Is Relying on an Econometric Study to Promote "Policies Similar to Welfare Reform" a Basis for Evidence-Based Policymaking?

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A new study by Henrik Kleven, a professor of economics and public affairs at Princeton University, examines the impact of the Earned Income Tax Credit (EITC) on the labor supply of single mothers. He concludes that the EITC had little impact on the "very large" increases in employment "in the mid-late 1990s." Instead, he suggests that "the employment effects align closely with exposure to welfare reform and the business cycle."[2]

In "Welfare reform, not the EITC, responsible for single mother employment increases," Angela Rachidi, a research fellow at the American Enterprise Institute (AEI), argues that these findings counter claims by other researchers that suggest welfare reform was "inconsequential in explaining large increases in employment" and that future "policy debates" to promote employment should "rely more heavily on policies similar to welfare reform."[3] Rachidi doesn't explain what she means by "welfare reform," but her references to "the literature" in her article are about the Temporary Assistance for Needy Families (TANF) block grant and its work requirements.

In his assessment of the study, Robert VerBruggen, an Institute for Family Studies research fellow and a deputy managing editor of *National Review*, goes even further to suggest that "work requirements" were responsible for the increase in employment among single mothers:

> The paper also, it must be said, strengthens the case for work requirements. Foes of welfare reform have often sought to credit the EITC for the gains of the mid-1990s, and it seems they are probably wrong to do so. Going forward, cash welfare's work requirements should be maintained, and similar policies should arguably be strengthened in other programs such as food stamps and housing.[4]

There is nothing in the Kleven study that would suggest policymakers today rely more heavily on TANF-like policies, particularly its work requirements, as Rachidi and VerBruggen suggest. Their conclusions place too much emphasis on a single econometric study, ignore the importance of policy details, and, if acted upon, would undermine efforts for a more responsible, evidence-based approach for policymaking.

Econometric studies seeking to isolate the effects of welfare reform face a variety of methodological challenges and have produced uncertain and highly variable results; no one econometric study will settle the debate regarding its impact on employment (and other outcomes). Moreover, to the extent they provide evidence about reform, the findings are typically limited to the overall effects; they offer little insight into the kinds of policy details related to the range of individual provisions that make up "welfare reform."[5] This requires greater reliance on more rigorous methods, such as a randomized control trial (RCT), and careful assessment of implementation.

Future "policy debates" about welfare reform should rely more heavily on the preTANF approach to welfare reform, where policy changes could be tested on a smaller scale (or limited to individual states) before being implemented nationwide. A recent report from the National Academies of Sciences, Engineering, and Medicine (NASEM) that examines "evidence-based" policy options to "cut the child poverty rate" lends support to this model:

> In contrast to the wealth of evidence available during the welfare reform debates of the 1990s, today we have very few recent strong evaluations of programs and policies designed to boost the job skills and employment of parents in low-income families receiving public assistance.[6]

The committee that produced report notes the "dearth of evidence" about TANF as a whole and its work requirements in particular, stating:

> There is insufficient evidence to identify mandatory work policies that would reliably reduce child poverty… The dearth of evidence also reflects underinvestment over the past two decades in methodologically strong evaluations of the impacts of alternative work programs.[7]

Rather than relying more heavily on TANF-like policies, the committee emphasizes the importance of basing policy on credible evidence:

> …We stress the importance of randomized controlled methodologies, where feasible, when evaluating the effectiveness of existing or proposed programs and policies… Such experiments, while not without problems (e.g., missing data, attrition, small samples, high relative cost) make it possible to draw causal inferences – and not just correlational associations – concerning the effects of alternative policies.[8]

* * *

This response addresses some of the claims made by Rachidi and VerBruggen about the relevance of Kleven's findings with respect to the impact of "welfare reform." Each claim is followed by a "PC Response." ("PC" is short for "Peter the Citizen.") It concludes by describing a better approach for policymaking, one based on building credible and policy – relevant evidence.

Rachidi: "…welfare reform's efficacy often is deemphasized in the literature (or dismissed entirely) in favor of the EITC. Arguments that favor the effectiveness of welfare reform over the EITC, such as those by NYU political scientist Larry Mead, get less attention. Instead, in recent years the employment effects of welfare reform are often described as 'modest and decreased with time', leaving the impression that the policy was inconsequential in explaining the large increases in employment among single mothers in the late 1990s."

PC Response: To support these claims, Rachidi refers to four reviews. The first is a summary of the academic literature about TANF by University of Kentucky professor James Ziliak for the National Bureau of Economic Research.[9] Ziliak's review is a straightforward summary of the major studies about or related to TANF (i.e., including earlier studies of mandatory welfare-to-work programs under the Aid to Families with Dependent Children or AFDC program):

> The weight of research evidence seems to indicate that welfare reform reduced participation in the TANF program, increased employment and earnings, and decreased total after-tax and transfer incomes, at least in the lower half of the income distribution of single mothers. To be certain there is wide disagreement in the literature on the magnitude of effects vis-à-vis the business cycle and other policy changes such as the expanded EITC, but there is agreement on the direction.[10]

If Rachidi believes this review somehow understates "welfare reform's efficacy," she should elaborate on why she believes this to be the case and why a single econometric study (i.e., the Kleven study) should now "deemphasize" decades of research by other highly respected economists.

