Congress sent him a third version. He signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), fulfilling his campaign pledge and transforming the social safety net for millions of Americans.

PRWORA was a sweeping piece of legislation—it ended cash entitlements to welfare recipients, imposed work requirements, created tough child support enforcement mechanisms, and much more.

Twenty years later, we know that welfare rolls shrunk and employment rates of single mothers rose after PRWORA went into effect in July 1997, and we also know that many parents lost their only source of cash income and now struggle to survive on less than $2 per person per day.[1]

But welfare reform involved more than just PRWORA. Indeed, there have been many changes to safety net programs since PRWORA, including expansions of Medicaid and the Earned Income Tax Credit (EITC). In this article, we pose the following question: Has the overall set of changes to the safety net since PRWORA improved outcomes for children?

To answer that question, we look at several measures of child well-being—mortality rates, teen pregnancy, drug use, and high school graduation rates—and find that across all these measures, poor children are much better off today.

Mortality Rates

We start with mortality rates because they offer an unambiguous, though admittedly blunt, measure of how children's fortunes have changed over time. Happily, mortality rates have fallen dramatically for all children since 1990.[2]

When we examine trends for children in poor U.S. counties, we find that mortality rates have declined even more sharply. As shown in Figure 1, child mortality rates are higher in poorer places, but the poorest places have experienced the greatest declines in mortality.[3] Deaths for boys ages 0–4 in the wealthiest counties dropped by 4.2 per 1,000 births between 1990 and 2010, compared with a decline of 8.5 per 1,000 in the poorest counties.[4]

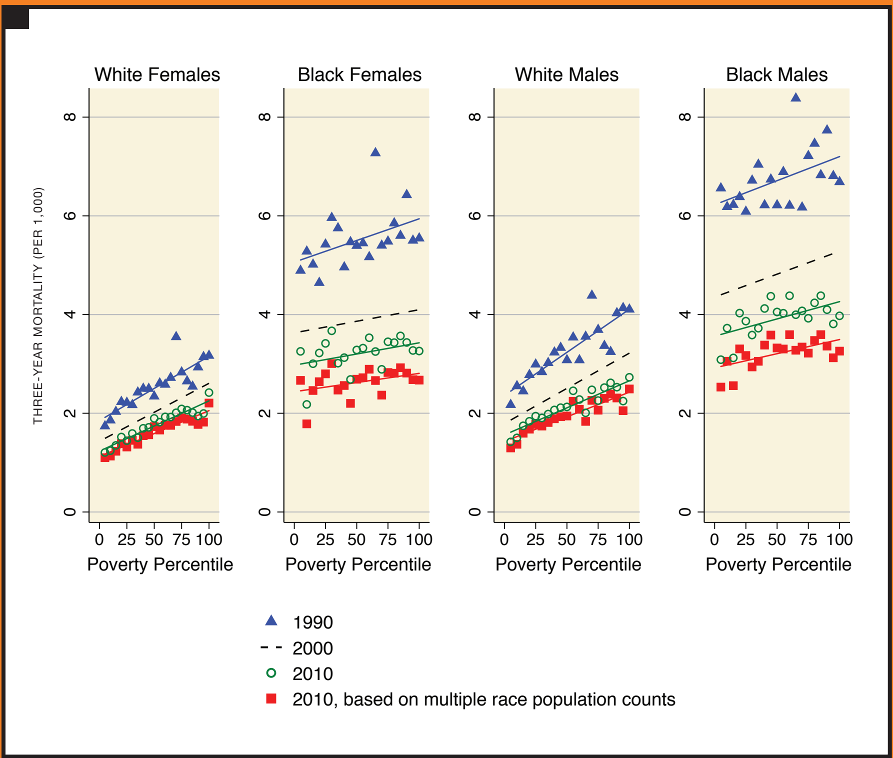
Perhaps even more striking is the reduction in mortality rates among black children. In 1990, black mortality rates were much higher than white mortality rates, even when comparing black children in the richest places with white children in the poorest (6.2 deaths per 1,000 births for black male children in the richest counties; 4 per 1,000 for white male children in the poorest counties).[5] Thus, on the eve of welfare reform, racial disparities trumped geographic disparities.

In 2010, the mortality rate for black male children in the richest counties was still higher than the mortality rate for white male children in the poorest counties, but the gap had narrowed considerably. When children with multiple races (a growing category) are included in the analysis, black-white child mortality gaps have closed even further.

Overall, we've seen a significant decline in mortality and racial inequality in mortality for children.

This rosy outlook may appear at odds with much of the recent mortality research showing a large mortality gap between the rich and poor in the United States. But these studies focus on Americans in middle age, and thus the gap largely reflects past health history and other factors such as drug and alcohol use.[6] As Figure 1 shows, the income mortality gradient now is relatively shallow among young children.

FIGURE 1. Three-Year Mortality Rates Across County Groups Ranked by Poverty Rates, Aged 0–4



Source: Data from Vital Statistics, U.S. Census, and American Community Survey. Published in Currie and Schwandt, 2016b.

Other Health-Related Metrics

It's not enough to say that children are simply surviving at higher rates than they were prior to welfare reform. We must also examine quality-of-life metrics to determine whether children are living healthier, more promising lives.

Research shows that healthier children grow up to be healthier adults, and improvements in children's health today would suggest that mortality inequality in old age is likely to decline in the future (though it may be higher among those who are currently middle-aged).[7]

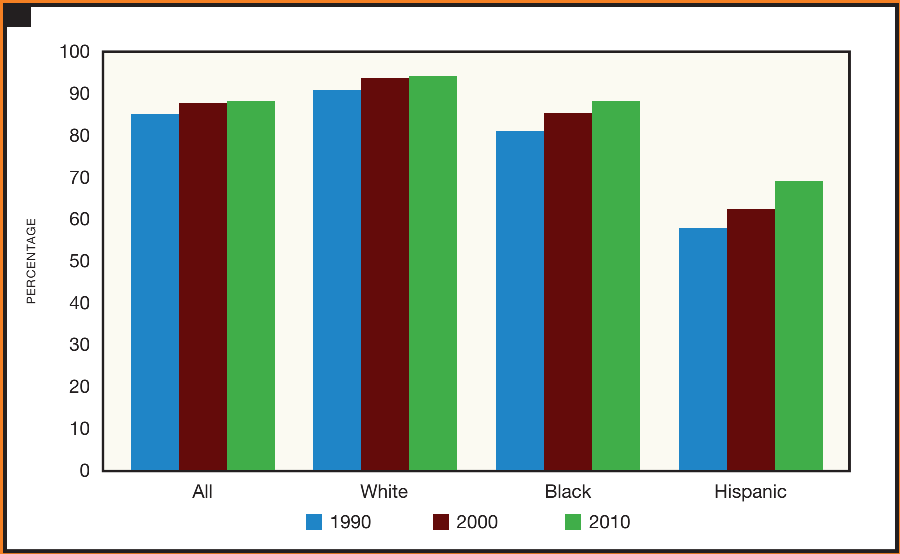
In 1996, more than 40 percent of eighth graders reported using alcohol. By 2015, that statistic had fallen by half.[8] Similarly, the fraction of teenagers who smoke has declined significantly. Lifetime usage fell 32.4 percentage points for 12th graders from 1996 to 2015, while daily use fell 16.7 percentage points.[9]

Smoking is a leading cause of poor health in the United States, and many of its ill effects are irreversible even after smokers have quit. The significant drop in lifetime smoking rates for 12th graders—from 63.5 percent to 31.1 percent—should translate into a much healthier population in the future.

Finally, in one of the biggest public health successes of the past few decades, the teen pregnancy rate has declined precipitously. In 1990, the teen pregnancy rate for African-Americans was 116 births per 1,000 women, and by 2014, it had fallen to 35.[10] Declines are also evident for Hispanics and whites. Though teen births still occur disproportionately to blacks and Hispanics compared to whites, racial and ethnic gaps in teen pregnancy have narrowed appreciably.

Rising obesity rates among children are one caveat to this positive picture. However, the most recent national surveys suggest the trend has reversed among children 11 and younger, suggesting that heightened awareness of the dangers of obesity and policy responses are having an effect.[11]

FIGURE 2. Percentage of 24- to 29-Year-Olds with Four Years of High School or More



Source: Current Population Survey.

Educational Attainment

Moving beyond health-related metrics, we turn now to educational attainment, because it's such an important factor in determining children's future prospects.

High school graduation rates have risen across the board, as shown in Figure 2. Yet echoing the pattern seen for child mortality and teen pregnancy, blacks and Hispanics have made large gains relative to whites, narrowing ethnic and racial gaps in educational attainment.

The overall increase in high school graduation rates helps to explain the results of a recent study showing dramatic increases in mortality rates among white females who drop out of high school.[12] Because there were 66 percent fewer white female high school dropouts in 2010 than in 1990, the recent mortality statistics are drawn from a different—and far more disadvantaged—group of people.[13]

The Role of Policy

If we accept that children are better off today in many tangible respects than they were in the 1990s, we still have to ask: What role did welfare reform play? What other factors may have contributed to the improvement in children's fortunes?

It is difficult to disentangle the effects of welfare reform from the economic and other changes that have occurred since the 1990s, and we will not endeavor to do so here. However, we will provide a brief overview of some of the most significant policy changes that were intended to address children's well-being.

First, starting in the late 1980s and continuing through the 1990s, Medicaid was expanded to cover all poor children and many children in lower-income working families, rather than only covering the children of welfare recipients. In addition, the creation of the State Children's Health Insurance Program (SCHIP) in 1997 expanded public health insurance for poor pregnant women and children. Today, 48 percent of all births are paid for by Medicaid.[14] Several recent papers compare the first cohorts to have access to expanded public health insurance with older cohorts born just before the expansion of coverage. This research shows clear improvements in health for children who became eligible for public health insurance.[15] Because these children have benefitted from health insurance their entire lives, they are in better health now, and we should expect continued health benefits as they enter adulthood.

Second, Congress expanded the EITC in 1993, with the goal of eliminating poverty for those who work full-time. In the same year, Congress added more money for the Food Stamp Program (now called the Supplemental Nutrition Assistance Program), which has continued to expand over time. Both reforms provided additional resources to children who lived in qualifying households. Studies show that these changes have had positive impacts, especially for the most vulnerable children.[16]

Finally, in response to growing evidence about the importance of preschool environments, many states developed or expanded their public child care and preschool programs, and such programs now serve more children than Head Start. Of course, many of these programs are effectively modeled on Head Start, and both Head Start and state preschool programs have been shown to improve the short- and long-term outcomes of poor children.[17]

Conclusion

On many indicators, children are much better off today than they were before PRWORA, especially poor children and African-American children. Indeed, the improvement in children's fortunes suggests that policy may be able to buffer the health effects of economic inequality.

While these trends likely reflect, at least in part, other PRWORA-era developments (e.g., economic expansion and other policy and cultural changes), improvements in child well-being over the past 20 years are clear. Despite the strong evidence that outcomes for children have improved dramatically, these trends have been almost entirely ignored in public discourse. We should endeavor to preserve policies that have benefitted children and facilitated these improvements. If we don't, we risk losing the sizable gains that children have made.

Janet M. Currie is the Henry Putnam Professor of Economics and Public Affairs and Director of the Center for Health and Well-Being at Princeton University.

Notes

1. Edin, Kathryn J., and H. Luke Schaefer. 2015. *$2.00 a Day: Living on Almost Nothing in America*. New York: Houghton Mifflin Harcourt.

2. Currie, Janet M., and Hannes Schwandt. 2016a. "Inequality in Mortality Between Rich and Poor U.S. Counties Decreased Among the Young While Increasing for Older Adults, 1990–2010." *Science* 352(6286), 708–712.

3. To assess mortality rates, we rank all U.S. counties from poorest to richest and then group the counties into bins, each of which represents about 5 percent of the total population. Deaths are from the Vital Statistics data and population counts are from the decennial Census (1990, 2000, and 2010). In total, our results are based on 21,175,011 deaths.

4. Currie and Schwandt, 2016a.

5. Currie, Janet M., and Hannes Schwandt. 2016b. "Mortality Inequality: The Good News from a County-Level Approach." *Journal of Economic Perspectives* 30(2), 29–52. Constructing mortality rates by race is complicated by the fact that respondents have been able to choose multiple races on the Census since 2000, while the Vital Statistics data lists only one race.

