

WELFARE REFORM AND INTERGENERATIONAL MOBILITY

RON HASKINS AND DAVID ELLWOOD

Ron Haskins is an expert on education, social policy, and poverty. He currently co-directs the Center on Children and Families at the Brookings Institution. He was previously the staff director of the House Ways and Means Subcommittee on Human Resources where he was instrumental in crafting the 1996 welfare reform legislation, and he served as the senior advisor for welfare policy to President George W. Bush.

David Ellwood is a labor economist who specializes in family change, low pay and unemployment. He is currently the Scott M. Black Professor of Political Economy, and Dean of the John F. Kennedy School of Government at Harvard. He was previously the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services (HHS) where he served as co-chair of President Clinton's Working Group on Welfare Reform, Family Support and Independence.

The excellent review of research on the sweeping 1996 welfare reform law by Rachel Dunifon could not be more timely. If all goes according to plan, the welfare reform legislation will be reauthorized later this year or next. During reauthorization, the effects of welfare reform on employment, welfare participation, child well-being, as well as several topics not covered in the Dunifon essay will be open to congressional inquiry. The inquiry, in turn, could lead to important modifications of the 1996 law, as well as other policies aimed at reducing poverty and promoting economic mobility. It would be a mistake to think that the congressional debates will hinge crucially on research, but given the proclivities of the Obama administration to base decisions on research, as well as the fact that some of the senior Democrats now in power opposed the original 1996 legislation, it seems likely that Congress will conduct extensive hearings and invite witnesses to draw conclusions from the research literature so ably reviewed by Dunifon.

Welfare reform as enacted in the mid-1990s was focused centrally on work. Two elements were at its core: making work pay for the working poor, including an expanded Earned Income Tax Credit, increased child care subsidies, and expanded Medicaid coverage; and replacing the old Aid to Families with Dependent Children program with time-limited, work-oriented Temporary Assistance for Needy Families

(TANF). While the latter is often referred to as welfare reform, both elements were essential. The essence of the TANF reforms was to require mothers applying for or receiving welfare to meet work requirements. These requirements were backed by sanctions that could lead to reduced welfare payments in every state and time limits that ultimately were to lead to termination of federally supported cash welfare after a period without work. This regime, which was much tougher than previous law, made it more difficult for non-working mothers to stay on welfare. But partly as a result of the make-work-pay initiatives, mothers who went to work stood to achieve significant gains in income. In the end, “welfare reform” did not lead to less spending on low income families, but it sharply torqued the resources toward supporting and even enforcing work.

The available evidence strongly suggests that considerably more single mothers went to work, and overall poverty rates among single mothers and their children fell. Dunifon reports that employment rates for single mothers rose from 62 percent to 73 percent between 1995 and 2000. Among less-educated, lone parents the rise was even more dramatic and poverty rates fell rapidly. But perhaps unsurprisingly, welfare reform seems to have had its losers, also. A careful analysis of Census Bureau data by Rebecca Blank showed that the number of single mothers who did not have earnings or payments from welfare more than doubled, from about 10 percent in 1990 before welfare reform to 20 percent in 2005. Thus, welfare reform appears to have both increased work and improved the incomes of many single mothers but pushed some others into even more dire straits.¹

In our view, four important issues need to be addressed as part of reauthorization and policies for the poor more generally:

1. supporting and increasing work among single parents and low-income adults in general;
2. helping single mothers who are neither working nor receiving public assistance;
3. enhancing the economic mobility of welfare recipients; and
4. addressing the rising nonmarital birthrate and declining marriage rate, especially among the poor.

First, what can be done to support and increase work among single parents and low income adults in general, especially during these difficult economic times? Few families with “employable adults” (those without disabilities) can escape poverty unless at least one adult works. The combination of cash welfare, food stamps, school lunch, and other benefits do not now, and likely never will, provide

enough income to escape poverty on their own. It follows that policymakers—both liberals and conservatives – have no real choice except to search for ways to help the poor work. And just as in the 1996 legislation, both increased rewards and supports for work and penalties for not working can and surely will be explored.