A second review by Heather Hahn and her colleagues at the Urban Institute is focused solely on work requirements in safety net programs.[11] It provides a description of work requirement policies across TANF, SNAP (the Supplemental Nutrition Assistance Program), Medicaid, and housing assistance. It also briefly summarizes some of the literature surrounding the effects of mandatory work programs and describes how states have used TANF's flexibility to avoid serving families. Rachidi suggests this review "dismissed entirely" welfare reform's efficacy in favor of the EITC. The brief description of research findings is based on an objective review of the findings and makes no mention of the EITC. Indeed, the main purpose of the paper is to highlight issues policymakers should focus on when considering "potential new or expanded work requirements in various programs," including who should be "subject to or exempt from work requirements and what activities would satisfy the requirements," as well as "more fundamental questions about the purpose, expected outcomes, practical implementation, and associated costs of work requirements…"

A third review by LaDonna Pavetti of the Center on Budget and Policy Priorities focused on findings about mandatory work programs, primarily from random assignment studies of such programs started under AFDC.[12] Pavetti's summary does state that the employment effects of these programs were "modest and decreased with time," but this too is an accurate reflection of the experimental research. Rachidi seems to think this statement leaves the "impression that the policy was inconsequential in explaining the large increases in employment among single mothers in the late 1990s." If she believes Pavetti misinterpreted the impacts of mandatory work programs or if such evaluations do not reflect the full impact of "welfare reform," she should explain why she believes this to be the case. (In fact, the same general finding about small to modest employment impacts applies to the full range of welfare-to-work and waiver-based evaluations conducted in the 1990s, not just mandatory work programs.[13])

Finally, Rachidi cites an article by Larry Mead, a professor of politics and public policy at New York University, who writes:

> Much of the effect the statistical studies find may be due to the EITC keeping people working rather than causing them to go to work. The studies appear to err, in part, because they take an exclusively statistical approach. As is common in economics, these studies are based entirely on large databases. There is no hands-on inquiry to clarify the behaviors underlying the numbers. It is simply assumed that individuals are acting to optimize their incomes, and using all available resources to do so. In this case, these assumptions lead to unrealistic conclusions.
>
> To economists the important thing is the correlation they find between the EITC and work. Whether the credit operates through promoting work or retention in work, it is raising employment in some way. That is true, as far as it goes. But if such studies are to inform social policy, how the credit operates matters and cannot be ignored. If the EITC causes many poor adults to go to work on their own, as the recent studies assert, then other steps to promote work are superfluous and the idea that the poor just need better incentives and opportunities to work is confirmed. If, on the other hand, the credit only bolsters income after employment, then going to work must still be encouraged and enforced by administrative means.[14]

Mead makes a strong theoretical case for why the EITC's employment impacts may be overstated in statistical studies, but his analysis is not an empirical one. More important, when it comes to "welfare reform," Mead's caveats about a purely "statistical approach" have particular salience – it is essential to examine how a policy is implemented and how it actually "operates." In this regard, Ron Haskins, considered the "architect" of welfare reform, now acknowledges that TANF's work requirements have "major problems":

> The straightforward approach of using the TANF work requirements as a model for work requirements in other welfare programs because of their perceived "great success," as many Republicans want to do, is flawed because the TANF work requirements have major problems.
>
> …Examining these problems with the TANF work requirement leaves little doubt that the TANF approach to requiring work has not proven to be an effective way to help welfare recipients prepare for or find unsubsidized work. New attempts to strengthen the work requirement in TANF and other means-tested programs should learn from, but not follow, the TANF example. In fact, if TANF work requirements are any example, we must find and test new ways to help welfare recipients enter employment. This conclusion is especially important because the unprecedented decline in the TANF caseload has meant that there are now many more families living in poverty, and even deep poverty (below half the poverty level), that do not receive a cash benefit.[15]

If one examines how TANF "operates" as Mead suggests, then it is noteworthy that Haskins' assessment contradicts the Rachidi/VerBruggen recommendations and leads to the opposite conclusion – policymakers "should learn from, but not follow, the TANF example." (TANF has many other "problems" that extend well beyond its flawed work requirements.)

Rachidi: "Kleven's findings will make it increasingly difficult to make this claim" [referring to welfare reform's relatively modest impact on employment vs. the EITC]. One reason this matters involves current policy debates. …these findings are important is to counteract suggestions that welfare reform did not benefit single mother employment. The evidence is clear and uncontroversial that it did."

PC Response: While "welfare reform" may have boosted single mother employment, *the extent* of its effects are not as "clear and uncontroversial" as Rachidi suggests. Assessing its impact using statistical models is very challenging, even more so than with the EITC, and no single econometric study is likely to have much impact on this debate and the decisions of policymakers. First, the findings from econometric studies are highly uncertain due to variations in statistical methods, data sources, time periods, and an array of other factors. Second, whereas the main factors to consider in the EITC debate are its parameters and knowledge of the EITC, "welfare reform" is much more complicated comprising dozens of provisions related to funding amounts, benefit levels, work requirements, sanction policies, time limits, and many other program parameters – as well as issues related to the application of the policies by staff and the understanding of recipients affected by these policies. These all vary significantly by state and over time. Even within the 1992-2000 period highlighted in the Kleven study, the preTANF "welfare reform" period was very different than the early TANF era (1997-2000) and neither bears any relevance to TANF today. Third, there are far more evaluations of state "welfare reforms" than there are studies of the EITC, relying on a wider range of methods, including many that are more rigorous than econometric studies, with greater control over data quality and extraneous factors (e.g, economic conditions and other policies that could influence employment).