6. See, for example, Chetty, Raj, Michael Stepner, Sarah Abraham, Shelby Lin, Benjamin Scuderi, Nicholas Turner, Augustin Bergeron, and David Cutler. 2016. "The Association Between Income and Life Expectancy in the United States, 2001–2014." *JAMA* 315(16), 1750–1766.

7. See, for example, Brown, David W., Amanda E. Kowalski, and Ithai Z. Lurie. 2015. "Medicaid as an Investment in Children: What Is the Long-Term Impact on Tax Receipts?" NBER Working Paper 20835; Finch, Caleb E., and Eileen M. Crimmins. 2004. "Inflammatory Exposure and Historical Changes in Human Life-Spans." *Science* 305(5691), 1736–1739; Miller, Sarah, and Laura R. Wherry. 2015. "The Long-Term Health Effects of Early Life Medicaid Coverage." Retrieved from https://ssrn.com/abstract=2466691; Wherry, Laura R., and Bruce D. Meyer. 2016. "Saving Teens: Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility." *Journal of Human Resources* 51(3), 556–588; Wherry, Laura R., Sarah Miller, Robert Kaestner, and Bruce D. Meyer. 2015. "Childhood Medicaid Coverage and Later Life Health Care Utilization." NBER Working Paper 20929.

8. Monitoring the Future Study. 2015. University of Michigan. Retrieved from https://www.drugabuse.gov/related-topics/trends-statistics/monitoring-future/monitoring-future-survey-overview-findings-2015#GN2.

9. Monitoring the Future Study, 2015. Retrieved from http://www.monitoringthefuture.org/data/15data/15cigtbl1.pdf.

10. Hamilton, Brady E., Joyce A. Martin, Michelle J.K. Osterman, Sally C. Curtin, and T.J. Mathews. 2015. "Births: Final Data for 2014." *National Vital Statistics Reports* 64(12), Table 8. Retrieved from https://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_12.pdf.

11. Centers for Disease Control and Prevention. "Table 59: Obesity Among Children and Adolescents Aged 2–19 Years, by Selected Characteristics: United States, Selected Years 1988–1994 Through 2011–2014." Retrieved from https://www.cdc.gov/nchs/data/hus/2015/059.pdf.

12. Case, Anne, and Angus Deaton. 2015. "Rising Morbidity and Mortality in Midlife Among White Non-Hispanic Americans in the 21st Century." *PNAS* 112(49), 15078–15083.

13. Currie and Schwandt, 2016b.

14. Markus, Anne Rossier, Ellie Andres, Kristina D. West, Nicole Garro, and Cynthia Pellegrini. 2013. "Medicaid Covered Births, 2008 Through 2010, in the Context of the Implementation of Health Reform." *Women's Health Issues* 23(5), e273–e280.

15. See, for example, Currie, Janet, Sandra Decker, and Wanchuan Lin. 2008. "Has Public Health Insurance for Older Children Reduced Disparities in Access to Care and Health Outcomes?" NBER Working Paper 14173.

16. Hoynes, Hilary, Diane Whitmore Schanzenbach, and Douglas Almond. 2016. "Long Run Economic and Health Impacts of Participation in the Food Stamp Program." *American Economic Review* 106(4), 903–934; Hoynes, Hilary, Doug Miller, and David Simon. 2015. "Income, the Earned Income Tax Credit, and Infant Health." *American Economic Journal: Economic Policy* 7(1), 172–211.

17. Deming, David. 2009. "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start." *American Economic Journal: Applied Economics* 1(3), 111–134; Hill, Carolyn J., William T. Gormley Jr., and Shirley Adelstein. 2015. "Do the Short-Term Effects of a High-Quality Preschool Program Persist?" *Early Childhood Research Quarterly* 32, 60–79.

Did Welfare Reform Increase Employment and Reduce Poverty?

ROBERT A. MOFFITT AND STEPHANIE GARLOW

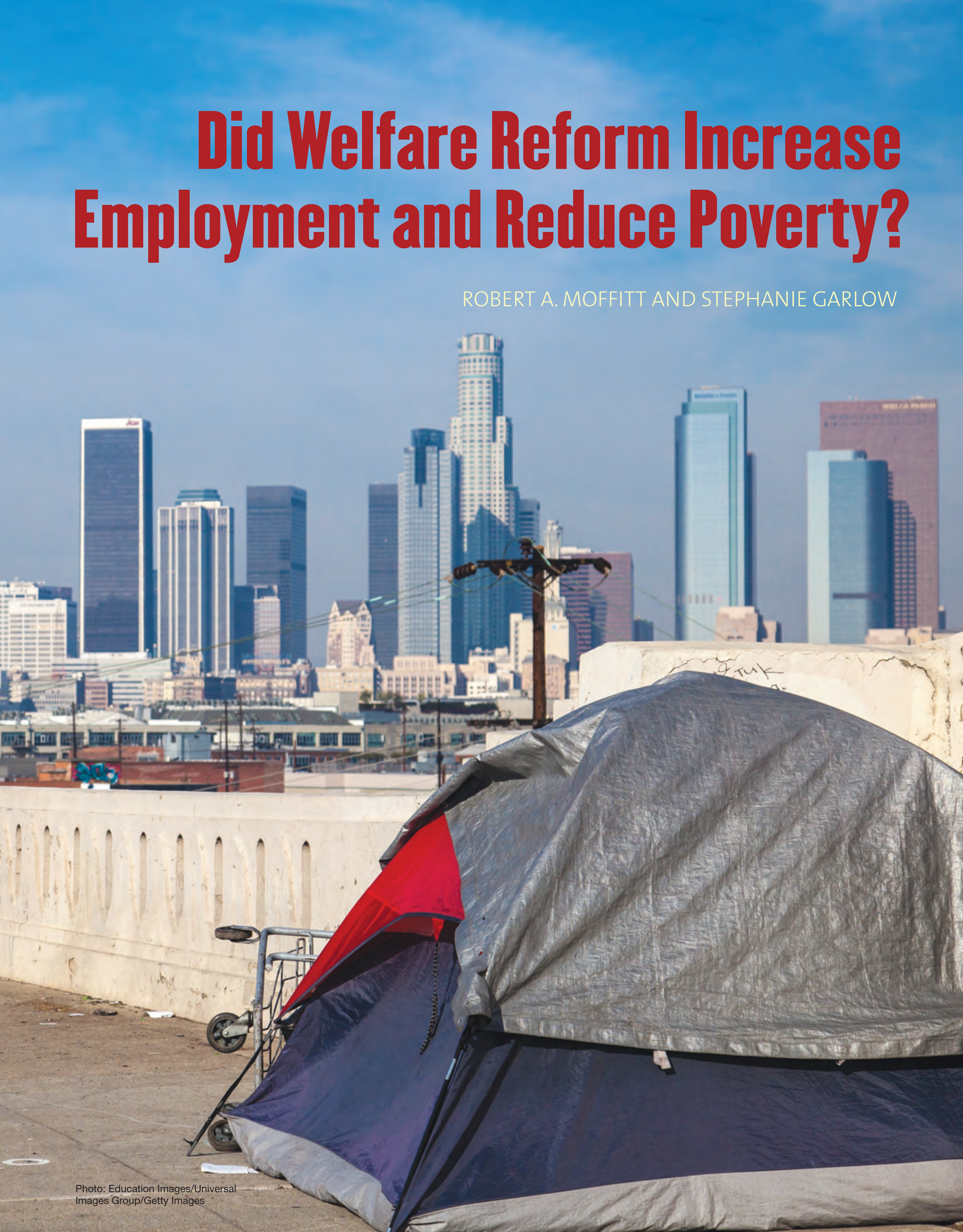


Photo: Education Images/Universal Images Group/Getty Images

In 1935, in the midst of the Great Depression, Congress created a welfare program to provide cash to poor families with "dependent" children. The new program—called Aid to Families with Dependent Children (AFDC)—was meant to provide financial assistance to single mothers, mostly widows, so they could stay home with their children instead of going to work.

For 60 years, AFDC endured as the country's best-known cash assistance program for the poor, until Congress replaced it in 1997 with the Temporary Assistance for Needy Families (TANF) program. In a dramatic departure, the new welfare law introduced time limits and work requirements with the goals of encouraging work and discouraging "dependency."

Were those goals realized? There is of course a swirl of opinions on this question. In this article, we review the *high-quality* research on the law's effects on work and poverty, with the simple objective of examining whether welfare reform succeeded in reducing dependence on welfare and increasing self-sufficiency.

Was Welfare Recipiency Discouraged?

It is useful to begin by asking whether the new welfare regime affected the number of people on the welfare rolls. The data make it clear that over the past half century, the number of people receiving welfare has fluctuated dramatically. As Figure 1 shows, the number of AFDC recipients rose sharply during the welfare explosion of the 1960s, then flattened over the next two decades, before peaking in 1994 with more than 14 million AFDC recipients.[1]

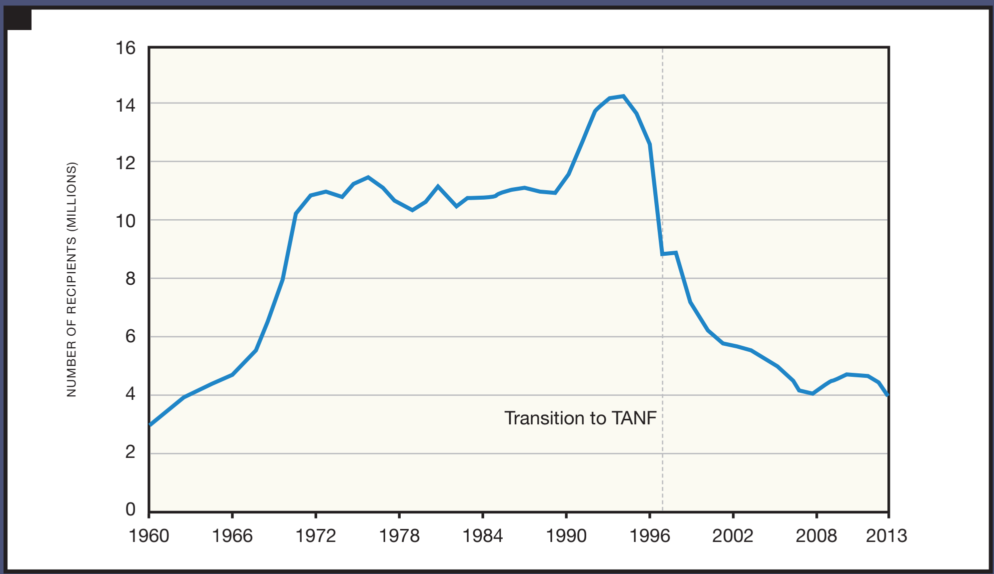
It then started falling, declining by 40 percent over the next three years, coincident with the transition from AFDC to TANF. By 2000, half as many people were receiving welfare. Even the Great Recession in 2007–2009 caused only a small increase in caseloads. By 2013, about 4.1 million people collected welfare, about the same number as in 1964.[2] Thus, it's clear that many fewer people depend on welfare assistance now than before the enactment of welfare reform.

