# Welfare Reform and the Families It Left Behind

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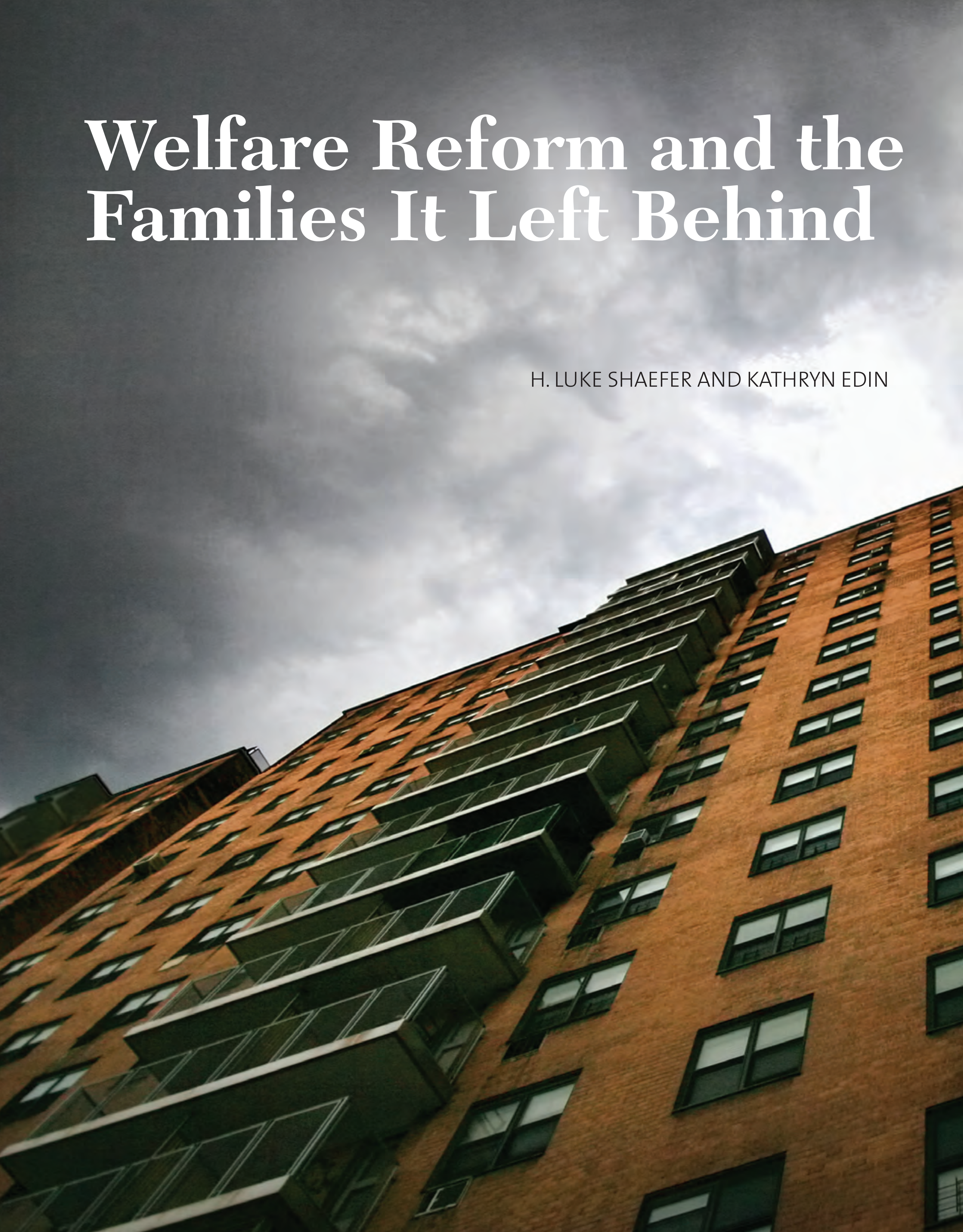


Since the early 1990s, the safety net for families with children has been fundamentally reformed. The expansion of the Earned Income Tax Credit (EITC) in the early 1990s and of public health insurance in the late 1990s are two classic reforms that are largely viewed as highly successful.

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.

