Twenty Years After the Welfare to Work Act: Effects on Work and Poverty

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Work and Poverty Research

• A large amount conducted on these central outcomes
• Much was on the pre-1996 Waivers but is relevant to the 1996 Law
• Some was conducted in the 1990s on randomized trials of features related to those in the 1996 law but not exactly the same
• Almost no true evaluation research conducted on the 2005 Deficit Reduction Act (DRA)
• Most of the research was conducted in the late 1990s and early 2000s; not a great deal of formal evaluation research conducted since then, although trends in work and poverty have been tracked
Evaluation Challenges

It proved to be a very challenging reform to evaluate for a number of reasons (Moffitt and Ver Ploeg, 2001)

• All states adopted the basic reforms; no variation
• Pre-1996 Waivers differed from those in the 1996 Law
• Economy was doing well, hard to separate from effects of reform
• EITC had been liberalized shortly before, effects were still being felt
• Data deficiencies (survey, administrative) became rapidly apparent
• Hard to obtain information on exactly what states were doing
• But it was clear that the details of state programs were very complex

These challenges mean that the evidence does not always speak clearly
Some References


• Ziliak, ed. *Welfare Reform and Its Long-Term Consequences for America’s Poor*, 2009

• Ziliak, “Temporary Assistance for Needy Families,” 2016
Summary of Findings: Caseloads

- Start with a familiar graph
Unemployment Rate
Research Findings on Caseloads

- Wide range of estimates allocating how much of decline due to economy vs policy, many methodological debates
- Use different unemployment rates in different states
- Effects for waiver period smaller than those for TANF period
- Range due to policy in the TANF period: 18% to 35% caseload reduction due to the reform
- But today, many think the percent is higher because caseloads have not risen in either the mild 2000-2001 recession or the Great Recession; the reform (broadly speaking) is the likely cause
Summary of Findings: Employment

- Again, start with an illustrative graph
Never-Married Mothers’ Work Rates Jumped in 1990s but Have Fallen Since

Percent of women between the ages of 20 and 49 with a high school education or less with any work during the year

There was a major growth of employment of less educated single mothers after welfare reform relative to others.

Leaver studies: 60%-70% employed in first few quarters.

How much due to policy and how much due to economy?

Rough range: 2 to 4 percentage points increase due to policy, which is about half.

Some studies have shown that EITC was responsible for much more and recent estimates have, indeed, shown EITC effects greater than welfare reform estimates.

Some studies: employment effects have faded out.
Summary of Findings: Poverty

• Look again at the time series pattern first
Source: C. Wimer
Research Findings: Poverty

• If employment increased, earnings must have risen; but welfare benefits fell; which one dominated?

• Poverty rates fell a bit after 1996: but due to the economy, the EITC, or welfare reform?

• Research is, as usual, mixed; but many results show that reform reduced poverty rates overall, at least in the first few years after reform

• But other studies suggest the effects have fallen over time and possible increases in the rates of deep poverty have been caused by the reform

• Consistent with the latter: Increase in families with no earnings and no welfare; increase in “floundering families”; Deep Poverty (Income > 50% of pov line) is increasing as a percent of poor
Summary of Findings: Components

• Are all these effects a result of work requirements? Time Limits? Work requirements? Sanctions? Fixed block grant funds? Other components?

• Unfortunately, the research has not been successful in disentangling the relative contributions of each of these to the overall outcomes just described; hard to separate

• Components are too complex in detail, are correlated with each other within states, and we cannot measure them well; and data barriers (sample sizes, lack of administrative data) have been faced.

• Put differently: cannot say with confidence what would open if changed work requirements, time limits, or block grants, holding the other two fixed
Summary

- **My reading of the research evidence:**
- Reform lowered caseloads, and magnitude of the reduction has increased over time.
- Reform raised average employment among single mothers, even if some have not been able to find work.
- Reform did not have major positive effects on average income, but probably lowered overall poverty rates to some extent but also may have increased deep poverty rates.
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