But how much of a role did welfare reform play in driving people off the rolls? It's hard to say because it's difficult to isolate the effect of welfare reform from the effects of other important economic changes. Three years before the passage of welfare reform, Congress expanded the generosity of the Earned Income Tax Credit (EITC), increasing the financial incentives to low-wage work. Additionally, over the same period, the economy boomed and the unemployment rate dropped to historic lows, from 7.5 percent in 1992 to 4.0 percent in 2000.[3]

Many studies have tried to disentangle the various factors at play. While welfare reform unquestionably contributed to the decline, many of the initial studies focused on the role of the strong economy. Geoffrey Wallace and Rebecca Blank estimated that 28–35 percent of the reduction in welfare caseloads in 1997–1998 was due to the enactment of TANF, and other studies put the number even lower.[4]

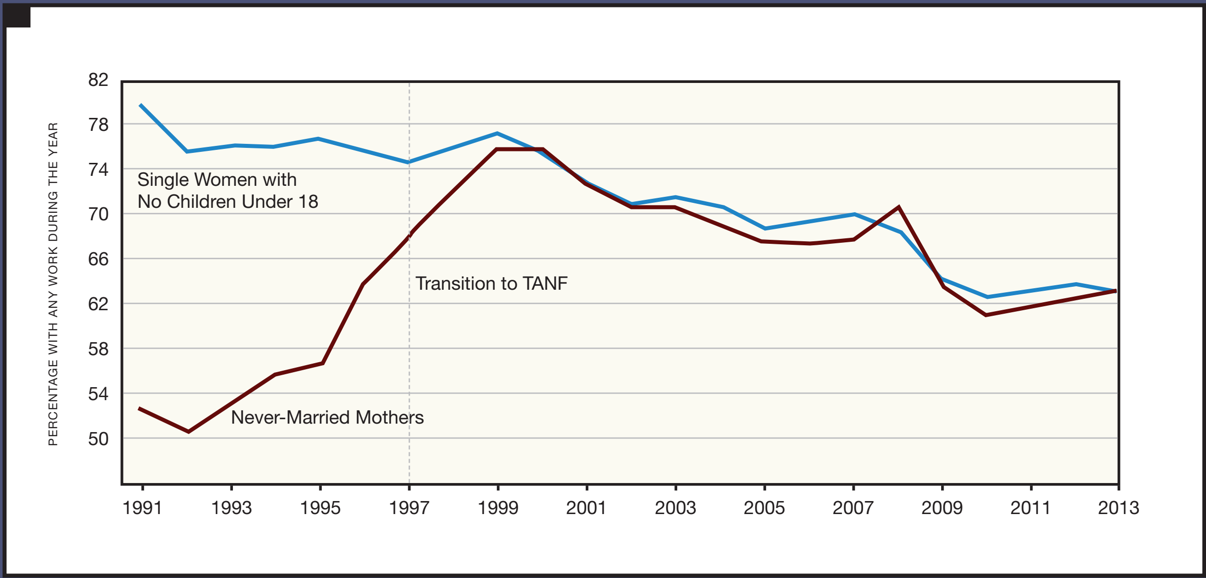
But looking at the longer-term trends, it now appears that those initial estimates were too low. As Figure 1 shows, caseloads did not increase significantly during the mild recession

FIGURE 1. AFDC/TANF Recipients, 1960–2013



Source: Ziliak, 2016.

FIGURE 2. Work Rates of Never-Married Women, Aged 20–49 with a High School Education or Less, 1991–2013



Source: Center on Budget and Policy Priorities analysis of Current Population Survey.

of 2000–2001 or during the Great Recession, when unemployment rose to 9.6 percent, suggesting that studies conducted in the early years of welfare reform may have underestimated its effects. It now appears that welfare reform drove the reduction in caseloads.

The Effect on Employment

If we know that large numbers of Americans—and particularly women—left the welfare rolls in the 1990s, we next ask: What happened after they left welfare? Did they join the workforce? Were they stably employed?

In Figure 2, we compare single women without children to never-married mothers, who tend to fare worse economically than divorced or separated women and have the highest rates of welfare receipt. We find that the employment rates of never-married mothers climbed dramatically starting in the AFDC waiver period and continued to climb throughout the 1990s.

"Leaver studies"—studies that tracked families who left the welfare rolls—provide additional insight. Although different localities used different methodologies, most "leaver studies" reported that between 53 percent and 70 percent of welfare leavers were ultimately employed after exiting the rolls.[5] Over half of employed leavers worked at least 30 hours per week.[6]

But again, we have to ask whether this increase in employment is, in fact, attributable to welfare reform. In some of the available causal studies, welfare reform has been shown to be responsible for raising employment rates between 2.9 and 3.9 percent.[7]

It is possible, however, that these estimates overstate the effects of welfare reform. The main competing claim is that the introduction and expansion of the EITC drove much of the increase in employment.[8] For example, Jeffrey Grogger concluded that the expansion of the EITC appears to have been the "most important single factor in explaining why female family heads increased their employment over the 1993–1999 period."[9]

The Effects on Earnings and Poverty

Given the mass exodus from the welfare rolls, we want to know whether the transition from welfare to work improved the financial circumstances of those who would have received welfare. In other words, did welfare reform actually raise people out of poverty?

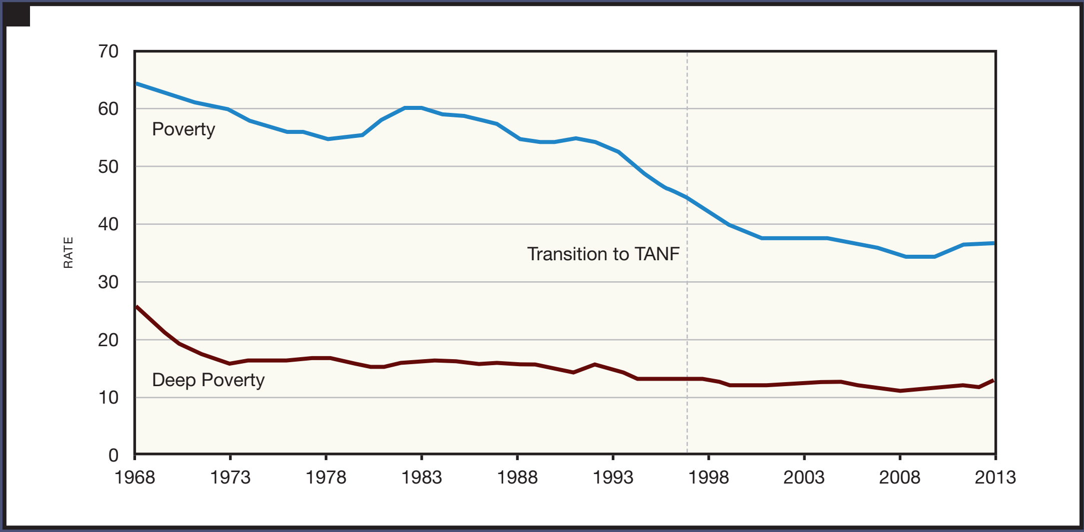
As discussed above, a substantial portion of welfare recipients who left welfare were successful in finding full-time or nearly full-time work. Unsurprisingly, women with greater levels of education, better health status, and older children tended to fare better,[10] and many are now better off than when on welfare.

However, many women took low-wage jobs, and the increase in their earnings was often canceled out by their loss of welfare benefits, leaving their overall income relatively unchanged.[11]

And welfare reform seems to have made matters worse for a significant number of single mothers who lost their welfare benefits and could not find work. About 40 percent of former welfare recipients are not working, and Rebecca Blank estimated that 20–25 percent of all low-income single mothers were neither working nor on welfare in 2007.[12]

This distribution of effects on earnings is echoed by the trend in the rates of poverty, deep poverty, and extreme poverty. As Figure 3 shows, the poverty rate for single mothers had started falling in the 1980s and kept falling after the passage of welfare reform. Most of that decline in the poverty rate comes from fam-

FIGURE 3. Poverty and Deep Poverty Rates of Single Mothers, 1968–2013



Note: Poverty rates calculated using the Supplemental Poverty Rate.
Source: Fox, Liana, Christopher Wimer, Irwin Garfinkel, Neeraj Kaushal, JaeHyun Nam, and Jane Waldfogel. 2015. "Trends in Deep Poverty from 1968 to 2011: The Influence of Family Structure, Employment Patterns, and the Safety Net." *RSF: The Russell Sage Foundation Journal of the Social Sciences* 1(1), 14–34.

ilies who used to make between 50 percent and 100 percent of the poverty line, but whose increased earnings have now raised them above the poverty threshold.

In contrast, the deep poverty rate—the percentage of families making less than 50 percent of the poverty line—has not changed much, as Figure 3 again shows. And extreme poverty has risen sharply. Since the passage of welfare reform, the number of families in extreme poverty has grown dramatically (see the following piece by H. Luke Shaefer and Kathryn Edin on the rise of extreme poverty since welfare reform).

This pattern of effects suggests that welfare reform offered more help to families who were close to the poverty line than to families mired in deep or extreme poverty.

Components of Reform

Thus far, we've considered welfare reform as a whole, but the law actually comprises many different pieces—work requirements, time limits, sanctions, block grants, and much more. Did caseloads decline because of work requirements? Did employment increase because of sanctions? What role did block grants play?

Unfortunately, the research to date has not succeeded in disentangling the relative contributions of each of these components. The reform was adopted nationally after 1996, providing little opportunity to perform cross-sectional or cross-state comparisons. Additionally, the different components of welfare reform are complex and correlated with each other within states, making measurement difficult.

The upshot: We cannot say with confidence what might have happened if we had changed just one component of the welfare system—such as work requirements—while leaving everything else fixed.

Conclusion

In evaluating the implications of welfare reform for work, there are three especially important questions, each of which we've sought to take on here. Although the answers are less definitive than one would like, we would argue that the following answers reflect the weight of current evidence.

Did welfare reform reduce welfare recipiency? The welfare rolls indeed plummeted under the influence of welfare reform. If anything, some of the early studies underestimated the causal effect of welfare reform itself (as against the effects of economic expansion).

Did it increase employment? Although there remains some ambiguity on the relative importance of the EITC and welfare reform in accounting for changes in employment, it is clear that welfare reform played an important role. In the initial years after reform, many more women joined the labor force than even the reform's most ardent supporters had hoped.

Did it reduce poverty? There are two sides to the answer to this question. It would appear that, while welfare reform assisted families with incomes close to the poverty threshold, it did less to help families in deep or extreme poverty. Under the current welfare regime, many single mothers are struggling to support their families without income or cash benefits. Even women who are willing to work often cannot find good-paying, steady employment.

Is it time for another round of reform to address these remaining problems? The simple answer: Yes.

Robert A. Moffitt is the Krieger-Eisenhower Professor of Economics at Johns Hopkins University. Stephanie Garlow is Communications Director at the Stanford Center on Poverty and Inequality.

Notes

1. Ziliak, James P. 2016. "Temporary Assistance for Needy Families." In *Economics of Means-Tested Transfer Programs, Volume I,* ed. Robert A. Moffitt. Chicago: University of Chicago Press.

2. Ibid.

3. Bureau of Labor Statistics, U.S. Department of Labor. Unemployment Rate. Retrieved March 20, 2017, from https://data.bls.gov/timeseries/LNU04000000?years_option=all_years&periods_option=specific_periods&periods=Annual+Data.

4. For an overview of research on caseload changes, see Blank, Rebecca, M. 2001. "Declining Caseloads/Increased Work: What Can We Conclude About the Effects of Welfare Reform?" *FRBNY Economic Policy Review* 7(2), 25–36. Retrieved from https://www.newyorkfed.org/medialibrary/media/research/epr/01v07n2/0109blan.pdf.

5. Brauner, Sarah, and Pamela Loprest. 1999. "Where Are They Now? What States' Studies of People Who Left Welfare Tell Us." *Urban Institute*. Retrieved from http://webarchive.urban.org/UploadedPDF/anf32.pdf.

6. Ibid.

7. Grogger, Jeffrey, and Lynn A. Karoly. 2005. *Welfare Reform: Effects of a Decade of Change*. Cambridge, MA: Harvard University Press.

8. In one of the earliest studies that tried to disentangle the effects of both welfare reform and the EITC, Bruce Meyer and Dan Rosenbaum found that the EITC had a larger effect, but they only used data from the pre-1996 waiver period. See Meyer, Bruce D., and Dan T. Rosenbaum. 2001. "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers." *Quarterly Journal of Economics* 116(3), 1063–1114.