With growing wage inequality and the low pay generally received by less-educated workers, millions with a high school degree or less will not earn wages sufficient to escape poverty, primarily because their education does not allow them to qualify for jobs that pay high wages—hence the make-work-pay agenda. The most important item on this agenda is the Earned Income Tax Credit, which pays families with two children up to \$5,000 in cash. Other programs include food stamps, child nutrition, child care subsidies, child support enforcement, and health insurance. If the cash value of the benefits from these programs is counted as income, these work support programs remove millions of working families with children from poverty every year. We very much hope that the administration and Congress will ensure that the benefits from these programs remain available to working families and that some of them are expanded. There is solid evidence, for example, that funds appropriated by Congress for child care are insufficient to help all families that meet the income requirements to receive the benefit. As a result, some low-income families spend as much as 25 percent of their income on child care.² An obvious response would be to increase funding of the block grant that provides federal and state funds to help low-income families pay for child care.

As Dunifon and nearly every other reviewer shows, work requirements, job search assistance, and sanctions dramatically increased the employment of poor mothers. Compared to TANF, the food stamp and housing programs have comparatively limited work requirements. Some will argue (as Haskins would) that further reforms should be enacted, perhaps on a demonstration basis, that would help and require able-bodied adults receiving these benefits to make the transition to work.

Conversely, some will argue that existing requirements be loosened or altered. It remains to be seen whether the fact that reauthorization is occurring in the midst of the most severe economic downturn since the Great Depression will alter policymakers' or larger public attitudes toward work rules. One of the most intense controversies during the 1995-1996 debate over welfare reform was whether states would be required or even allowed to provide subsidized jobs for recipients that had hit their time limit for aid. In an economy with an unemployment rate that had dipped to the 4 percent range, there was little political support and arguably limited need for such government-subsidized jobs programs. But with unemployment rates exceeding 10 percent at this writing, Congress may want to explore whether to alter work requirements and/or increase subsidized employment opportunities (as Ellwood would urge).

Regardless of what policies are considered, the evidence is abundantly clear that work-based strategies fare better in strong economic times. When the economy stumbles, poor workers fall. A high employment economy is a necessary but not sufficient condition for really effective, work-based social policies. The current recession has resulted in a net decline of about 8 million jobs. This remarkable decline follows a period of almost constantly rising employment since the early 1980s. Though predicting the direction of the economy is fraught with uncertainty, most economists are now predicting a relatively slow expansion in the number of jobs, even if the economy continues to recover. We think it would be a serious mistake to abandon work-based reforms in these weaker economic times. Yet we also should recognize that the task of moving people from welfare to work will prove much harder in this period.

The second major question is what might be done to help those mothers who are neither working nor receiving public assistance. A few states have tried to help these mothers with programs that lower expectations and boost services.³ These programs have not been notably successful, but there is a lot more to learn about what barriers to employment these mothers face. We think Congress should provide the Department of Health and Human Services with funds to conduct competitive grant demonstrations that test new programs to help these especially disadvantaged mothers. The trick will be to maintain the message that mothers must continue to do everything possible to eventually work full time while temporarily lowering work requirements and providing them with intensive services to help remove the work barriers they face. These women and their children will face employment difficulties even when the economy improves. Thus, the search for new strategies should begin immediately.

The third question is the one most directly related to the Economic Mobility Project. When welfare reform was enacted, the hope of many was that moving more adults into the labor market would put them on the first rung of a ladder that would lead to higher and higher pay and a path towards a more economically secure life for themselves and their families. There is little evidence that real economic mobility occurred after they got on the ladder for most former recipients. Instead, the reforms seem to have helped them up to a somewhat higher income, but without the additional upward mobility many had envisioned. Rather than a ladder, they stepped up onto a new platform. So perhaps the most important question for the future is how the nation enhances their chances for upward mobility.

