

# Does Making Welfare *Much* “Less Appealing” Reduce Poverty?

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November 27, 2016

Most conservatives claim that the 1996 welfare reform law, and the creation of the Temporary Assistance for Needy Families (TANF) block grant, was an “unprecedented success” and that it should be used as a model for reforming the rest of the safety net. For example, Scott Winship, writing for the Manhattan Institute, argues that “welfare reform” is an “unambiguous” success<sup>2</sup> that reduced child poverty *rates* (measured in various ways) and suggests that “the lessons of welfare reform” should be extended to other safety-net programs.<sup>3</sup> Unlike most conservatives, I argue that TANF is a massive policy failure and that it is not “welfare reform” but a form of revenue sharing for states that has increased the *depth* of poverty, allowing states to adopt harsh policies for cash assistance (with no evidence of effectiveness) and allowing them to divert money intended for needy families to fill budget holes.

## The Claim that “Welfare Reform” Reduced Poverty

In *Poverty After Welfare Reform*, Winship describes the main weaknesses of the “official” poverty measure, most notably its failure to count as income non-cash benefits and refundable tax credits. He shows that counting such benefits (and making other adjustments) has a significant effect in reducing poverty, thus dispelling Speaker Ryan’s recent claim, “For years – decades now – Washington has spent trillions of dollars on dozens of programs to fight poverty. But we have barely moved the needle. The war on poverty is a stalemate at best.”<sup>4</sup> In this regard, Winship and I agree.

Winship also asserts that the 1996 “welfare reform” was a success, because the child poverty rate (with his adjustments) fell between 1996 and 2014. He makes a claim of causality, that is, “welfare reform” passed, poverty fell, and therefore the decline in poverty must be due to “welfare reform.” This is reflected in the titles of some of his articles: “Welfare Reform Reduced Poverty and Nobody Can Contest It”<sup>5</sup> and “Happy birthday, welfare reform: The law signed by Bill Clinton in 1996 helped millions of American families rise out of poverty.”<sup>6</sup> I don’t accept simplistic pre-post comparisons of poverty rates as evidence of a cause-and-effect relationship, because there are many factors that affect poverty besides “welfare reform.”

In “Welfare Reform *Increased* Poverty and No One Can Contest It,”<sup>7</sup> I explain that most conservative “analyses” of TANF’s effects on poverty: reflect little understanding of causal inference (i.e., they do not try to disentangle the effects of TANF from other possible influence, such as the economy and increased aid to the working poor); ignore rigorous research findings (particularly random assignment experiments during the same time period that poverty rates fell fastest that suggest welfare reform had modest impacts); use inappropriate time periods (often starting years before TANF was enacted and often ending around 2000); use the wrong poverty measure, i.e., the poverty *rate* rather than a measure that also includes the *depth* of poverty; and confuse TANF with “welfare reform” – TANF is nothing more than revenue sharing, with a myriad of ineffective and even counterproductive federal requirements.

## The Limits of Making Welfare “Less Appealing”

If one believes “welfare reform” reduced poverty, the next step should be to examine the specific policies that contributed to that poverty reduction. Winship never delves into policy details, but simply asserts that “welfare reform” made welfare “less appealing” and that is what is central to its success.<sup>8</sup> It is not clear whether the putative “success” he claims is due to unreasonable work requirements (which can require 130 hours of participation a month in exchange for a grant as little as \$140 in Tennessee for a family of two), restrictive time limits (as short as 12 months in Arizona),<sup>9</sup> or an array of other policies that have increased the “hassle” of being on welfare (such as requiring applicants to make 60 job searches or attend 8 orientations per week, as in Georgia).<sup>10</sup> Winship is right about one thing – being on TANF cash assistance has become *much* “less appealing” in many states.

Winship makes no attempt to disentangle the various components of “welfare reform” or examine how they were implemented at the state level. Yet, TANF is best viewed on a state-by-state basis and digging deeper suggests that there are limits to Winship’s argument about making welfare “less appealing.” Some states have tried to focus on real “welfare reform” (to the extent they can given the limitations of TANF’s block grant structure and dysfunctional federal requirements), while others use it primarily as a slush fund and have adopted very harsh policies to push families off the welfare rolls. Using a simplistic pre-post approach, one can easily compare states over time based on the harshness of their policies. (Note: This is not the evaluation approach I prefer, but it seems to resonate with conservatives.)