9. Grogger, Jeffrey. 2001. "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families." NBER Working Paper 8153, 30.

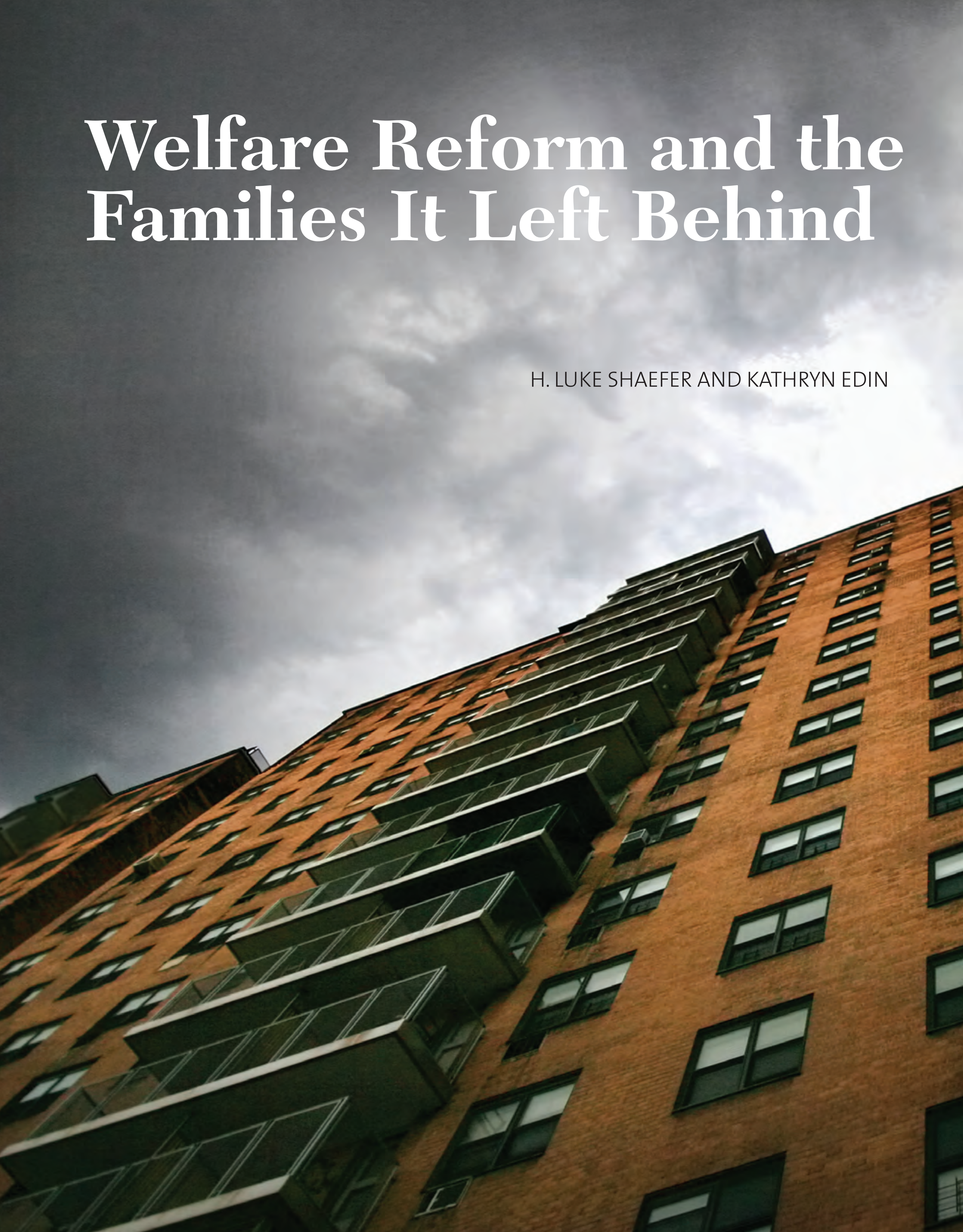
10. Moffitt, Robert, and Jennifer Roff. 2000. "The Diversity of Welfare Leavers." U.S. Department of Health and Human Services. Retrieved from https://aspe.hhs.gov/basic-report/diversity-welfare-leavers.

11. See, for example, Bollinger, Christopher, Luis Gonzalez, and James P. Ziliak. 2009. "Welfare Reform and the Level and Composition of Income." In *Welfare Reform and Its Long-Term Consequences for America's Poor,* ed. James P. Ziliak. New York: Cambridge University Press.

12. Moffitt, Robert. 2007. "Welfare Reform: The US Experience." Revision of a paper prepared for the Economic Council of Sweden conference, "From Welfare to Work," Stockholm, May 7, 2007. Retrieved from http://www.econ2.jhu.edu/People/moffitt/moffitt_sweden_Nov07.pdf; Blank, Rebecca M. 2007. "Improving the Safety Net for Single Mothers Who Face Serious Barriers to Work." *Future of Children* 17(Fall), 183–197.

Welfare Reform and the Families It Left Behind

H. LUKE SHAEFER AND KATHRYN EDIN



Since the early 1990s, the safety net for families with children has been fundamentally reformed. The expansion of the Earned Income Tax Credit (EITC) in the early 1990s and of public health insurance in the late 1990s are two classic reforms that are largely viewed as highly successful.

Yet the legacy of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) remains less clear. This landmark legislation replaced Aid to Families with Dependent Children (AFDC), which offered an unlimited legal entitlement to aid among those who could demonstrate need, with Temporary Assistance for Needy Families (TANF), which ended the legal entitlement to aid and imposed work requirements and lifetime limits.

Early on, we had considerable evidence that the reform could have heterogeneous effects—that some families would gain while others would be made worse off. In the 1990s, the Manpower Demonstration Research Corporation (MDRC) conducted randomized evaluations of 11 welfare-to-work programs that were similar to TANF, although somewhat less stringent. They found that while 5 programs lowered overall poverty levels to a statistically significant degree, 6 of 11 sites registered statistically significant increases in deep poverty.[1]

Soon after implementation of TANF, studies deploying a variety of data documented the difficulties facing "disconnected" mothers—those cut off from both work and welfare.[2] In an essay marking the 20th anniversary of welfare reform, one of the legislation's architects, Ron Haskins, wrote of the research on disconnected mothers:

> [E]very study shows that disconnected mothers and their children have very low incomes. ... Every study shows that disconnected mothers have serious barriers to work. ... It follows that disconnected mothers are a serious policy issue, that its magnitude is increasing, and that in two decades the nation has not figured out how to address the problem.[3]

Several other early studies examining direct measures of well-being also began to warn that children who were especially vulnerable might be experiencing harm due to welfare reform, even in the context of a strong economy. Analyses exploiting data from both the pre-TANF welfare waivers and the differential implementation of TANF across states suggested that reductions in benefits and specific features such as family caps and sanctions may have increased the number of children in foster care.[4] Other studies found that welfare reform likely reduced rates of breastfeeding among affected families,[5] and it may have led to modest reductions in prenatal care and increased risk of low birth weight.[6]

A major limitation in our understanding of TANF's impact on families is that too few studies assess the impact of welfare reform using data primarily drawn after the early 2000s. After 2000, the economy weakened, and the trend lines in labor force participation and TANF caseloads both fell over time. Economist James Ziliak writes:

> Taken together, the results from leaver studies, from demonstrations, and from national samples suggest that many women were worse off financially after welfare reform, especially at the bottom of the distribution. But this result becomes clear only if data post-2000 are brought to bear.[7]

Ziliak's review underscores the point that over time—particularly post-2000—welfare reform has increasingly stratified the outcomes of poor families with children, just as the MDRC random assignment demonstrations of similar programs suggested it might. The amount of federal dollars flowing to poor families grew as a result of the changes made to social welfare policy during the 1990s, but not uniformly so. More aid is now available to working poor families via refundable tax credits and expanded eligibility for the Supplemental Nutrition Assistance Program (SNAP). But the amount of assistance for non-working families has decreased, and what remains has shifted away from cash and toward in-kind benefits.[8]

The Rise of $2-a-Day Poverty

In 2010, Kathryn Edin—who had spent years talking with welfare recipients in the period just prior to welfare reform—began to encounter something markedly different from anything she had seen previously: families with no visible means of cash income from any source. As we write in *$2.00 a Day*: "[W]hat was so strikingly different from a decade and a half earlier was that there was *virtually no cash* coming into these homes." This key insight motivated our book, *$2.00 a Day*.

We first tested this hypothesis using the Survey of Income and Program Participation (SIPP), where we saw a striking spike in the number of households with children reporting cash incomes of no more than $2 per person, per day over a month, calendar quarter, and year.[9] We have further found that families most affected were single-mother households and minority families—those most likely to have been affected by welfare reform—and that families in $2-a-day poverty were more likely to live in parts of the country where TANF was the least accessible, particularly the Appalachian region and the Deep South.[10] And our research and that of others finds that families in $2-a-day poverty and deep poverty more broadly face higher rates of material hardship than other poor families that are higher up the income ladder.[11]

Yet any finding from household surveys should be scrutinized carefully because some people may not want to reveal all their sources of income, others may forget some of their income, and still others may misunderstand the questions. Furthermore, underreporting in household surveys appears to be getting worse over time. Perhaps our findings from the SIPP and other surveys were driven primarily by faulty data and rising rates of underreporting.

A micro-simulation model called TRIM, which is constructed by the nonpartisan think tank the Urban Institute, corrects Current Population Survey (CPS) data for misreporting.[12] Even with these corrections, survey data remain imperfect.[13] But TRIM is a significant improvement over unadjusted survey data from the Current Population Survey, and we sought to determine if results using TRIM matched our previous findings from other data sources.

Below we chart the number of children under 18 in households reporting annual cash incomes under the $2-a-day threshold, after correcting for underreporting in TANF and Supplemental Security Income.[14] The full bars represent all children who fit this profile; the blue bars represent the number of children in single-mother households.

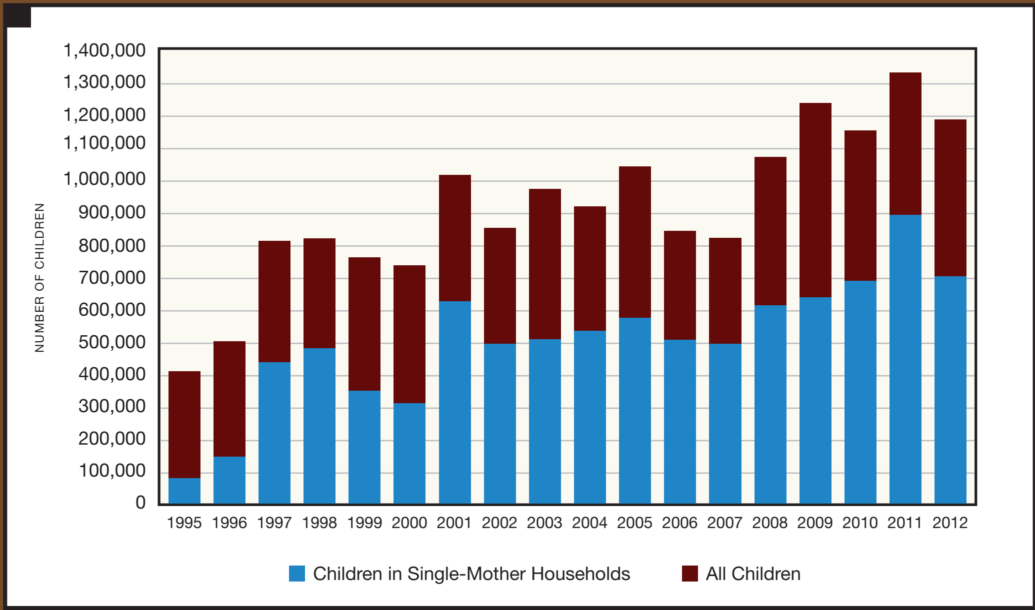
In the adjusted TRIM data, the number of all children in $2-a-day poverty for an entire calendar year roughly doubled between 1995 and 2007, from 415,000 in 1995 (0.6% of all children) to 821,000 (1.11% of children), before the onset of the Great Recession. The number hit a peak of 1.3 million in 2011 (1.8%), and remained at 1.2 million (1.6%) in 2012. That is roughly a tripling between 1995 and 2012 in the number of children in $2-a-day poverty for a full year.

When we examine the results for children in single-mother households (in blue) using TRIM, an even more striking finding emerges. According to TRIM, only 83,000 children in single-mother households were in extreme poverty for an entire year in 1995. That's 0.46 percent of all such children that year. That means in 1995, fewer than 100,000 children were in single-mother families below the $2-a-day threshold annually in the entire United States, out of about 18 million such children. According to TRIM, all the children in extreme poverty in 1995 in the United States would have fit into a decent-sized football stadium.

Following 1995, the number of children in such families experiencing extreme poverty for an entire year skyrocketed, hitting 441,000 in 1997 and more than 500,000 in the mid-2000s. The count of annual extreme poverty among children in single-mother families peaked in 2011 at nearly 895,000, and in the last year in our series it stood at 704,000 (3.5%) in 2012. These figures reflect a 748 percent increase in the number of children (660% increase in the percentage) of single-mother families experiencing annual $2-a-day poverty between 1995 and 2012. If, before, all the children in single-mother families experiencing extreme poverty could fit into a single football stadium, as of 2012 we had a population living in annual extreme poverty that was as large as the total number of children in a large city like, say, Chicago.

