

## Pathways to Self Sufficiency for Low-income Families

Carolyn Heinrich and John Karl Scholz  
University of Wisconsin – Madison

April 9, 2008

---

The chapters that follow were commissioned for a conference, “Pathways to Self Sufficiency,” held at the Institute for Research on Poverty, at the University of Wisconsin--Madison, September 6 and 7, 2007. We are extremely grateful to the authors and the discussants at that conference for their insightful papers and comments that resulted in this book. We thank the Russell Sage Foundation, the Casey Foundation, the Smith Richardson Foundation, the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services, and the Institute for Research on Poverty for financially supporting this undertaking. We are also grateful for the collaboration of Tom Kaplan, for the encouragement of Maria Cancian, the IRP Director during the planning and execution of this project, and for the professionalism and assistance of the IRP staff, who remain the best.

The idea that work is the gateway to self-sufficiency and the way out of poverty is a simple, powerful message. Work-based welfare reform aligns the structure of the safety net with the central values of Americans who are not on welfare. As Kent Weaver points out in his political analysis in this volume, a key element of continuity in American attitudes concerning policy toward low-income families is the emphasis on and expectation that the able-bodied should work. Indeed, it is difficult to see how the safety net for disadvantaged families could fail to embrace work when over 75 percent of women and 91 percent of men between the ages 25 and 54 are in the workforce.<sup>1</sup>

Work-based reform not only has wide-ranging political appeal, but it is a concept that is also supported by academic research. One of the earliest and best-known studies of a “work-first” program—the randomized-controlled trial of the California Greater Avenues to Independence (GAIN) program—showed that participants in the Riverside program, which strongly emphasized immediate work, made considerably larger short-run gains in earnings than did those in other GAIN sites that invested more in skill development. In addition, the Riverside GAIN had the lowest costs of the six GAIN sites (MDRC, 1994). With these findings reaching the press and academic forums just as public debate of welfare reform proposals was climaxing, it was perhaps inevitable that a fundamental goal of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 would be to “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.”<sup>2</sup>

As appealing is the rhetoric of self-sufficiency, it collides with an exceptionally difficult reality for those individuals and families who struggle to escape poverty even as they work, or

---

<sup>1</sup> These figures are the civilian labor force participation rates in 2007, that come from the Bureau of Labor Statistics table generation program, <http://data.bls.gov/PDO/outside.jsp?survey=ln>, accessed in April, 2008.

<sup>2</sup> See Section 401 of H.R. 3734.

who cycle in and out of employment or on and off of welfare. To satisfactorily achieve the ultimate goal of PRWORA, heads of households have to find and hold jobs that allow them to nurture the physical and psychological well-being of children and other adults in the household. In Wisconsin, for example, nearly two-thirds of the approximately 55,000 welfare recipients had earned less than \$2,500 in the two years up to July 1995, and only 17 percent had earned more than \$7,500 (Cancian, et al. 1999). Given that these families had, on average, more than two children, the ability of the adults to support the family at anything close to poverty-line earnings was clearly limited.

In fact, the characteristics of families on welfare in Wisconsin in 1995 mirrored those of the welfare caseload nationally. Just prior to welfare reform, 42 percent of adults in families that received welfare benefits at some point during the year had less than a high school diploma, and the overall employment rate of prime-age workers with less than a high school diploma was 36 percent. Not surprisingly, as the reforms of the 1990s unfolded, many were skeptical that welfare recipients could get and hold jobs, barring major investments in child care, health insurance, transportation assistance and training.<sup>3</sup> Thus, from the vantage point of the critics, the subsequent reduction in welfare caseloads, from a peak of 5.1 million families in March 1994 to 2.1 million families in March 2001 (and holding steady through March 2004), was nothing short of extraordinary.

Some of this sharp reduction in welfare caseloads was undoubtedly the result of purposeful efforts to discourage eligible families from receiving benefits (so-called “diversion” efforts), but few dispute that there have also been far-reaching changes in the way states implement and manage programs, most notably the increased focus on work (Grogger and Karoly, 2005; Mead, 2004). In addition, until 2001, the economy was very strong, generating more than 17 million

---

<sup>3</sup> See, for example, Haveman and Scholz (1994).

new jobs and pushing unemployment rates to their lowest levels since 1969. Wages grew throughout the income distribution, as they did not during the economic expansions in the 1980s, while real EITC benefits more than doubled. Poverty among single-parent (mostly female-headed) households also declined precipitously until the recession of 2001. In effect, this coincidental timing of welfare changes, the strong economy, and EITC expansions paved the way for many more low-skilled people to enter the workforce and improve their economic well-being, although the relative contributions of these factors to their increased employment and reduced poverty is still a matter of debate.<sup>4</sup>

These developments in low-wage labor markets and policy over the past fifteen years motivate the focal question addressed in this volume: Is the work-based safety net that was pieced together under PRWORA and reinforced in the 2006 re-authorization (under the Deficit Reduction Act of 2005) an effective policy response to both the goals of increasing self-sufficiency and reducing poverty among low-income and disadvantaged families and individuals? Mead (2007) argues that the welfare reform model with stringent work requirements has been so successful in getting low-income mothers to work that it should be adapted for low-income males as well, i.e., compelling them to “internalize” the obligation to work.<sup>5</sup> Others, however, express concern that a work-based safety net will continue to push low-skilled individuals into dead-end jobs, which have little hope of providing a permanent pathway out of poverty for them and their families. In fact, a recent reanalysis of the GAIN data over a longer (nine-year) follow-up period showed that the short-term advantages of a work-first

---

<sup>4</sup> See, for example, Ziliak (2002).