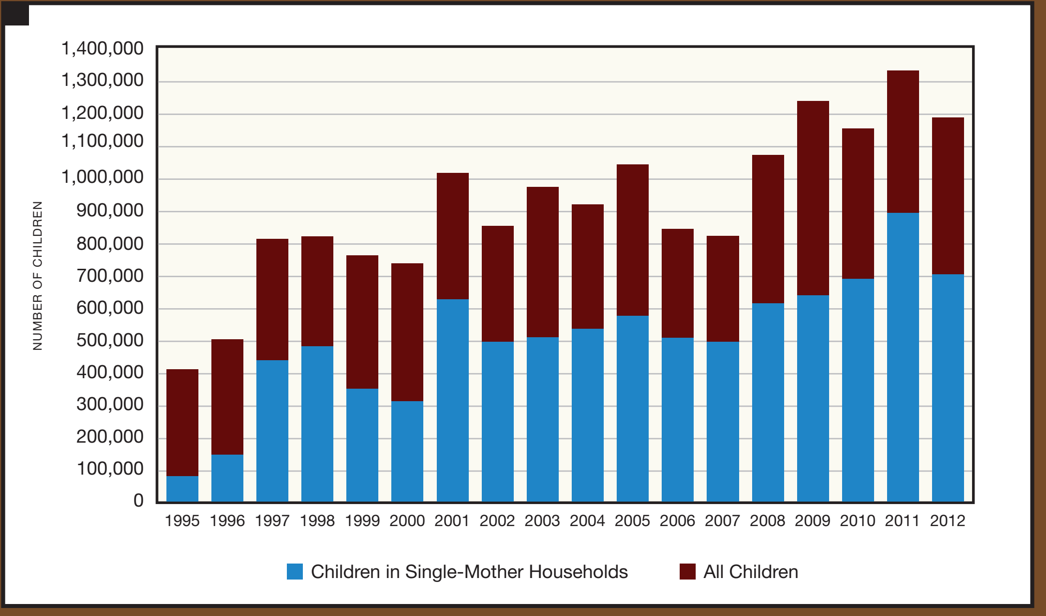
In the adjusted TRIM data, the number of all children in $2-a-day poverty for an entire calendar year roughly doubled between 1995 and 2007, from 415,000 in 1995 (0.6% of all children) to 821,000 (1.11% of children), before the onset of the Great Recession. The number hit a peak of 1.3 million in 2011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

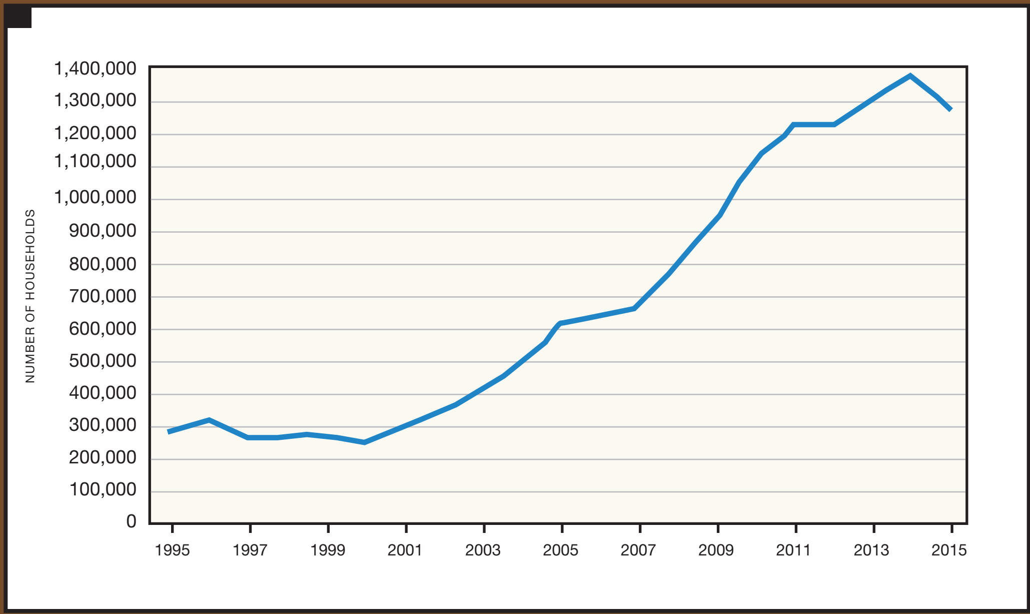
But while the overall levels of $2-a-day poverty are lower in any given year in the adjusted TRIM data, the magnitude of the change between 1995 and 2012 is much greater. If we were examining only the unadjusted data, we would conclude that annual $2-a-day poverty among single-mother households doubled 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.

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## 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.