How do these adjusted estimates compare with those using unadjusted *annual*-recall survey data? Table 1 presents the adjusted and unadjusted counts for 1995 and 2012. As we would expect for reasons described in *$2.00 a Day* and our academic papers, the TRIM-adjusted estimates of annual extreme poverty in any given year are lower than the unadjusted counts. We also

Figure 1. Number of Children in Annual $2-a-Day Poverty in TRIM Data Adjusted for Underreporting



Source: Bureau of Labor Statistics and U.S. Census Bureau, Current Population Survey (CPS); Urban Institute, Transfer Income Model (TRIM).

Table 1. Annual $2-a-Day Poverty Among Children in Single-Mother Households, Adjusted Versus Unadjusted Data

	1995	2012	% Change
Adjusted CPS Using TRIM	83,000	704,000	748%
Unadjusted CPS	648,000	1,309,000	102%
% Overstatement	781%	186%	

Note: Numbers are rounded to the nearest 1,000.

find that the TRIM counts of annual extreme poverty are in line with our previous SIPP estimates of annual extreme poverty reported elsewhere.[15]

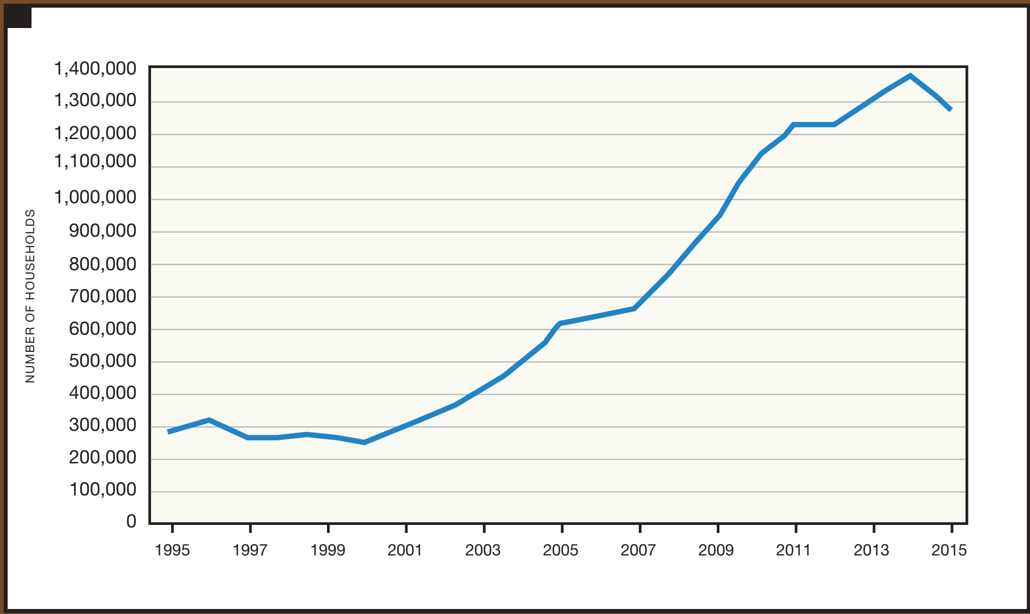
But while the overall levels of $2-a-day poverty are lower in any given year in the adjusted TRIM data, the magnitude of the change between 1995 and 2012 is much greater. If we were examining only the unadjusted data, we would conclude that annual $2-a-day poverty among single-mother households doubled between 1995 and 2012. But using the adjusted TRIM data, extreme poverty grew 748 percent over this period. Correcting for underreporting doesn't explain away the rise in $2-a-day cash poverty since 1996. In fact, it makes the change over time look even more stark.

What can explain this 748 percent spike? The simple answer: cuts in cash assistance. Although welfare reform encouraged employment, by drastically reducing cash assistance it also pushed many children into extreme poverty. This effect is concentrated among single-mother households. Before reform, cash assistance set a floor that kept virtually all children out of extreme poverty. Now more than a half million children live with a single mother on less than $2 a day.

Reductions in cash assistance also explain an important phenomenon in the data. As shown in Table 1, the degree to which the CPS overstates extreme poverty significantly decreased after welfare reform (from 781% to 186% of the TRIM-adjusted data). How could the overstatement in the CPS decrease while underreporting increased? We argue that the answer to this puzzle is directly related to the decline of cash assistance, a phenomenon first identified by Arloc Sherman and Danilo Trisi.[16] In essence, in any given year, some families responding to surveys fail to report that they received TANF or other benefits, and this problem seems to be getting worse over time. But while the rate of underreporting is worsening over time,[17] the number receiving cash assistance has also become smaller. Thus, there are far fewer respondents out there who have the opportunity to forget this source of income.[18]

But what about data other than household surveys? Can we find corroboration outside of the survey form? For this, we turn to published federal reports on the SNAP program, which provide an official count of the total number of

Figure 2. SNAP Households with Children Reporting No Source of Cash Income



Note: These households report no other countable income.
Source: "Characteristics of Supplemental Nutrition Assistance Program Households." Food and Nutrition Service, U.S. Department of Agriculture, fiscal years 1995–2015. Reports available by year: https://www.fns.usda.gov/snap/characteristics-supplemental-nutrition-assistance-households-fiscal-year-2015.

SNAP assistance units with children in the United States receiving SNAP who report zero cash income. Households receiving SNAP must verify their income eligibility every 3 to 12 months, depending on the state in which they live and their status (i.e., singles versus parents with dependent children). Note that it is a felony to knowingly engage in SNAP fraud, and the USDA warns applicants that they can "be fined up to $250,000 and put in prison up to 20 years or both."

In 1995, some 289,000 SNAP households with children reported no source of cash income. That number began to rise in 2002, and by 2005 it had jumped to about 599,000. By 2015, this figure had grown to just under 1.3 million, down slightly from 2014. This represents over a *quadrupling* of households reporting zero cash income under penalty of law at the SNAP office. This result offers further evidence of the dramatic growth in extreme poverty.

Conclusion

As early as the year 2000, randomized experiments with programs that were designed to closely resemble welfare reform showed that although the programs reduced poverty overall, they also increased deep poverty. Since that time, research utilizing numerous nationally representative household surveys and other data—using a variety of methods—has documented the stratification of the poor and the rise of disconnected families and $2-a-day poverty.

Are these results driven by underreporting in survey data? No. When we control for underreporting, we find that the downward spiral since 1995 is even more dramatic than previously reported. The same is true of findings from SNAP administrative data. Findings from these more robust sources suggest that rather than roughly doubling since welfare reform, $2-a-day poverty tripled or quadrupled. For children in single-mother families, the change is especially dramatic.

Families at the very bottom in America are hurting, and welfare reform is one of the reasons why. At its 20th anniversary, we believe it is time for policymakers to accept this fact and finally start the process of reforming a reform that left so many behind.

H. Luke Shaefer is Associate Professor of Social Work and Public Policy and Director of the Poverty Solutions Initiative at the University of Michigan. Kathryn Edin is Bloomberg Distinguished Professor of Sociology and Public Health at Johns Hopkins University. She leads the poverty research group at the Stanford Center on Poverty and Inequality.

Notes

1. Freedman, Stephen, Daniel Friedlander, Gayle Hamilton, JoAnn Rock, Marisa Mitchell, Jodi Nudelman, Amanda Schweder, and Laura Storto. 2000. "Evaluating Alternative Welfare-to-Work Approaches." MDRC, Exhibit ES-10. Four additional sites registered an increase in deep poverty that was not statistically significant. Only 1 of the 11 sites saw a (statistically insignificant) decrease in deep poverty.

2. See Brock, Thomas, Claudia Coulton, Andrew London, Denise Polit, Lashawn Richburg-Hayes, Ellen Scott, and Nandita Verma. 2002. "Welfare Reform in Cleveland: Implementation, Effects, and Experiences of Poor Families and Neighborhoods." MDRC; Blank, Rebecca M. 2007a. "Helping Disconnected Single Mothers." Brief #38. Brookings Institution; Blank, Rebecca M. 2007b. "Improving the Safety Net for Single Mothers Who Face Serious Barriers to Work." *The Future of Children* 17(2), 186; Loprest, Pamela J. 2011. "Disconnected Families and TANF." Urban Institute; Sandstrom, Heather, Kristin Seefeldt, Sandra Huerta, and Pamela Loprest. 2014. "Understanding the Dynamics of Disconnection from Employment and Assistance Final Report." OPRE Report 2014–42. Office of Planning, Research and Evaluation, Department of Health and Human Services; Seefeldt, Kristin S., and Heather Sandstrom. 2015. "When There Is No Welfare: The Income Packaging Strategies of Mothers Without Earnings or Cash Assistance Following an Economic Downturn." *Russell Sage Foundation Journal of the Social Sciences* 1(1), 139–158; Wood, Robert G., and Anu Rangarajan. 2003. "What's Happening to TANF Leavers Who Are Not Employed?" Issue Brief. Mathematica Policy Research; Zedlewski, Sheila R., Sandi Nelson, Kathryn Edin, Heather Koball, Kate Pomper, and Tracy Roberts. 2003. "Families Coping Without Earnings or Government Cash Assistance." Occasional Paper Number 64. Urban Institute.

3. Haskins, Ron. 2016. "Welfare Reform at 20: Work Still Works." *Journal of Policy and Management* 35(1), 223–224.

4. Bitler, Marianne P., Jonah B. Gelbach, and Hilary W. Hoynes. 2006. "Welfare Reform and Children's Living Arrangements." *Journal of Human Resources* XLI(1), 1–27; Paxson, Christina, and Jane Waldfogel. 2003. "Welfare Reforms, Family Resources, and Child Maltreatment." *Journal of Policy Analysis and Management* 22(1), 85–113.

5. Haider, Steven J., Alison Jacknowitz, and Robert F. Schoeni. 2003. "Welfare Work Requirements and Child Well-Being: Evidence from the Effects on Breast-Feeding." *Demography* 40(3), 479–497.

6. Kaestner, Robert, and Won C. Lee. 2005. "The Effect of Welfare Reform on Prenatal Care and Birth Weight." *Journal of Health Economics* 14(5), 497–511.

7. Ziliak, James P. 2015. "Temporary Assistance for Needy Families." NBER Working Paper 21038, 66–67.

8. Bitler, Marianne, and Hilary Hoynes. 2015. "The More Things Change, the More They Stay the Same? The Safety Net and Poverty in the Great Recession." *Journal of Labor Economics* 34(S1), S403–S444; Edin, Kathryn, and H. Luke Shaefer. 2015. *$2.00 a Day: Living on Almost Nothing in America*. Boston: Houghton Mifflin Harcourt; Moffitt, Robert A. 2015. "The Deserving Poor, the Family, and the U.S. Welfare System." *Demography* 52(3), 729–749; Trisi, Danilo, and Arloc Sherman. 2016. "Incomes Fell for Poorest Children of Single Mothers in Welfare Law's First Decade." Center on Budget and Policy Priorities. Retrieved from https://www.cbpp.org/research/family-income-support/incomes-fell-for-poorest-children-of-single-mothers-in-welfare-laws; Ziliak, 2015.

9. Shaefer, H. Luke, and Kathryn Edin. 2013. "Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Transfer Programs." *Social Service Review* 7(2), 250–268.

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

11. Shaefer et al., 2015; Anderson, Patricia M., Kristin F. Butcher, and Diane Whitmore Schanzenbach. 2015. "Changes in Safety Net Use During the Great Recession." *American Economic Review* 105(5), 161–165; Gundersen, Craig, and James P. Ziliak. 2014. "Childhood Food Insecurity in the U.S.: Trends, Causes, and Policy Options." The Future of Children Research Report, Princeton-Brookings.

12. For more information on TRIM, see http://trim3.urban.org/T3Welcome.php.

13. Also, when $2-a-day poverty is measured with an annual recall, one might expect it to be subject to much recall error. People might not remember their income from January correctly when reporting after the end of a year.

14. These estimates were generously provided by Danilo Trisi at the Center on Budget and Policy Priorities.

15. We include spells lasting for shorter periods of time in our earlier papers. In our most recent paper, we include those who experience $2-a-day-poverty for a calendar quarter, not just for an entire year.

16. Sherman, Arloc, and Danilo Trisi. 2015. "Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily." Center on Budget and Policy Priorities.