The Uncertainty of Econometric Studies. There are many economic, demographic, social, and policy-related factors that influence employment, as well as welfare caseloads and poverty – two other outcomes frequently examined in econometric studies of "welfare reform." Consider just some of the factors a statistical study must control for to estimate "welfare reform's" impact in the mid- to late-1990s:

- A strong economy (e.g., between 1992 and 2000, the unemployment rate fell from 7.5 percent to 4.0 percent).
- Increased aid to the working poor to "make work pay."
    - The EITC was expanded in 1990 and again in 1993; and a new refundable child tax credit was added in 1997 – both limited to those with earnings.
    - Child care funding from AFDC/TANF and the Child Care Development Fund (and its predecessor programs) quadrupled between 1992 and 2000, from about \$3.5 billion to about \$14.1 billion (in 2018 dollars).[16] (Adding spending on Head Start and preK programs increases the dollar amount spent even more.)
    - Medicaid eligibility was liberalized (with some exceptions), particularly for children, and delinked from welfare receipt; and the State Children's Health

Insurance Program (S-CHIP) was created in 1997. As a result, enrollment rose, particularly "in states with historically restrictive welfare eligibility."[17]

- A number of increases in the federal minimum wage (from $3.35 per hour in 1990 to $5.15 per hour in 1997), as well as varied increases in state-specific minimum wages.
- Changes in various societal factors, such reduced crime, cocaine use, and teen pregnancy.

Then there is the problem of specifying "welfare reform" itself within the AFDC and later TANF context. This is virtually impossible as there are a myriad of variations across states and over time in terms of policy packages, implementation timing and effectiveness, and funding available and actually spent on "welfare reform" activities. The following is a brief description of some of the challenges.

Welfare reform under AFDC. In 1987, the Reagan Administration began encouraging states to conduct welfare reform experiments – through waivers of AFDC's rigid rules (and, to a lesser extent, food stamp and Medicaid rules due to more limited waiver authorities for those programs). This approach was continued by President Bush and President Clinton. These waivers were subject to accountability provisions, names cost neutrality (not a block grant) and rigorous evaluation (typically a randomized control trial).[18] The requirement for random assignment was arrived at after a lengthy debate within the Reagan and then Bush Administration about evaluation methods. Statistical models and quasi-experimental (i.e., comparison group) designs were rejected because their findings were considered too unreliable. In contrast, random assignment experiments were considered more credible, because if assignment is done properly, the experimental and control groups should be statistically alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself.

While "welfare reform" is often associated with the waivers that were granted under AFDC (and this is the case in the Kleven analysis), in many states the implementation of the Job Opportunities and Basic Skills Training (JOBS) program, enacted as part of the Family Support Act of 1988, was more significant, yet this is often ignored in statistical studies. For example, Wisconsin is noted for its many waiver-based experimental initiatives, but most of these experiments affected a relatively small share of the caseload and/or would be expected to have a relatively small effect on employment. More relevant to reform in the preTANF era in Wisconsin was its aggressive implementation of work programs under JOBS, as evidenced by its commitment of resources and the relatively high level of engagement in work activities.[19] By the time the state implemented TANF, its caseload had already dropped from over 90,000 when Governor Thompson took office to under 50,000 families – a decline of nearly 50 percent. (There was no rigorous evaluation of Wisconsin's JOBS program, so it is not possible to determine its impact on employment and other outcomes.) Unless a statistical model includes some measure of engagement in work activities or expenditures on work and work support programs, it may miss an important feature of "welfare reform."

Most econometric studies that seek to assess the impact of "welfare reform" focus on waivers, as does Kleven. He considers "major statewide waivers in the following six categories: termination time limits, work requirement time limits, JOBS exemptions, JOBS sanctions, family caps, and earnings disregards."[20] Attempting to control for waiver policies poses a number of challenges.

- The timing of waiver approval may not correspond to the actual implementation of the waiver policies. In a critique of an earlier econometric study conducted by the Council of Economic Advisers (CEA), economists Alberto Martini and Michael Wiseman give a few examples:

    - "*Delaware* is reported by the CEA to have been approved on May 8, 1995 for a major statewide waiver that includes enhanced JOBS sanctions. In fact, while the program was intended to be statewide, implementation began on a small scale, affecting only a small portion of the caseload. The process will not be completed until September 1998.
    - *Texas* is reported to have been granted a major statewide waiver on March 22, 1996. The program was not scheduled for implementation until fall 1996, with its showpiece-time limits on assistance-deferred for implementation until 1997.
    - *Virginia* is reported to have received a waiver on July 1, 1995. However, implementation of the reform is gradual; by July 1997 only about half of the state's caseload was affected."[21]

- Kleven's study highlights states with six types of waivers, but as University of Pennsylvania law professor Jonah Gelbach observes, characterizing welfare policy is more complicated. For example, he notes that there are 30 categories of variables in the Urban Institute's Welfare Rules Database (WRD). (This database is used primarily to track TANF policies, but the general complication applies to AFDC waivers as well.) Gelbach lists these categories in alphabetical order:

    > Activities exemptions, Activities requirements, Activities sanctions, Asset test, Benefit computation , Child support, Child support sanctions, Components, Contracts and agreements, Countable income, Deemed income, Diversion, Dollar amounts, Earned income disregards, Eligibility by number/type parents, Eligibility of individual family members, Eligibility of pregnant women, Eligibility of two-parent families, Eligibility of units headed by minor parents, Family caps, Immunization and health screening policies, In kind income, Inclusion of non-citizens in the unit, Income and assets of children, Income eligibility tests, Minor parent activities and bonuses, School policies for dependent children, Time limits, Transitional benefits, and Treatment of Additional Adults in Household.[22]

    He further notes:

    > And remember, each of these thirty categories includes multiple variables that characterize a state's welfare program. As a result, the WRD contains hundreds of variables. And even welfare reform didn't change the fact that there are only 51 state-level jurisdictions. In other words, our system of state laboratories imposed more experimental treatments than there were experimental units.[23]

- Seemingly similar waiver policies may vary considerably in their character and in how they are applied. To illustrate this point, consider two of the six waiver policies in the Kleven study related to JOBS participation – exemptions and sanctions.