<sup>5</sup> Mead (2007) writes that low earnings among poor, low-skilled adult men are not “due principally to low pay but rather to a failure to work consistently at any job.” He further argues that part of the failure of past programs is that they have given men a “choice” to work rather than making it an “obligation.” Also see Haskins and Sawhill (2007).

strategy dissipated over time, and that in the long run, programs stressing skills development yielded higher employment rates and significantly better economic outcomes for participants (Hotz et al., 2006).

#### Impetus for changes in safety net policy

Recent research—including the work presented in this volume—suggests there are fragilities, if not glaring holes, in the work-based safety net that require consideration of innovative policy changes that could improve the well-being of low-income families. Among the more worrisome facts, a substantial body of prior research has examined average earnings and growth in earnings among families leaving welfare after the reforms and concluded that despite the exceptionally strong economy and rapid job growth of the later 1990s, the earnings of welfare leavers were still very low and job turnover was high. In their study of welfare reform experiences in six large cities during the 1996-1999 economic expansion, King and Mueser (2005) observed an increase in the number of individuals who left welfare prior to finding employment. Based on their careful analysis, they suggest that although one might argue that most of these individuals were drawn off of welfare by new employment opportunities, it is more likely that their exit from welfare reflected other factors, including the more stringent conditions for welfare receipt. They concluded that welfare reform did not change the reality that labor market demand for this group “seldom provides earnings sufficient to pull a family out of poverty,” and that individuals were probably not made better off by reform (King and Mueser, 2005: 165).

It has also been argued, however, that to more fully understand the impact of welfare reform, one should consider the welfare “averters,” that is, those who do not enter the welfare rolls following welfare reform. Grogger and Karoly (2005), for example, reported that at least in the period before time limits became binding, observational studies show that the income of

disadvantaged women rose and their poverty rate fell. They suggest that one possible explanation is that welfare reform contributed to increases in the income of those who were deterred from entering welfare by the reforms, and that these individuals would not be captured in the experimental studies or leaver studies focusing on those applying for or receiving welfare. They also acknowledge, however, that the observational studies which find rising incomes and falling poverty rates among these individuals may simply be overstating the effects of welfare reform due to inadequate controls for intervening factors.

Wisconsin is a particularly good place to examine additional evidence about the antipoverty implications of employment for families leaving welfare, given its exceptionally strong economy in the late 1990s and its early reform efforts that placed great emphasis on work but also provided strong work supports. Researchers affiliated with the Institute for Research on Poverty studied the earnings of two groups of women leaving welfare in Wisconsin (Cancian, et al., 2000). Among those who left welfare in the fourth quarter of 1995, average earnings for the year after they left were \$9,108 (the median was \$8,608). And although average earnings rose to \$10,294 in the second year after exit and to \$11,450 in the third year (all in 1998 dollars), most families still had average earnings significantly below the poverty line three years after leaving welfare.<sup>6</sup> Log wage growth was slower (between 1 and 1.5 percent) than the log wage growth estimates ranging from 2 to 4.5 percent per year reported in Card, Michalopoulos, and Robbins (2001). Furthermore, even incorporating earnings supplements from the federal and Wisconsin

---

<sup>6</sup> In 1995, the poverty line for a two-person (parent-child family) was \$10,030; it was \$12,590 for a three-person family, and \$15,150 for a family of four. In 1997, the poverty line for a two-person (parent-child family) was \$10,610; it was \$13,630 for a three-person family, and \$16,050 for a family of four. The figures were even less favorable for those who left welfare in the fourth quarter of 1997: average earnings in the first year were \$7,709 (the median was \$6,662). The lower earnings of those in the second group of leavers were not necessarily surprising, given their greater disadvantage relative to those leaving in 1995. They were clearly less educated, with only 45.6 percent of recipients in 1997 having at least a high school diploma, compared with 56.4 percent in 1995.

EITCs, only 37.4 percent of families that had left welfare in the fourth quarter of 1995 in Wisconsin had after-tax (and after-EITC) earned incomes exceeding the poverty line in 1998.<sup>7</sup>

Data from California showed comparably slow earnings growth for families trying to make the transition from welfare to work (Hotz, Mullin, and Scholz, 2002). Still another study of the rate of wage growth for less well-educated women relative to other groups cautioned that “work experience is not a magic bullet . . . evidence indicates that low-skilled workers will not have huge wage gains from work experience” (Gladden and Taber, 2000).<sup>8</sup> And perhaps most disturbingly, Blank and Kovak show in this volume that while overall poverty in single-mother families changed little from 2000 to 2005, extreme poverty rose by 2.7 percentage points between these years, suggesting that there were more extremely poor female-headed families in 2005 than there were in 2000.