17. Meyer, Bruce D., Wallace K.C. Mok, and James X. Sullivan. "The Under-Reporting of Transfers in Household Surveys: Its Nature and Consequences." Working Paper. Retrieved from https://harris.uchicago.edu/files/underreporting.pdf; Wheaton, Laura. 2007. "Underreporting of Means-Tested Transfer Programs in the CPS and SIPP." Proceedings of the American Statistical Association, Social Statistics Section [CD-ROM], Alexandria, VA: American Statistical Association, 3622–3629. Retrieved from https://www.urban.org/sites/default/files/publication/31471/411613-Underreporting-of-Means-Tested-Transfer-Programs-in-the-CPS-and-SIPP.PDF.

18. To read more about this important phenomenon, check out our previous TRIM blog post at http://www.twodollarsaday.com/blog/2017/3/20/the-magnitude-of-the-change-in-2-a-day-poverty-since-1996-is-even-larger-after-reducing-survey-bias.

State Policy Choices

The welfare reform of 1996 was conceived in the main as an experiment with radical decentralization of policy. How is that decentralizing experiment faring? Five experts—Gordon Berlin, Michael Wiseman, Robert Greenstein, Raquel Hatter, and Don Winstead—weigh in.

The Tug of War Between Worrying About Poverty and Worrying About Dependency

Gordon Berlin, President, MDRC

Historically, there's been a tug of war between those who worry about dependency and those who worry about poverty, a tug of war that is revealed in the ways in which states have implemented the TANF program. This variability in implementation plays out across four key issues: the allocation of block grants, the implementation of time limits on the receipt of assistance, the design of cash assistance programs, and the design of welfare-to-work policies. I briefly review how these issues have evolved since the passage of welfare reform and, in particular, how states have differed in their approach to worrying about dependency and poverty.

Block Grants: The flexibility of the block grant gave enormous discretion to the states to choose how to spend their TANF dollars. Under the maintenance-of-effort provision, states were required to maintain their TANF spending at 80 percent of the level of their historical welfare spending. However, states were allowed to use that money on any programs that helped achieve the TANF goals, including providing cash assistance, promoting independence, reducing out-of-wedlock births, and promoting marriage. Over time, the states spent less and less money on basic cash assistance. In 1997, 70 percent of TANF maintenance-of-effort dollars went toward basic assistance. By 2014, that figure had fallen to 26 percent.[1] Thus, the block grant has devolved into a form of revenue sharing for the states, and as a result, TANF is no longer principally a cash assistance program for the poor. Thus, on this dimension, worries about dependency have come to dominate worries about reducing or ameliorating deep poverty via cash grants.

Time Limits: Time limits on TANF receipt became the most controversial provision in the law, but exceptions were permitted from the beginning. For example, time limits didn't apply to child-only cases, and states were also permitted to use TANF funds to provide assistance to 20 percent of families in the TANF program beyond 60 months. Time limits nonetheless sent an important message: Caseworkers and clients alike were very aware during those first few years that welfare was ending. However, in practice work and eligibility noncompliance determinations end more cases than time limits do. Unsurprisingly, policies vary dramatically from state to state. About half of TANF families live in states that rarely or never close cases because of time limits.[2] On the other hand, a quarter of TANF families live in states that usually terminate benefits after 60 months. On this dimension, then, we see much state variability in resolving the tug of war between dependency and poverty.

Cash Assistance Program: The third big decision for the states was how to design cash assistance programs, and again, they ended up with a mind-boggling number of variations. The monthly cash grant amount for a family of three with no income is $170 in Mississippi, yet it totals $923 in Alaska.[3] Almost all states allow welfare recipients to keep some of their welfare grant as they begin to earn money. But a few don't: The amount of income that is excluded from eligibility determination varies dramatically, from zero in Arkansas to 100 percent (up to the federal poverty level) in Connecticut.[4] The tug of war was, here again, resolved in very different ways in different states.

Welfare-to-Work Policies: For welfare-to-work policies, the states had much more limited options. The law restricted the extent to which participation could be conditional on training, education, or job search, while also requiring that 50 percent of recipients work 30 hours a week. These were unrealistic requirements that no state could achieve. But the states had an escape hatch, known as the "caseload reduction credit." It reduced a state's work requirement participation rate, point by point, for any fall in the welfare caseload. This brought the effective work rate target to zero in most states in the early years. Congress tried to strengthen the law and the work requirements in the Deficit Reduction Act of 2005, which led to a renewed effort to circumvent the requirement. Because the states did not have expansive control over the welfare-to-work requirements, they instead often exercised discretion at the point of entry into welfare by establishing stringent eligibility requirements; applying strict re-enrollment criteria; and requiring proof of residency, a home visit, and a work test. These rules, taken together with the time-limit message and work requirements, likely kept the caseload down during the Great Recession and thus revealed, here again, an abiding worry with dependency.

In conclusion, spending on basic assistance has declined from about $21 billion in FY 1997 to roughly $8 billion today.[5] Take-up rates among eligible individuals have plummeted from roughly 85 percent under AFDC to about 30 percent under TANF.[6] But the number of children in deep poverty has risen by nearly 50 percent.

It follows that the ongoing tug of war between those who worry about dependency and those who worry about poverty has, on balance, been resolved in favor of the former. Dependency is clearly down but at the cost of a rise in deep poverty and without a commensurate increase in self-sufficiency, which after all is the ultimate objective of TANF's focus on work. At the same time, TANF's maintenance-of-effort flexibility has resulted in much of the block grant dollars being spent on a category called "other." Increasing self-sufficiency and improving the targeting of TANF dollars should be at the top of any future reform agenda.

Why Haven't the States Become Authentic "Laboratories of Democracy"?

Michael Wiseman, Research Professor of Public Policy, Public Administration, and Economics, George Washington University

Consider two extreme depictions of what states do. One is the "laboratories of democracy" model. This model presumes a common national interest in providing aid to the poor, and in consequence there are benefits to be gained nationally from allowing flexibility for states to try alternative strategies and tactics. Over time, this experimentation is anticipated to clarify which strategies and tactics work best. As this knowledge is exchanged, we would expect some convergence in procedures across states, and we would expect public support for welfare to grow because experimentation teaches how to gain more for the buck.

An alternative, the "suspicious states" model, begins with the presumption that the central function of state government is to save money for state taxpayers. While some common national interest in providing aid to the poor exists, responses to this interest by state governments are tempered by suspicion about authenticity of the need of those seeking help and concern that other states are shirking and thereby creating, through low taxes, a competitive economic advantage. In this model, managers gain little benefit from improving aid to the poor, and consequent lack of progress erodes political support.

Famously, the 1996 law established four goals (or at least purposes) for state TANF programs: helping families, ending dependence by promoting work and marriage, reducing out-of-wedlock pregnancy, and sustaining two-parent families. With four objectives, policy theorists tell us that states need at least four "instruments" (policies). The laboratory model would predict that the challenges posed by the multiple TANF objectives would stimulate cross-state collaboration in finding policies that work, possibly even leading to some specialization in research. But despite an initial increase in welfare funding, the new funding mechanism came with an effect on prices. Any dollar saved from welfare operation is, on the margin, a dollar gained for other state purposes. This was not true under AFDC. The price effect encourages contraction and management retrenchment.

TANF also came bundled with a participation standard that requires, among other things, that half of adult recipients be engaged in work-related activities at any point in time. This requirement is odd. It focuses on process, not outcome—the architects didn't trust states to really make work an obligation. There is also no basis for the choice of the 50 percent value. And the same standard applies to all states, yet the resources nominally differ by a factor of *eight* between the worst- and best-off states. Federal assistance per poor child is a *positive* function of state per capita income. This makes the TANF "playing field" dramatically uneven and discourages accomplishment comparison.[1]

Returning to the two models, my point is that while the laboratory model is celebrated, the outcome seems hardly consistent with it. The laboratories have produced very little innovation. The convergence that the laboratory model predicts is also missing. There is far more variation across states in the help that an applicant might receive than existed under AFDC, and, at least with respect to cash benefits, the variation is growing. There are currently 39 different ways of adjusting benefits when recipients take jobs. It is hard to link observed variation in benefits or other program components to anything other than race, political culture, ill-informed choice, and the lingering influence of AFDC funding. The laboratory model also predicts increasing political viability of the system. But the constriction of basic assistance and lack of innovation seems, if anything, to signal a diminution of political support since 1996.

My bottom line is this: Without significant craftsmanship, the portent of what we now know about TANF for the future is continued constriction and ossification as stakeholder resistance to changing the system grows. To be sure, there are some places where program operations, if not admirable, are at least decent. But the job of national political leadership would seem to be to establish mechanisms for identifying the exemplary and for leading others to emulation. Adding a new objective, even something as admirable as "reducing poverty," will not change the dynamic because, taken alone, such words do not change incentives.

A Shrunken TANF

Robert Greenstein, President, Center on Budget and Policy Priorities

Why is there now so little cash assistance delivered via TANF? The answer to this question can be found in the two defining features of the TANF block grant: very broad state flexibility and fixed funding. A key design problem with TANF involves the intersection of these two features. That is, states have excessive flexibility in choosing how to spend their TANF money, yet they face near-constant financial pressure because they're required to balance their budgets every year. There's enormous temptation to use federal TANF money to fund services the state had previously been funding, thus freeing up those state dollars to plug budget holes. On top of that, federal block grant dollars have been frozen since 1996, causing a big erosion in their purchasing power.

As a result, we've experienced a large decrease in the share of TANF money going to three key areas: job training and other employment services, child care, and basic cash assistance. The share of poor children and families that receive assistance through TANF has fallen significantly. In the mid-1990s, for every 100 poor families with children, about 70 received cash assistance through AFDC. Today, for every 100 poor families with children, only 23 get cash aid through TANF, and in about a dozen states, it's fewer than 10.[1] Additionally, poor families that do receive cash assistance have experienced large declines in benefits. The TANF benefit level in most states is below 30 percent of the poverty line. In 30 states, the TANF benefit level is below half of the fair market rent, which is the basic rent for a modest apartment.[2] And states provide very little job training, particularly for people with the greatest barriers to employment.

What does this reduction in assistance mean for poor children? It likely reduces their opportunities for mobility. In a landmark study, Hilary Hoynes, Diane Schanzenbach, and Douglas Almond compared counties that had access to food stamps in the early 1970s with counties that didn't. They found that young children with access to food stamps not only had more food on the table in the short term, but also benefited significantly in the long term in the form of health improvements, increases in high school graduation rates, and, among girls, greater self-sufficiency in adulthood. There's also important early-stage research showing that, on average, very poor children experience higher levels of toxic stress, which appears to be linked to impairments in brain development that then can impact health, school performance and employment, and earnings in adulthood. This line of research suggests that significantly reducing assistance for very poor children could harm their employment and earnings as adults.

It may be surprising that even though TANF is not faring well, one of the main welfare reform proposals now being put forward entails emulating TANF. I'm referring here to the proposal to extend TANF-style work requirements to other safety net programs, including the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and housing programs. Given the critical role these programs play in helping families meet basic needs, this isn't a policy choice we should make without solid evidence that it will improve outcomes for families and not put children at greater risk. For example, compared with TANF, SNAP has been very responsive in recessions, and it plays a particularly important role in the South, where cash-assistance benefit levels have historically been lower. A growing body of evidence attests to the importance of income and income-like support (e.g., SNAP) in early childhood. The TANF experience strongly indicates that imposing rigid work requirements, capping federal funding, and according states vast flexibility over program funds would likely result in the removal of significant resources from poor children and could put many at risk of serious problems, including homelessness.

We should not take this risk unless we have clear evidence that we are getting substantial returns in exchange that outweigh these drawbacks. But we don't have such evidence. A major study is currently under way testing various approaches to work requirements and work supports in SNAP in multiple states. Let's wait for the evidence, rather than rushing to impose work requirements across the safety net, with possible adverse effects on poor children.

The Practitioner's Perspective

Dr. Raquel Hatter, Former Commissioner, Tennessee Department of Human Services; Deputy Director of Human Services, The Kresge Foundation

We need to improve TANF so that it works better both for the families who receive TANF and for the human services workers who administer it. I briefly review six areas in which improvements are needed.