  Kleven: "*JOBS exemptions* allowed states to eliminate or reduce the exemption of families with young children from JOBS. While previously parents with children under the age of 3 (or under the age of 6 if the state could not guarantee child care) had been exempt from JOBS, these waivers required parents with very young children (sometimes as young as 12 weeks) to participate in the program." There was wide variation in these exemption waivers, with Delaware and Nebraska lowering the exemption for a youngest child to 12 weeks, while Massachusetts actually raised it to age six for most single-parent families.[24] Perhaps more important, changing the exemption does not necessarily mean that the affected families will be required to participate. Most states, whether under AFDC or TANF, have not effectively engaged a significant share of their caseloads in work activities on an ongoing basis. A more important factor than classifying a state by its exemption policy would be to capture actual engagement in work activities.

  Kleven: "*JOBS sanctions* allowed states to impose harsher sanctions for failure to comply with JOBS requirements. Many states introduced the possibility of suspending the entire family's AFDC grant after a period of non-compliance." Again, there was wide variation in these policies, particularly in the size and duration of sanctions. For example, Arizona increased the duration of the first sanction from compliance to a minimum of one month, whereas in Maryland, non-compliance could result in case closure.[25] And, as with exemptions, the practical impact would depend on the degree to which sanctions (or the threat of a sanction) were actually applied.

- Kleven's analysis focuses on six waivers and is limited to those that are statewide. As a result, it excludes a much larger number of waiver proposals that operated on a less than statewide basis or involved waivers other than the six selected by Kleven. In their earlier critique of the CEA analysis, Martini and Wiseman characterize this issue as follows: "There appear to be problems of commission as well as omission. By restricting the analysis to waivers issued after 1991, the CEA dismisses significant innovations in states such as Alabama, California, Washington, and Wisconsin that were approved and implemented prior to this cutoff."[26]

- Waiver policies were not always understood by recipients. Consider the family cap (one of Kleven's six waivers) in New Jersey and the following assessment by Peter Rossi, a noted (and now deceased) sociology professor:

  > …a 1995 survey of a sample of participants in the experiment found that there was considerable confusion among both experimental and control group members about the welfare rules to which they were subject and even about whether they were members of the control group. …a majority (55%) of the control group respondents claimed that they had not been told they were in the control group,

> and more than a quarter (28%) of those in the experimental group claimed that they had been told they were control group members.[27]

For purposes of an econometric study, the relevance of these findings is limited to the fact that a considerable share of those subject to a policy did not realize it. (For an experiment, the statement points to the importance of monitoring implementation of the policy *and* the evaluation to ensure that each group understands the relevant policy.)

- Rebecca Blank, currently chancellor of the University of Wisconsin-Madison and author of an important literature review of welfare reform, cautions that "…waivers were not implemented by a random set of states. States with higher unemployment rates were more likely to request major welfare waivers. This means that waivers cannot be used a simple 'natural experiment' in which the results in waiver states are compared with the results in non-waiver states."[28]

Many of the aforementioned challenges also apply to measuring the impact of TANF in its early years, but with one big difference – funding.

Welfare reform under TANF. Many analysts consider TANF to be an extension of the waiver-based reforms under AFDC, because many of the kinds of waivers states requested under AFDC appear as requirements in TANF law, most notably its work requirements and time limits. In fact, TANF is very different. Properly understood, it is a form of revenue sharing and the most significant changes (particularly over the long run) are related to the block grant structure and flexibility granted to states to not only make changes to their cash assistance programs but to divert funding to other activities that have little or no connection to "welfare reform." TANF's work requirements and time limit have been more symbolic than real, as states can easily evade both requirements by exploiting the flexibility of the block grant.

The transformation from "welfare reform" under AFDC to "revenue sharing" under TANF was not immediate, but evolved over time, with significant variation across states. The changing character of TANF is important for researchers seeking to model its effects and it is highly problematic with respect to recommendations by many conservatives that TANF's lessons should be extended to other safety net programs – the so-called "lessons" vary from period to period – and, state to state.

The Kleven study focuses on the growth in single mother employment in the 1990s, so it is important to take a closer examination at what TANF actually did. The 1997-2000 period is one in which TANF's provisions were being phased in – the required work rate targets were low (often 0 percent due to the caseload reduction credit) and states were already beginning to take advantage of various loopholes to artificially raise their work rates; and no state had reached TANF's 5-year time limit. Most states focused on traditional welfare reform activities, as they generally continued their waiver policies; in this respect TANF was not a radical change.