Robert Doar, now at the American Enterprise Institute, says he ran a “model” TANF program in New York – both at the state level and in New York City. (Doar’s bio states: “Before joining the Bloomberg administration, he was commissioner of social services for the state of New York, where he helped to make the state a model for the implementation of welfare reform.”<sup>11</sup>) Doar is proud of New York City’s track record in reducing poverty:

In America’s biggest cities, more and more Americans are now living in poverty. From 2000 to 2013, the poverty rate in America’s 20 largest cities grew by 36 percent, to an average of 22.7 percent. Nationally, the poverty rate has risen too, from 11.3 percent in 2000 to 14.8 percent in 2014.

But there’s one stand-out exception to this phenomenon: New York City.

Over the last decade, New York City’s poverty rate has defied national trends by declining. While New York once suffered one of the highest poverty rates among the country’s large cities, today it boasts one of the lowest...<sup>12</sup>

Indeed, Doar presents data to show that between 2000 and 2013, the percent change in poverty in New York City was *minus* 0.9 percent – the lowest in the nation among major cities, followed by Los Angeles and San Diego (plus 3.6 and plus 7.5 percent, respectively). At the opposite end of the spectrum, with the largest increases, were Indianapolis (81.5 percent), Charlotte (67 percent), and Detroit (57.9 percent).

Notably, both New York and California (the states with the top three cities) have much *more appealing* TANF programs than Indiana, North Carolina, and Michigan (the states with the bottom three cities) and they have become *relatively* more appealing over time. New York and California didn't eliminate the entitlement (an important component of "welfare reform" for conservatives), they don't impose full family sanctions or enforce the federal 5-year time limit (California removes the adult's needs after 48 months but children continue to receive benefits; New York simply continues assistance with state funds.)<sup>13</sup> Both states have among the most generous benefits, paying over \$700 a month for a family of three. In contrast, the states with the cities in the bottom three have lower benefits (\$272 to \$492 a month for a family of three), do impose full-family sanctions and do enforce the federal 5-year limit and two have shorter time limits (24 months in Indiana – for adults – and 48 months in Michigan – for the entire family).<sup>14</sup>

While Indiana, North Carolina and Michigan were "less appealing" in 1996 (and 2000) than both California and New York, they have become much, much less appealing over time. For example, between 1996 and 2014, the TANF-to-poverty ratio (the ratio of families receiving cash assistance per 100 poor families with children) fell from 101 to 65 in California and from 79 to 40 in New York. The declines were much larger in Indiana (61 to 8), North Carolina (74 to 8), and Michigan (88 to 18).<sup>15</sup> The maximum benefit for a family of three fell 23 percent in real terms in California and 10 percent in New York; compare that to Indiana (-34 percent), North Carolina (-34 percent), and Michigan (-30 percent). TANF is failing as a safety net everywhere, but much more so in some states than others.<sup>16</sup>

### **The Need for a Better Way to Assess the Impacts of "Welfare Reform"**

Changes to work requirements, financial incentives, sanction policies, time limits, and a range of other policies can make welfare more or less "appealing," which in turn could affect employment, welfare receipt, and other outcomes that influence poverty. The foregoing analysis suggests that there are limits to how far states should go in making welfare "less appealing" and that some states have gone too far. However, "suggestive" evidence, like Winship's analysis of poverty rates over time and Doar's comparison of poverty trends in major cities is not enough. Before the 1996 "welfare reform," states had flexibility to test changes to cash assistance and other programs by seeking waivers. Unlike TANF, however, these waivers had strong accountability measures, most notably cost neutrality and a requirement for a rigorous evaluation (generally a random assignment experiment). The waiver-based approach to "welfare reform" was a process for building evidence about what works and what doesn't, so that specific policies could be examined. TANF did away with that, substituting a blank check with virtually no meaningful accountability. It's time to return to restore accountability and evaluation to "welfare reform" so that we can confidently advance evidence-based policies.

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<sup>1</sup> The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush. This paper assumes the reader has a basic understanding of the TANF program, but for those readers who want more context and background, see Peter Germanis, *TANF is Broken! It's Time to Reform "Welfare Reform" (And Fix the Problems, Not Treat their Symptoms)*, July 25, 2015 draft, available at: <http://mlwiseman.com/wp-content/uploads/2013/09/TANF-is-Broken.072515.pdf>.