Reduce Bureaucracy. The first item on my list: States need the freedom to move away from the TANF-mandated focus on *counting* outputs. It is important in this regard not to confuse output counting with actual outcomes and real impact. This is because output counting has nothing to do at the end of the day with a formal evaluation of what's working and what's not. It's just output counting. And the costs of output counting are high: Tennessee has a human services family assistance staff of more than 1,500 who spend most of their time counting work participation activity. The requirements are tedious and time-consuming—there are core and noncore activities, subcategories within the core activities, rules about counting studying hours, and on and on. As a result, the staff is consumed with laborious tasks that don't serve to move people forward. We need to free up their time to deliver services that make a difference.

Simplify. The second item: Let's make the rules governing TANF simpler. It is difficult enough for human services staff to navigate the TANF system, but it's near impossible for the families living in poverty who are trying to use these services. These families are already under a lot of stress, and the complexities of the current TANF system only exacerbate that stress. We can simplify.

Eliminate Fiscal Cliffs. Third, the TANF regulations often create a fiscal cliff in which benefit levels decline more steeply than earnings increase, resulting in a decrease in total resources at certain earnings thresholds. I've talked to families who are conflicted about whether to work part-time or full-time, because taking a full-time job means they will lose a valuable benefit. Our current system forces families to make these sorts of choices. It shouldn't.

Encourage Innovation. Fourth, states need the ability and freedom to innovate; indeed, innovation should be the rule rather than the exception.

Embrace a Two-Generation Strategy. Fifth, a two-generation strategy for fighting poverty holds real promise, and we thus need to experiment much more with it. Two-generation or multigenerational approaches focus on addressing needs of children and their parents together. Tennessee's two-generation strategy focuses on (a) delivering high-quality education for children and youth, and postsecondary training and education for parents and caregivers; (b) providing economic supports; (c) focusing on health and well-being; and (d) building social capital. In any two-generation or multigenerational strategy, we must of course stop marginalizing fathers and embrace them instead.

Tackle Inequality. Finally, we must remain mindful that poverty takes on very different forms across groups defined by race, gender, disability, and other attributes. Too much is at stake to overlook this elephant that's always in the room.

And that's my list. These reforms—if undertaken authentically and with intentionality —would work to maximize human potential and allow everyone to realize their own version of the American Dream.

Building an Evidence-Based TANF in the Sunshine State

Don Winstead, Former Deputy Assistant Secretary for Human Services Policy,
U.S. Department of Health and Human Services;
Principal and Founder, Don Winstead Consulting, LLC

There's a tendency for federal policymakers to believe that laws were well designed at the national level but poorly implemented at the state level. Twenty years after the enactment of welfare reform, it's important to remember that the primary statutory purpose of TANF was to increase the flexibility of states in operating the program. We have been retreating from that goal ever since.

I have a simple but important point to make here: In Florida, that flexibility was well exploited, largely because it was used to build a program around the evidence that was available at that time. Although Florida has by no means solved the poverty problem, my main point is that Florida's story is one of using the flexibility embedded in the welfare reform statute to a good end.

I worked at the Florida Department of Children and Families during the period of the TANF rollout. Prior to the passage of welfare reform, Florida had created the Family Transition Act, which was an AFDC demonstration pilot that operated primarily in Escambia County, Florida. The pilot program limited most families to 24 or 36 months of cash welfare assistance in any 60-month period and provided a wide array of services and incentives to help welfare recipients find work.

Based on what we learned from the Family Transition Act, we concluded that we wanted to build a TANF program with strong work requirements, financial work incentives, greater access and funding for child care, time limits, and strong sanctions. We reached some of these conclusions from formal evaluations, and others resulted from qualitative observations made by our caseworkers. Florida's program today still largely mirrors those policy choices that we made as a result of our experience with the Family Transition Act.

It's a program that's delivered in many ways. Although there is a perception—largely warranted on the basis of national data—that TANF was not countercyclical during the Great Recession, this was simply not true in Florida. From 2007 to 2010, the adult TANF caseload rose more on a percentage basis than the Supplemental Nutrition Assistance Program (SNAP) caseload.

Is Florida's TANF perfect? Of course not. The first unresolved issue: What's the best way to incentivize work? If someone works full-time but does not earn enough to provide for his or her family, what strategies work best to fill the gap and "make work pay"? Should the government provide benefits like food assistance, child care, or Medicaid to supplement earnings? Should the minimum wage be increased? Should low-wage work be subsidized either directly or through tax mechanisms like the Earned Income Tax Credit (EITC)? We currently have a mishmash of all those options, and a more coherent and coordinated policy approach is needed.

The second key challenge is that of responding to the needs of people who have not been able to sustain employment. Many families are struggling or disconnected, and we haven't come up with a satisfactory way to help them. It may well be helpful here to explore new policies that support families. As national policymakers consider TANF reauthorization, they need to recognize, for example, that extended family members often play an important role in caring for children.

The simple conclusion: In taking on these and other challenges, we need to retain flexibility in how TANF is implemented, as that flexibility is precisely what allows us to respond to evidence.

Notes

The Tug of War Between Worrying About Poverty and Worrying About Dependency

1. Schott, Liz, LaDonna Pavetti, and Ife Floyd. 2015. "How States Use Federal and State Funds Under the TANF Block Grant." Center on Budget and Policy Priorities. Retrieved from http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant.

2. Farrell, Mary, Sarah Rich, Lesley Turner, David Seith, and Dan Bloom. 2008. "An Update on State Welfare Time-Limit Policies and Their Effects on Families." MDRC. Retrieved from http://www.mdrc.org/publication/update-state-welfare-time-limit-policies-and-their-effects-families.

3. Cohen, Elissa, Sarah Minton, Megan Thompson, Elizabeth Crowe, and Linda Giannarelli. 2016. "Welfare Rules Databook: State TANF Policies as of July 2015." OPRE Report 2016-67, Table II.A.4; Schott et al., 2015.

4. Cohen et al., 2015, Table II.A.1.

5. Administration for Children and Families. 2015. "State TANF Spending in FY 2015." Retrieved from https://www.acf.hhs.gov/sites/default/files/ofa/2015_tanf_financial_ data_ report_factsheet_final.pdf.

6. Shaefer, H. Luke. 2016. "Percent of Families Eligible for TANF Who Are Receiving It Hits All-Time Low in 2013." Retrieved from http://www.twodollarsaday. com/blog/2016/9/21/percent-of-families-eligible-for-tanf-who-are-receiving-it-hits-all-time-low-in-2013.

Why Haven't the States Become Authentic "Laboratories of Democracy"?

1. See Meni, David, and Michael Wiseman. 2017. "The TANF Resources Problem." *Poverty & Public Policy* 9(1), 28–41.

A Shrunken TANF

1. Bitler, Marianne, and Hilary Hoynes. 2016. "Strengthening Temporary Assistance for Needy Families." The Hamilton Project. Retrieved from http://www.hamiltonproject.org/assets/files/bitler_hoynes_strengthening_tanf.pdf; Center on Budget and Policy Priorities. 2016. "Chart Book: TANF at 20." Retrieved from https://www.cbpp.org/research/family-income-support/chart-book-tanf-at-20.

2. Stanley, Megan, Ife Floyd, and Misha Hill. 2016. "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode." Center on Budget and Policy Priorities. Retrieved from http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states.

A New Social Compact

The next three pieces take on the future of the safety net. The pieces begin with very different diagnoses of the key threats of the 21st century: the rise of the gig economy; growing automation; and the perverse incentives in our existing safety net. When the diagnoses differ, so too do the solutions.

Photo: Underwood Archives/Archive Photos/Getty Images

A New Safety Net for the Gig Economy

Elizabeth Warren, U.S. Senator (D-Massachusetts)

The gig economy is here to stay. We need to build new policies and institutions that protect against poverty as the gig economy spreads.

Basic employment law was written for a very different world of 40-hour workweeks and 30-year commitments to a single employer. By contrast, virtually all the net growth in employment in the last decade was in contract employment[1]—workers at temp agencies, on-call workers, independent contractors, and freelancers. Current law leaves gig workers to shoulder enormous risks with few protections when things go wrong.

Work has changed, and it is now time to modernize employment laws to accommodate the 21st-century workforce, but this need for change presents a special risk for much of the American workforce. Lobbyists and lawyers from giant companies and trade associations have seized this moment to press for changes that would leave workers worse off. They are urging Congress to roll back employment laws and give their companies a free pass on workers' rights.

Most gig work comes with a combination of fewer hours, lower pay, and virtually no traditional benefits.[2] The men and women who work in these jobs often don't have access to safety net programs such as unemployment insurance and workers' compensation. They also don't have many of the workplace protections that are guaranteed to traditional employees. The bottom line is that many gig workers are struggling to put together any financial security, living paycheck to paycheck while homeownership and a secure retirement are too distant even to dream about.

An army of lobbyists will make sure that Washington hears from the employers, but policymakers also need to look at this new economy from the workers' point of view and examine the tectonic changes that have undermined workers' ability to negotiate for a larger share of the wealth they produce. We need to examine the impact of the erosion of unions, which allow workers to join together to fight for higher wages and better benefits, and we should take a hard look at the extreme concentration in markets that stifles competition and drives down wages.

These trends in our labor market have exposed gaping holes in worker protection. It's time to rethink workers' rights so that every worker has a chance to build some economic security. The good news is that we can solve this problem. We've done it before.

More than a century ago, the industrial revolution radically altered the American economy. Millions moved from farms to factories. These sweeping changes in our economy generated enormous wealth. They also wreaked havoc on workers and their families. Workplaces were monstrously unsafe. Wages were paltry and hours were grueling.

America's response wasn't to abandon the technological innovations and improvements of the industrial revolution. We didn't send everyone back to their farms. Instead, we came together, and through our government we negotiated new public policies to adapt to a changing economy—to keep the best parts and get rid of many of the bad.

The list of new laws and regulations was long: A minimum wage. Workplace safety. Workers' compensation. Child labor laws. The 40-hour workweek. Social Security. The right to unionize. This didn't happen overnight. There were big fights—over decades—to establish that balance. But once in place, these policies underwrote the widely shared growth and prosperity of the 20th century. Now it's time for a 21st-century rewrite with workers' security front and center.

There are a lot of good ideas out there for how we can strengthen worker security. One is to make sure that workers' benefits are fully portable, following the worker wherever that worker goes. Another is to level the playing field by ensuring that every worker has the right to bargain as a group with whoever controls the terms of their work, and is protected from retaliation or discrimination for doing so.[3] Whichever specific policies we adopt, we should start with one simple principle: All workers—no matter when they work, where they work, who they work for, whether they pick tomatoes or build rocket ships—should have some basic protections and be able to build some economic security for themselves and their families.

Nearly 100 years ago, we wrote new rules to protect workers in a changing economy, and with those changes, we helped build the greatest middle class on the face of the earth. Now it's time to write the rules for a 21st-century economy and 21st-century workers—before that once-great middle class disappears.

The Basic Income Hypothesis

Sam Altman, President, Y Combinator
Elizabeth Rhodes, Basic Income Research Director, Y Combinator Research

Extreme poverty in the United States has increased dramatically over the past 15 years, and a growing number of Americans are experiencing financial precariousness due to the erosion of the middle class.[1] Individuals and communities are struggling as opportunities increasingly concentrate in urban areas and among the highly skilled. As technological advances continue to automate more low-skill jobs and polarize the labor force, these trends appear poised to continue or even accelerate.

In this context, existing attempts to alleviate poverty and promote economic security have proved insufficient. The social safety net, which is predicated on traditional forms of employment, leaves many people cycling in and out of poverty or categorically ineligible for aid.[2] The patchwork of programs is complex, costly to administer, and difficult to navigate. Take-up rates are often low—particularly among those most in need—exacerbating the inefficiency of the system.[3]

While we should continue to improve existing programs, we need to explore bold solutions in response to rapid changes in labor and economic dynamics. Providing a basic income—giving all Americans enough money to live on with no strings attached—is one potential solution.

Research points to negative economic, social, and psychological feedback loops that keep individuals without a steady income "trapped" in poverty.[4] A basic income seeks to break these feedback loops. Unlike in-kind assistance, unconditional cash transfers give recipients the freedom to meet their specific needs. The security provided by basic income could allow individuals to pursue further education or job training, engage in entrepreneurial activities, become more involved in their communities, or spend additional time caring for children or the elderly. People could spend more time looking for a good job rather than accepting the first offer that came along, thus reducing skill and qualification mismatches and increasing labor productivity.