Perhaps the most significant changes resulting from TANF, and one often overlooked, is not related to the specific policies associated with the receipt of cash benefits, but the fact that most states received a large windfall in "budgetary resources," as the block grant and required state maintenance-of-effort (MOE) requirement were based on historic funding levels when caseloads were at historic highs. According to the U.S. General Accounting Office (GAO, and now the Government Accountability Office):

> Combining the effects of the increased federal and state resources and the act's mandated floor on state spending, our analysis indicates that 46 states will have more total – federal TANF and state MOE – resources available than they would have had without reform. Our estimates of these additional budgetary resources totaled about $4.7 billion – or, on average, states will have 25 percent more in total budgetary resources available for their welfare reform programs. As with the other analyses, there is wide variation among states – ranging from 102 percent in additional resources for Wyoming to total fewer resources in Delaware, Hawaii, Nebraska, and Pennsylvania.[29]

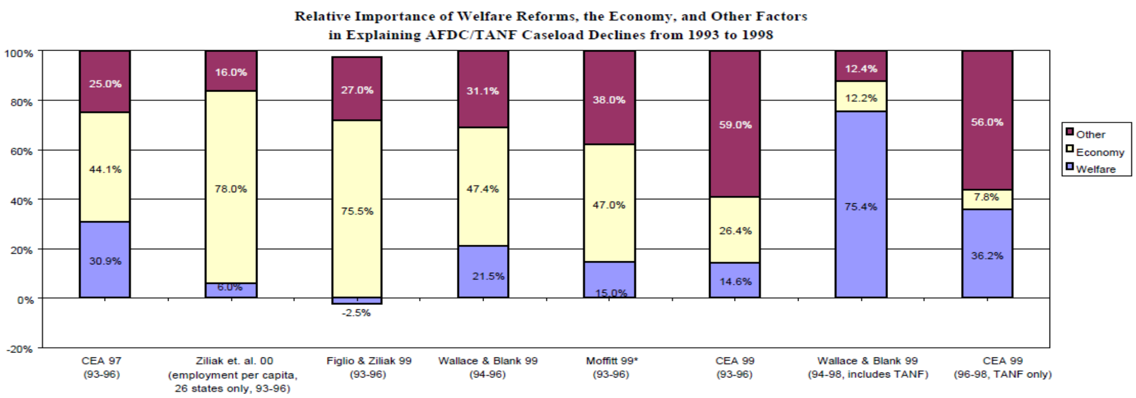
Many states spent these added funds to promote work and other TANF goals. As Mark Greenberg, former director of policy at the Center for Law and Social Policy observes, "At first, states redirected billions of dollars to child care and initiated small but noteworthy efforts to address labor market progress."[30] *Some* examples highlighted by the GAO in its examination of the "early fiscal effects" of the TANF block grant include:

- "California increased funding for employment related services by $288 million – or 122 percent, and for Child Care services by $147 million – or 103 percent."
- "Maryland increased spending on job training by 39 percent. Other program enhancements include one-time emergency assistance grants to welfare applicants and demonstration projects aimed at assisting welfare recipients to achieve economic independence."
- "Michigan increased funding for day care services by 9 percent and employment services by 24 percent. The additional funding for employment services is used primarily for transportation and other support services…"
- "New York passed more than $230 million in new programs for employment training and job readiness skills, teen pregnancy prevention programs and new computer systems. In addition, New York enhanced funding for child care services by about $100 million."[31]

These are just a few of the examples of how states used their early financial windfall to support work-related activities. To the extent TANF influenced the employment of single mother families in the 1990s, a statistical model aimed at providing policy-relevant information about "welfare reform" should disentangle the impact not only of key policy variables governing cash assistance, but the effects derived from additional spending on work activities, work supports, and other interventions made possible by the budgetary windfall. Due to data limitations, this is virtually impossible.

The foregoing discussion of TANF is a vast oversimplification intended mainly to highlight the importance of additional funding during TANF's early years.

The variability of econometric estimates. A number of researchers used statistical modeling in an attempt to isolate the effect of "welfare reform" in the 1990s on employment, caseloads, and poverty from the many other factors that can influence these outcomes. The findings are inconsistent due to different methods, data sets, and time periods. Stephen Bell of the Urban Institute summarized the results from eight studies that examined the relative importance of "welfare reform," the economy, and other factors in explaining the *caseload decline* in the 1990s.[32] (Caseload decline was the most common outcome examined and provides the clearest example of the uncertainty in econometric studies.) The figure below presents the estimated impact of "welfare reform" on caseload decline ranged from -2.5 percent to 75.4 percent. The vast disparity in estimated effects suggests that econometric studies might not be as strong an evidence base as Rachidi and VerBruggen seem to believe and why the latest study is unlikely to influence the "welfare reform" debate today.



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After the 1990s, the character of TANF changed. The windfall is gone and states have diverted TANF funds to supplant existing state spending or otherwise fill budget holes. Today, in many states, TANF is not a "program" but a form of revenue sharing.[33]

To illustrate this point, consider the fact that under AFDC, states spent about 70 to 80 percent of their funds on basic assistance, but under TANF, this percentage dropped to just 21.4 percent by 2018.[34] Eleven (11) states spent less than 10 percent of their TANF/MOE funds on basic assistance and the percentage in the median state was just 16 percent. The declining value of the block grant and the redirection of spending to other activities (e.g., child welfare, preK, college scholarship, and many more) has led to a sharp drop in the share of poor families receiving assistance, as reflected in the TANF-to-poverty ratio. Between 1996 and 2017, this ratio fell from 68 to 23. Sixteen (16) states had a TANF-to-poverty ratio of less than 10. By way of comparison, in 1996, under AFDC, Alabama had the lowest ratio at 33.