<sup>2</sup> Scott Winship, "Yes, the '96 Welfare Reform Helped Reduce Child Poverty," *National Review Online*, September 7, 2016, available at: <https://www.manhattan-institute.org/html/yes-96-welfare-reform-helped-reduce-child-poverty-9235.html>.

<sup>3</sup> Scott Winship, "Conservative Reforms to the Safety Net Will Reduce Poverty," January 8, 2016, available at: <http://economics21.org/commentary/jeb-bush-poverty-plan-scott-winship-01-11-16>.

<sup>4</sup> Speaker Paul Ryan, "Weekly Republican Address: This is a Better Way," June 3, 2016, available at: <http://www.speaker.gov/press-release/a-better-way>.

<sup>5</sup> Scott Winship, "Welfare Reform Reduced Poverty and No One Can Contest It," *Forbes*, January 11, 2016, available at: <http://www.forbes.com/sites/scottwinship/2016/01/11/welfare-reform-reduced-poverty-and-no-one-can-contest-it/>.

<sup>6</sup> Scott Winship, "Happy birthday, welfare reform: The law signed by Bill Clinton in 1996 helped millions of American families rise out of poverty," August 25, 2016, available at: <http://www.nydailynews.com/opinion/scott-winship-happy-birthday-welfare-reform-article-1.2764481>.

<sup>7</sup> Peter Germanis, "'Welfare Reform' Increased Poverty and No One Can Contest It: A Note to Conservatives," April 24, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2015/11/Welfare-Reform-Increased-Poverty.pdf>.

<sup>8</sup> See Peter Germanis, "Making Progress on TANF: A Response to Scott Winship," August 27, 2016, available at: <http://mlwiseman.com/wp-content/uploads/2016/05/Making-Progress1.pdf>.

<sup>9</sup> For data on state TANF policies, see: Elissa Cohen, Sarah Minton, Megan Thompson, Elizabeth Crowe, and Linda Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2015* (Washington, D.C.: The Urban Institute, September 2016), Table II.A.4, available at: [http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20\(Final%2009%2026%2016\).pdf](http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20(Final%2009%2026%2016).pdf).

<sup>10</sup> Jordan Weissmann, "The Failure of Welfare Reform: How Bill Clinton's signature legislative achievement tore America's safety net," *Slate*, June 1, 2016, available at: [http://www.slate.com/articles/news\\_and\\_politics/moneybox/2016/06/how\\_welfare\\_reform\\_failed.html](http://www.slate.com/articles/news_and_politics/moneybox/2016/06/how_welfare_reform_failed.html).

<sup>11</sup> "Robert Doar," bio, available at: <https://www.aei.org/scholar/robert-doar/>.

<sup>12</sup> Linda Gibbs and Robert Doar, "New York City's Turnaround on Poverty," *Washington Monthly*, June 19, 2016, available at: <http://washingtonmonthly.com/2016/06/19/new-york-citys-turnaround-on-poverty/>.

<sup>13</sup> Elissa Cohen, Sarah Minton, Megan Thompson, Elizabeth Crowe, and Linda Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2015* (Washington, D.C.: The Urban Institute, September 2016), Table IV.C.1, available at: [http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20\(Final%2009%2026%2016\).pdf](http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20(Final%2009%2026%2016).pdf).

<sup>14</sup> Elissa Cohen, Sarah Minton, Megan Thompson, Elizabeth Crowe, and Linda Giannarelli, *Welfare Rules Databook: State TANF Policies as of July 2015* (Washington, D.C.: The Urban Institute, September 2016), Table II.A.4, available at: [http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20\(Final%2009%2026%2016\).pdf](http://wrd.urban.org/wrd/data/databooks/2015%20Welfare%20Rules%20Databook%20(Final%2009%2026%2016).pdf).

<sup>15</sup> Ife Floyd, LaDonna Pavetti, and Liz Schott, "TANF Continues to Weaken as a Safety Net," Center on Budget and Policy Priorities, October 27, 2015, available at: <http://www.cbpp.org/research/family-income-support/tanf-continues-to-weaken-as-a-safety-net>.

<sup>16</sup> Megan Stanley, Ife Floyd, and Misha Hill, "TANF Cash Benefits Have Fallen by More Than 20 Percent in Most States and Continue to Erode," Center on Budget and Policy Priorities, October 27, 2016, available at: <http://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states>.