American social policy has long been plagued by the modest success of employment and training programs to help workers—including former welfare mothers who join the workforce—get better jobs that pay higher wages.⁴ Although the evidence on training and employment is beyond Dunifon's purview, the results of four decades

of research show that most programs lead to only modest increases in wages. The major cause of the problem at the bottom of the distribution is that wages of male workers with a high school degree or less have been stagnant or declining for three decades. Wages for poorly educated female workers have risen slightly over this period, but not enough to make a big difference in their standard of living. For several decades now, increased wage rates seem to be confined primarily to workers with postsecondary education.⁵

Thus, we hope the welfare reauthorization debate will focus on how to help young people from poor families improve their preparation for the job market. Recent research on programs like Career Academies and Youth Challenge—the former a program that gives youth job experience while they’re still in high school, while the latter provides supervision and education in a quasi-military setting for youth with behavioral problems—show promise in helping youth prepare for better jobs.⁶ On average, for example, a seven-year follow-up showed that males who attended Career Academies earned almost \$2,000 a year more than males who attended regular high schools. Males who had attended a career academy also had significantly higher marriage rates. Additional investments in these and similar programs seem well-justified. Another promising approach to helping youth qualify for better jobs is boosting attendance at community colleges. There is good evidence that programs designed to help young people from poor families make the transition to community college accompanied by cash rewards for good performance can boost both continued enrollment and academic performance.⁷ If these programs are aimed at training for jobs that are available in the local economy, they could help young adults qualify for middle-skill jobs such as electrician, fireman, and health technician that pay \$50,000 or more but do not require a four-year degree.⁸

A final issue that can be expected to play a major role in the reauthorization debate is how the nation should address its rising nonmarital birthrate and declining marriage rate, especially among the poor. In the 1996 reforms, Republicans included the promotion of marriage and the reduction of single-parent child rearing as goals of the TANF program. In subsequent legislation, Congress and President Bush created a \$100 million competitive grant program to implement marriage education programs around the country. These programs are intended to help young, unmarried couples, especially those who have had a baby together, as well as married couples, by sponsoring discussion groups that address important issues faced by couples, such as showing affection, arguing without resorting to name-calling or violence, parenting, and learning about household financing. Similarly, the legislation included a \$50 million competitive grant program on fatherhood to support programs that help young, single men learn parenting skills and the importance of visiting with their children and paying child support.

The fatherhood programs seem to have strong bipartisan support, while the marriage education programs have proven controversial, especially among Democrats. There is limited firm evidence to help Congress decide whether either type of program is producing useful effects, although a great deal of research is now being conducted, and preliminary results will be available beginning next year. Since research shows that, all else being the same, children tend to fare better when reared by their married parents⁹ and that low-income and minority children are more likely than more advantaged children to spend part or all of their childhood in a single-parent family,¹⁰ continuing experimentation seems appropriate and continuing congressional debate seems likely.

The 2010 reauthorization of welfare reform provides an occasion for Congress to carefully examine the situation of the poor and near-poor in America. Our nation's historic commitment to equal opportunity requires that we promote the mobility of the poor by expanded use of the policy levers discussed here, as well as other possible levers. The Economic Mobility Project has recently published a host of ideas that Congress should consider for helping the poor and improving economic mobility.¹¹ It can be expected that many other organizations will make similar proposals.¹² While we appreciate the fact that many factors will influence congressional action on welfare reform reauthorization, we hope that in taking a broad view of the status of disadvantaged Americans, Congress will devote serious consideration to what we have learned from research on welfare reform and related topics, as well as to the research-based proposals put forward by individuals and organizations that share national goals of reducing poverty and increasing economic mobility.

¹ Blank and Kovak, 2009.

² Forry, 2009.

³ Pavetti and Kauff, 2006; Zedlewski, 2003.

⁴ Holzer and Nightingale, 2007.

⁵ Blank, 2009.

⁶ Kemple and Willner, 2008; Bloom, Gardenhire-Crooks, and Mandsager, 2009.

⁷ Scrivener and Weiss, 2009.

⁸ Holzer and Lerman, 2009.

⁹ McLanahan, Donahue, and Haskins, 2005.

¹⁰ Ellwood and Jencks, 2004.

¹¹ Economic Mobility Project, 2009.

¹² A review of proposals for increasing education, increasing work and wages, and strengthening families can be found in Ron Haskins and Isabel Sawhill, *Creating an Opportunity Society* (Washington, DC: Brookings, 2009).