Whereas econometric studies seeking to model the AFDC waiver and early TANF experience (i.e., in the 1990s) could at least attempt to use the rules of state programs to model "welfare reform" as a whole and some of the major policy provisions, the dramatic change in the character of the TANF "program" makes that virtually impossible today. The detailed policies governing cash assistance as outlined in the Welfare Rules Database are largely irrelevant, because in many states virtually no one receives assistance.

* * *

Better evidence from RCTs. The preTANF approach to welfare reform involved giving states waivers of AFDC's rules, subject to cost neutrality and a rigorous evaluation. This process relied on a real counterfactual using the "gold standard" of evaluation – random assignment. The findings from random assignment experiments are considered the most credible, because the experimental and control groups are alike and subject to the same external conditions, with the only difference being the intervention itself. Thus, any difference in outcomes between the groups can be attributed to the intervention – welfare reform – itself. While random assignment studies are not without problems of their own (e.g., they may miss entry effects, contamination, attrition, and others), these problems can be minimized with careful monitoring and interpretation of the findings. It is for this reason that most "evidence-based" reviews of welfare and related policies limit inclusion to RCTs and well-designed comparison group designs.

As noted by the NASEM committee examining interventions to reduce child poverty, there were many "welfare reform" experiments in the 1990s, overlapping the very period covered in the Kleven study. Researchers at RAND prepared a comprehensive synthesis of the impact of dozens of these programs on employment, welfare caseloads, poverty, and a range of other outcomes.[35] While most reform efforts showed employment gains, the magnitude of the impacts was considerably smaller than suggested by the simple trends in national data or implied by the Kleven study (or at least interpretations of its findings by Rachidi, VerBruggen, and others). This is because the control group also benefitted from a strong economy, increased aid to the working poor, and other policies that might have influenced employment.

TANF is very different than AFDC and there are no rigorous evaluations of its work requirements, time limit, or other features.

The need for a broader perspective. Even if "welfare reform" increased the employment of single mothers in the 1990s (and it undoubtedly did to some extent), that finding alone should not be enough to suggest, as Rachidi does, that policymakers should "rely more heavily on policies similar to welfare reform…" or that, as VerBruggen recommends, work requirements "be strengthened in other programs such as food stamps and housing." A more comprehensive assessment of TANF should examine a wider range of outcomes, look at effects over a longer period of time frame, and put the employment changes into a broader perspective.

TANF's most visible impact is the sharp decline in its caseload. Between 1996 and 2016, the number of families receiving cash assistance fell by about 75 percent, from 4.4 million to 1.2 million. If this decline had been achieved by increasing employment that in turn led families to no longer need assistance, TANF could be judged a success. But independent reviews by the Congressional Research Service, the Government Accountability Office, and the U.S. Department of Health and Human Services suggest that about 80 percent of the decline was achieved by reducing the take-up rate among eligible families, pushing many of them deeper into poverty.[36]

Table 1 shows the *average monthly* number of families eligible for assistance compared to the *average monthly* number receiving assistance for selected years from 1981 to 2016. Between 1981 and 1996, AFDC served nearly 80 percent of those eligible for assistance. In 1996 (before TANF), 5.6 million families were eligible to receive benefits and 4.4 million did so (79 percent of those eligible). In 2016, 4.9 million families were eligible to receive assistance, but only 1.2 million did so (25 percent of those eligible). <u>In other words, the number of families eligible for assistance, but not receiving it, grew by 2.5 million, from 1.2 million in 1996 to 3.7 million in 2016. These 2.5 million families were very poor (given TANF's low income eligibility thresholds) and most were pushed deeper into poverty.</u> (The number of potentially eligible families might be even higher if the 1996 eligibility and benefit rules were used instead of those in effect in 2016.)

By way of comparison, the number of single mothers with work during the past year rose from 75.1 percent in 1996 to 76.8 percent in 2016. The 1.7 percentage point gain reflects about 180,000 more single mothers with employment, which is just a fraction compared to the decline in the caseload of 2.5 million.[37]

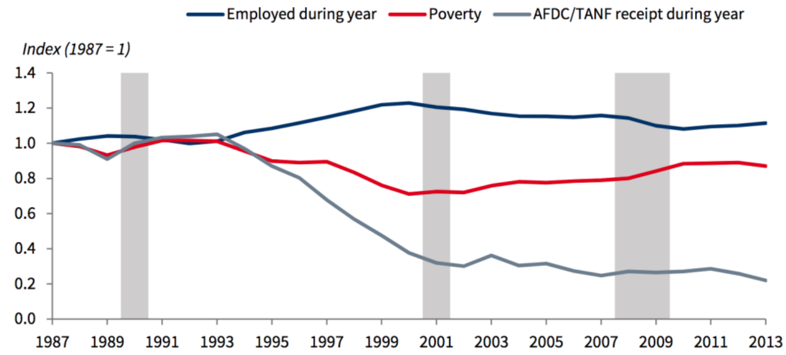
Table 1:
Number and Percentage of Eligible Families Participating in TANF
(Average Monthly Data, Selected Years, 1981-2016)

Year	**TANF**			
	Eligible (millions)	Participating (millions)	Eligible, Not Participating (millions)	Participation Rate (%)
1981	4.8	3.8	1.0	80.2
1987	4.9	3.8	1.1	76.7
1992	5.6	4.8	0.8	85.7
1996	5.6	4.4	1.2	78.9
2000	4.4	2.3	2.1	51.8
2004	5.1	2.2	2.9	42.0
2008	5.2	1.7	3.5	33.0
2012	5.7	1.9	3.8	32.4
2016	4.9	1.2	3.7	24.9

Source: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Welfare Indicators and Risk Factors: Seventeenth Report to Congress*, May 4, 2018, p. A-11, available at: https://aspe.hhs.gov/system/files/pdf/259196/WELFAREINDICATORS17THREPORT.pdf; 2016 data from Gene Falk, Congressional Research Service. The eligibility estimates are derived using the TRIM model, which has been used for over 40 years by administrations of both parties to calculate eligibility for TANF and other programs.[38] Program administrative data are used for the number of families receiving benefits.