These are just a few hypotheses of the effects of a basic income, but there is a conspicuous absence of rigorous research testing these ideas. Interest in basic income has skyrocketed lately, but the debate often relies on conjecture, stereotypes, and studies that are out-of-date, methodologically flawed, or from a disparate context. To help inform the discussion, we plan to measure the individual-level effects of a basic income through a large randomized controlled trial. After enrolling a random sample of 3,000 low-income individuals across two U.S. states, 1,000 participants will be randomly assigned to receive $1,000 per month for three to five years. We began a small short-term pilot in 2016 and plan to launch the large-scale study in 2018.

We will conduct extensive quantitative measurement of outcomes related to individuals' economic, social, and physiological self-sufficiency and well-being. We will gather data on how individuals spend their time and money, as well as how a basic income affects their children and those in their networks. To ensure that our measurement strategies are accurate and reflect the latest research, we are partnering with state and local agencies to collect objective administrative outcomes and with leading experts in economics, public health, and other fields.

By delving deeper than the labor market participation of recipients, the study seeks to bridge the divide between economic and social analyses, generating a nuanced understanding of the effects of cash transfers. In addition to quantitative analyses, we will conduct interviews to better understand the mechanisms of impact, individuals' experiences, their decision-making processes, and the constraints they face. We want to know how the cash generates the observed outcomes and why the effects may vary across participants. This holistic approach to understanding the individual-level effects of basic income will create data that can be broadly applied to help policymakers and academics improve the effectiveness and efficiency of future social policies and programs.

Removing All Perverse Incentives

Mike Lee, U.S. Senator (R-Utah)
Scott Winship, Director of the Social Capital Project, U.S. Congress Joint Economic Committee, Office of Senator Mike Lee

It is an unfortunate truth that many of the most influential critics of today's safety net are motivated by incorrect diagnoses of its weaknesses. To some, our policies are wholly inadequate because advances in technology are destroying jobs. According to them, it will no longer do to rely on a safety net that is premised on the availability of work for most who seek it. Instead, these critics say, we need a universal basic income—a government-provided guarantee that no one will fall below a certain income floor.[1]

Others believe that the safety net has simply become too stingy. These critics think that work-oriented welfare reforms have gone too far, pushing many into deep poverty.[2] They would give more generous benefits to the poor and make it easier for them not to have to work. Because they agree with universal-basic-income supporters—the two groups overlap considerably—that the American jobs machine is broken, they are skeptical of work requirements unless the government guarantees work.

In truth, far from increasing hardship, work-focused safety net reforms over the past 25 years have done more to reduce poverty among the non-aged than the expansion of unconditional welfare programs in the preceding 25 years. And the belief that technology is producing mass joblessness is wholly unsupported by evidence. The future of the safety net lies in expanding contemporary reforms to encourage work.

Consider, first, the calls for a universal basic income. If technological changes are resulting in fewer jobs for those whose skills can be automated by robots, we should see soaring productivity growth and high levels of involuntary joblessness as machines replace humans. Instead, the economy is characterized by anemic productivity growth and declining innovation and entrepreneurship.[3] The unemployment rate, after exceeding 10 percent during the depths of the Great Recession, stood at 4.1 percent in October 2017—back to pre-recession levels, and lower than in any of the months between February 1970 and September 1999.

Some doomsayers argue that the unemployment rate no longer reflects the strength of job markets.[4] But the unemployment rate trends the same way as rates of joblessness that add to the officially unemployed those who have dropped out of the labor force despite wanting a job. In part, that is because many who are out of the labor force are retirees, students, homemakers, and people with disabilities. But even among prime-working-age men, most of those out of the labor force tell government surveyors that they do not want a job.[5]

In 1996, when the nation's cash welfare program for the non-disabled was reformed, critics insisted that there were no jobs available for former welfare recipients. However, the employment rate of never-married mothers jumped by 15 percentage points in the three years from 1996 to 1999, after rising by only 10 points over the previous *16 years*. Employment in this group fell a bit after 2000, but it remains more than 10 points higher than in 1996. Meanwhile, employment among married mothers rose only modestly, and it was flat among single childless women.[6]

Many anti-poverty proposals focus on simply increasing spending on our current policies or making them more generous by rolling back work requirements and time limits imposed since the early 1990s. But giving poor families more money can actually leave them worse off if it causes more of them not to work. Federal and state governments spent trillions of dollars on poverty reduction from the late 1960s to the early 1990s, but poverty among children of single mothers failed to decline (and single parenthood became more common).[7] A universal basic income scheme could have similar consequences, but on a larger scale. One surefire way to lower economic growth rates is to reduce work.

Welfare reform revealed that the perverse incentives built into our safety net programs—incentives not to work, marry, delay childbearing, or save—cause many poor families to act in ways that are detrimental to upward mobility out of poverty. Changing some of those incentives to promote work and self-sufficiency predictably led to more employment and independence. Poverty rates among the children of single mothers fell after the early 1990s and remain well below early 1990s levels. Deep poverty rates are no higher than before welfare reform.[8]

Rather than more generous funding of existing anti-poverty programs, fewer obligations for their beneficiaries, or basic-income entitlements, what low-income Americans need is a safety net that helps them to become self-reliant and restores dignity to their lives. Welfare reform was a huge success in this regard, as one of us—the one who is not a United States senator—has shown in previous research.[9]

But most of our safety net programs retain perverse incentives. The one of us who *is* a United States senator has introduced legislation to build on the lessons of welfare reform.[10] The Welfare Reform and Upward Mobility Act would tighten work-oriented requirements for able-bodied adults receiving benefits from the Supplemental Nutrition Assistance Program (SNAP, commonly known as the "food stamp" program).

The bill would also create and fund work-promotion programs for able-bodied adults with dependents receiving SNAP benefits and recipients of cash benefits from the Temporary Assistance for Needy Families (TANF) program. These work programs would surround beneficiaries with resources like vocational education, job training, community service programs, and job search assistance but would require participation in these programs for most nonworking beneficiaries. States would be required to have three-quarters of eligible recipients participating. Single parents would be exempt from penalties if they have a child under age 6 and cannot find appropriate child care. All single parents with children under the age of 1 are exempt from work requirements.

Finally, the Welfare Reform and Upward Mobility Act would block-grant nine federal housing programs and allow states greater flexibility to spend the funds on housing. It requires federal evaluation of state best practices to promote effective programs. Through state experimentation, we can discover the best ways to help low-income Americans, just as state flexibility in the early 1990s informed federal welfare reform.

Other policymakers and thinkers have proposed additional ideas to reform the safety net in ways that encourage work, family, responsible childbearing, and saving, including reforms of the Earned Income Tax Credit. States should be allowed to experiment with these approaches so that we can discover what works best to reduce poverty and promote upward mobility. Returning to the unconditional policies of the past would do more harm than good, as would guaranteed incomes or jobs that would hurt their intended beneficiaries even as they exacerbate unsustainable federal deficits. The evidence is unfavorable for these approaches, and their advocates ignore the facts at the risk of making things worse for those who need our help.

Notes

A New Safety Net for the Gig Economy

1. Katz, Lawrence F., and Alan B. Krueger. 2016. "The Rise and Nature of Alternative Work Arrangements in the United States, 1995–2015." Working Paper. Retrieved from http://scholar.harvard.edu/files/lkatz/files/katz_krueger_cws_v3.pdf.

2. Hill, Steven. 2015. "New Economy, New Social Contract: A Plan for a Safety Net in a Multiemployer World." New America. Retrieved from https://static.newamerica.org/attachments/4395-new-economy-new-social-contract/New%20Economy,%20Social%20Contract_UpdatedFinal.34c97324 8e6946d0af17116fbd6bb79e.pdf.

3. See, for example, New America Annual Conference. May 19, 2016. "Strengthening the Basic Bargain for Workers in the Modern Economy." Remarks by Senator Elizabeth Warren. Retrieved from https://www.warren.senate.gov/files/documents/2016-5-19_Warren_New_America_Remarks.pdf.

The Basic Income Hypothesis

1. Edin, Kathryn J., and H. Luke Shaefer. 2015. *$2.00 a Day: Living on Almost Nothing in America*. New York: Houghton Mifflin Harcourt; Pew Research Center. 2016. "America's Shrinking Middle Class: A Close Look at Changes Within Metropolitan Areas."

2. Shaefer, H. Luke, and Kathryn J. Edin. 2013. "Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Transfer Programs." *Social Service Review* 87(2), 250–268; Danziger, Sandra K. 2010. "The Decline of Cash Welfare and Implications for Social Policy and Poverty." *Annual Review of Sociology* 36, 523–545; Ben-Shalom, Yonatan, Robert Moffitt, and John Karl Scholz. 2012. "An Assessment of the Effectiveness of Antipoverty Programs in the United States." In *The Oxford Handbook of the Economics of Poverty*, ed. Philip N. Jefferson. New York: Oxford University Press, 709–749.

3. Bhargava, Saurabh, and Dayanand Manoli. 2015. "Psychological Frictions and the Incomplete Take-Up of Social Benefits: Evidence from an IRS Field Experiment." *American Economic Review* 105(11), 3489–3529.

4. Haushofer, Johannes. 2015. "The Price of Poverty: Psychology and the Cycle of Need." *Foreign Affairs*; Dean, Emma Boswell, Frank Schilbach, and Heather Schofield. 2017. "Poverty and Cognitive Function." NBER Conference Volume; Mullainathan, Sendhil, and Eldar Shafir. 2013. *Scarcity: The New Science of Having Less and How It Defines Our Lives*. New York: Picador; Gennetian, Lisa A., and Eldar Shafir. 2015. "The Persistence of Poverty in the Context of Financial Instability: A Behavioral Perspective." *Journal of Policy Analysis and Management* 34(4), 904–936.

Removing All Perverse Incentives

1. See, for example, Reich, Robert. 2016. "Why We'll Need a Universal Basic Income." Retrieved from http://robertreich.org/post/151111696805; Lindzon, Jared. 2017. "Elon Musk Says Automation Will Make a Universal Basic Income Necessary Soon," FastCompany.com. Retrieved from https://www.fastcompany.com/4030576/elon-musk-says-automation-will-make-a-universal-basic-income-necessary-soon.

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

3. Economic Innovation Group. 2017. "Dynamism in Retreat: Consequences for Regions, Markets, and Workers." Retrieved from http://eig.org/wp-content/uploads/2017/07/Dynamism-in-Retreat-A.pdf.

4. Smith, Noah. 2017. "Americans Want More Than Just Money to Live On." Bloomberg View. Retrieved from https://www.bloomberg.com/view/articles/2017-04-03/americans-want-more-than-just-money-to-live-on.

5. Winship, Scott. 2017. "What's Behind Declining Male Labor Force Participation: Fewer Good Jobs or Fewer Men Seeking Them?" Mercatus Center at George Mason University.

6. Winship, Scott. 2017. "Yes, the '96 Welfare Reform Helped Reduce Child Poverty," NationalReview.com. Retrieved from http://www.nationalreview.com/article/439754/welfare-reform-child-poverty-reduced-1996-prwora.

7. Winship, Scott. 2016. "Welfare Reform Reduced Poverty and No One Can Contest It." Forbes.com. Retrieved from https://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/#2ce8e4755c13.

8. Scott Winship. 2016. "Poverty After Welfare Reform." Manhattan Institute. Retrieved from https://www.manhattan-institute.org/html/poverty-after-welfare-reform.html.

9. Winship, "Yes, the '96 Welfare Reform Helped Reduce Child Poverty."

10. Welfare Reform and Upward Mobility Act, S. 1290, 115th Cong. 2017. Retrieved from https://www.congress.gov/bill/115th-congress/senate-bill/1290/text?q=%7B%22search%22%3A%5B%22upward+mobility+act%22%5D%7D&r=2.

Stanford Center on
Poverty and Inequality
Building 370, 450 Serra Mall
Stanford University
Stanford, CA 94305-2029

NON PROFIT ORG.
U.S. POSTAGE
PAID
Permit No. 28
PALO ALTO, CA

The Stanford Center on Poverty and Inequality is a nonpartisan research center within the Institute for Research in the Social Sciences at Stanford University. The guiding principle of the Center's work is that research findings should be evidence-based, the result of rigorous scientific inquiry, and communicated clearly and objectively.

Funding for *Pathways* from the Elfenworks Foundation is gratefully acknowledged.

INEQUALITY.STANFORD.EDU