A similar dynamic can be seen in a recent report by the President's Council of Economic Advisers (CEA).[39] CEA Figure 12 shows the percent of female-headed families employed, in poverty, and receiving AFDC/TANF cash assistance indexed to 1987 levels. Of note for this discussion is the fact that the employment rate for female-headed families in 1996 and 2013 was about the same. Moreover, it began to rise well before 1997 and reversed direction in 2000, even before TANF's work requirements had been fully implemented (in 2002). What is particularly notable about the CEA figure, however, is the fact that the AFDC/TANF caseload shows a steady decline – it did not increase after 2000 when the employment rate began to fall and the poverty rate began to rise. In 2013 (the end-point of the CEA analysis), the employment rate of female headed families is roughly the same as in 1996, but the caseload is about 75 percent lower. Again, it is important to recognize that any gains in employment pale in comparison to the number of families that lost assistance.

Figure 12. Index of Percent of Female-Headed Families Employed, in Poverty and Receiving AFDC/TANF, 1987–2013



Sources: Gabe (2014) tabulations of administrative records, survey data; National Burea of Economic Research; CEA calculations.
Note: AFDC/TANF receipt, poverty, and employment are indexed to 1987 levels. Grey shaded regions denote a recession for at least four months of a given year.

While this "analysis" is a vast oversimplification of TANF's impacts on employment, welfare receipt, and poverty, it is clear that the lesson from a longer-term perspective should be a cautionary tale.

Rachidi: "Future policy reforms aimed at increasing employment among low-income populations should rely more heavily on policies similar to welfare reform rather than the EITC."

PC Response: Even if "welfare reform" did lead to sizeable employment gains in the 1990s, what are the "policies similar to welfare reform" that led to this putative success? Was it the elimination of the entitlement, the block grant structure, the work requirements, the five-year time limit, the unprecedented flexibility given to states in the use of funds? Rachidi doesn't say.

With TANF reauthorization coming up, if she wants to recreate the TANF program of the 1990s, she should support the following three reforms:

1. Increase the TANF block grant and MOE funding requirement by 50 percent to restore the erosion caused by inflation.
2. Do away with work requirements altogether, to reflect the fact that states no longer had meaningful participation rate targets under TANF and could take advantage of a number of loopholes.
3. Require states to spend their TANF dollars on core welfare reform activities – basic assistance, work activities, and work supports to reflect the fact that many states did not treat TANF as a form of revenue sharing in its early years as they do today.

These reforms wouldn't really fix TANF, but they would make it operationally more similar to the "welfare reform" period which coincided with the increase in single mother employment.

Regardless of whether she believes these reforms are the right ones or not, the challenge today is the lack of a strong evidence base. For welfare reform, the Kleven study provides little in the way of insights into the policy details needed to develop policies to promote employment and reduce poverty. This requires a different approach to evaluation.

VerBruggen: "Going forward, cash welfare's work requirements should be maintained, and similar policies should arguably be strengthened in other programs such as food stamps and housing."

PC Response: The main goal of welfare-to-work programs, and one frequently expressed by conservatives, should be to promote self-sufficiency by increasing earnings. If this were the goal (vs. simply caseload reduction), TANF's work requirements have failed – they have mainly been used as a tool of bureaucratic disentitlement. They are unreasonable for recipients, unrealistic for states, and are not based on evidence. Their main effect (along with the block grant structure) has been to push needy families off the rolls (or discourage them from coming on), as evidenced by the sharp drop in the take-up rate among eligible families. Since its inception, TANF has only engaged about 10 to 15 percent of those subject to work requirements in a work activity other than "unsubsidized employment" for enough hours to meet its work participation rate requirement.[40] Instead states have relied on misguided provisions like the caseload reduction credit and/or a variety of "loopholes" to meet their work requirements.[41]

Anyone who suggests "cash welfare's work requirements should be maintained" has clearly not examined them closely. As Haskins notes (see above), they have "major problems." Moreover, even if they had been a success, it is irresponsible to generalize across programs, target groups, and over time. Whatever TANF's effects were in the 1990s would not be representative of what they would be today or how they might play out in other programs. For a more in-depth review of TANF's work requirements; see: "Expanding Work Requirements in Non-Cash Welfare Programs: TANF is NOT a Model, but a Cautionary Tale," October 22, 2018, available at: https://mlwiseman.com/wp-content/uploads/2018/10/TANF-No-Model.pdf.

If work requirements are to be extended to other safety net programs, they should be based on an evidence base, one that now doesn't exist, in large part because the 1996 "reforms" shifted from an evidence building approach to "welfare reform" (AFDC with waivers) to giving states a blank check with no meaningful accountability (TANF).

The Need for Evidence-Based Policymaking

Econometric studies no matter how sophisticated will never be precise enough to guide policymakers in identifying all the policy details necessary in crafting "welfare reform" policies. When Rachidi said, "future policy reforms" should "rely more heavily on policies similar to welfare reform," she was wrong to suggest that these reforms should be based on the TANF experience. Instead, it is time to go back to the preTANF waiver approach to welfare reform where policy changes are tested on a smaller scale before being implemented nationwide.

Indeed, Robert Doar, now president of AEI, seems to take a similar position. In "Following the Evidence to Better Policy: How Evidence-Based Policymaking Helped Poor New Yorkers" he writes:

> At a time when government resources are limited, it is more important than ever to make sure the programs we do fund are effective and achieve results. Relying on evidence when making decisions on how to use government funds can lead to better policy and better outcomes for Americans.[42]

Doar is absolutely right – whenever possible funding decisions about programs or program changes should be based on rigorous evaluations. Unfortunately, AEI doesn't seem to apply this same standard when it comes to interventions that are likely to reduce benefits and save federal dollars. Time and again, Doar, Rachidi, and others at AEI endorse policy changes that have not been rigorously evaluated and yet could have substantial, even life-altering (in the case of Medicaid) impacts on low-income families and individuals.[43] This is most obvious in their endorsement of various proposals to modify work requirements for TANF and to extend TANF-like work requirements to other safety net programs.

[1] 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 am 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.

[2] Henrik Kleven, The EITC and the Extensive Margin: A Reappraisal," Princeton University and the National Bureau of Economic Research, September 2019, available at: https://www.henrikkleven.com/uploads/3/7/3/1/37310663/kleven_eitc_sep2019.pdf.

[3] Angela Rachidi, "Welfare reform, not the EITC, responsible for single mother employment increases," American Enterprise Insitute, September 20, 2019, available at: http://www.aei.org/publication/welfare-reform-not-the-eitc-responsible-for-single-mother-employment-increases/.

[4] Robert VerBruggen, "The Ineffective Earned Income Tax Credit," Institute for Family Studies, September 25, 2019, available at: https://ifstudies.org/blog/the-ineffective-earned-income-tax-credit.

[5] For an example of a study that attempts to disentangle the effects of some of the different AFDC/TANF policies, see Jeffrey Grogger, "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income among Female-Head Families," *The Review of Economics and Statistics*, vol. 85. no. 3, May 2003, pp. 394-408, available at: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.123.6365&rep=rep1&type=pdf. Even this, however, is at a very general level and of limited value for policymakers attempting to design specific policies.

[6] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 258, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[7] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 210, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[8] Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, *A Roadmap to Reducing Child Poverty* (Washington, D.C.: National Academies Press, 2019), p. 260, available at: https://www.nap.edu/catalog/25246/a-roadmap-to-reducing-child-poverty.

[9] James P. Ziliak, "Temporary Assistance for Needy Families," (Cambridge, MA: National Bureau of Economic Research, March 2015), available at: https://www.nber.org/papers/w21038.pdf.

[10] James P. Ziliak, "Temporary Assistance for Needy Families," (Cambridge, MA: National Bureau of Economic Research, March 2015), p.85, available at: https://www.nber.org/papers/w21038.pdf.

[11] Heather Hahn, Eleanor Pratt, Eva Allen, Genevieve Kenney, Diane K. Levy, and Elaine Waxman, *Work Requirements in Social Safety Net Programs: A Status Report of Work Requirements in TANF, SNAP, Housing Assistance, and Medicaid* (Washington, D.C.: The Urban Institute, December 2017), available at: https://www.urban.org/sites/default/files/publication/95566/work-requirements-in-social-safety-net-programs.pdf.

[12] LaDonna Pavetti, "Work Requirements Don't Cut Poverty, Evidence Shows," Center on Budget and Policy Priorities, June 7, 2016, available at: https://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows.

[13] Jeffrey Grogger, Lynn A. Karoly, and Jacob Alex Klerman, *Consequences of Welfare Reform: A Research Synthesis* (Santa Monica, CA: July 2002), available at: http://www.acf.hhs.gov/programs/opre/welfare_employ/res_systhesis/reports/consequences_of_wr/rand_report.pdf.

[14] Lawrence M. Mead, "Overselling the Earned Income Tax Credit," *National Affairs*, Fall 2014, available at: https://www.nationalaffairs.com/publications/detail/overselling-the-earned-income-tax-credit.

[15] Ron Haskins, *Using Government Programs to Encourage Employment, Increase Earnings, and Grow the Economy* (Arlington, VA: Mercaus Center, 2017) p. 25 and p. 32, available at: https://www.mercatus.org/system/files/haskins-employment-government-mercatus-wp-v1.pdf.

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[19] For more detail, see Michael Wiseman, "State Strategies for Welfare Reform: The Wisconsin Story," Institute for Research on Poverty Discussion Paper no. 1066-95, December 1995.
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[22] Jonah B. Gelbach, "Uncontrolled Experiments from the Laboratories of Democracy: Traditional Cash Welfare, Federalism, and Welfare Reform," *Faculty Scholarship*, 2016, pp. 39-40, available at: https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=2672&context=faculty_scholarship.
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[32] Stephen H. Bell, *Why are Welfare Caseloads Falling* (Washington, DC: The Urban Institute, March 2001), http://www.urban.org/uploadedPDF/discussion01-02.pdf.
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[43] This critique of AEI is limited to publications in their "Poverty Studies" section.