Briefly summarizing, employment is an important first step for families trying to achieve self-sufficiency, but the earnings of most individuals who left welfare during the strong economy of the 1990s were still well below the poverty line, even many years after their exit.<sup>9</sup> And although a majority of studies have focused exclusively on the earnings of *individuals* rather than *families*, the limited set of more recent studies that have attempted to account for the earnings and benefits available to families suggest that the conclusions we draw from the experiences of individuals hold more broadly (Meyer and Cancian, 1998; Primus, et al. 1999). Hence, the

---

<sup>7</sup> Wisconsin’s unemployment rate in 1995 was 3.7 percent, compared to the national rate of 5.6 percent; in 1999 it was 3.0 percent, against a national rate of 4.2 percent. Wisconsin’s welfare reform program, Wisconsin Works (or W-2), was implemented well before other programs, so that the early Wisconsin experiences may be a harbinger of what families in other states may experience. Third, W-2 places great emphasis on work; to make work feasible, it provides more generous support for health insurance and child care than most other states. With aggressively work-oriented programs in place and a very strong state economy, the labor market experiences of people leaving welfare in Wisconsin are likely to be as good as we will find anywhere.

<sup>8</sup> Pavetti and Acs (2001) also find little evidence that low-skilled women with children will easily move into jobs with additional labor market experience that allow them to have incomes above the poverty line.

<sup>9</sup> Even more troubling, the data used to examine the labor market fortunes of individuals leaving welfare are drawn from a period when the economy was very strong, and at least in Wisconsin there were significant state expenditures for work-supporting child care and health insurance programs.

degree to which work will be the primary antidote to poverty will depend greatly on the ability of low-skilled people to maintain employment that, over time, offers a progression of incomes that allows families to be self-sufficient. To date, the evidence in support of such a strictly work-focused approach is hardly auspicious.

### The goals of this volume

The chapters in this volume focus on self-sufficiency, which we define as families supporting an above-poverty standard of living through their labor market earnings and associated public benefits (whether the EITC, food stamps, S-CHIP, housing, etc.) for which they are eligible. In assembling this volume, the editors and contributors perceived a dearth in the academic and policy literatures of forward-looking discussions of the work-based safety net. Much academic writing, particularly research appearing in scholarly journals, tends to be “backward looking,” in the sense that it uses past data to interpret the effects of different policies or to test behavioral theories. In addition, we find little scholarly writing specifically addressing how the safety net could evolve in ways that would enhance the ability of low-skilled households to be self-sufficient, and scant systematic policy experimentation with approaches to promoting self-sufficiency. Of course, an important challenge in looking forward is to not only identify policies that help people retain jobs and increase earnings, but to also consider their effects on children or other family members.

The authors in this volume embrace the challenge of looking forward, in a set of different safety net domains that have been identified as fragile, inadequate or in of need revamping. They describe how a set of policies and institutions could evolve to enhance the self-sufficiency of poor families. Asking scholars to write forward-looking chapters runs the risk of conjuring grandiose ideas that might not have the remotest chance of entering policy debates and political

discussions. Recognizing this, we strove to arrive at a set of well-grounded ideas and policy prescriptions from the work of the outstanding scholars who contributed to this volume. Due largely to the high levels of engagement each of these scholars has with current policy debates and the major research contributions they have made to these subject areas in the past, this volume presents a provocative blend of both incremental ideas that could reasonably enter political and policy discussions immediately, and bolder ideas that may sit until consideration of more extensive or systemic changes in the safety net are politically and economically feasible.

#### The chapter topics and a brief overview of key findings

A large number of topics could naturally be included in a book examining forward-looking policies to enhance self-sufficiency. The logic of our choice of topics and key findings from each chapter follow.

A work-based safety net must, necessarily, facilitate access to stable employment and adequate earnings for people to achieve self sufficiency. Following this introductory chapter, David Neumark reviews the evidence on labor market policies—particularly the minimum wage, earned income tax credit, wage subsidies and school-to-work transition programs—that are aimed at increasing the ability of low-income individuals and families to achieve an adequate standard of living from their participation in the labor market.

Neumark concludes that the minimum wage is an ineffective policy to promote economic self-sufficiency. He gives the earned income tax credit a more positive evaluation, writing: “There seems fairly compelling evidence that a more generous EITC boosts employment of single mothers and in so doing raises incomes and earnings of low-income families.”

Among policies that have seen less attention, Neumark suggests that wage subsidies targeted to individuals, rather than their employers, are worth further consideration, though he raises

concerns about administrative issues that arise in implementing these policies. These policies could take the form of subsidies to earnings or expanding the EITC to childless workers. He also discusses the new but growing literature on school-to-work programs that generates some evidence of beneficial effects of these programs, in particular, an increase in skill formation and college attendance among youth. At the same time, one needs to be careful to balance school-to-work initiatives with the need for academic preparation. School-to-work programs also do not address the concerns of skill deficits among workers beyond school age. Ongoing training efforts need to encourage innovative programs, embrace rigorous program evaluation, discard unsuccessful programs, promote successful ones, and be mindful of scale, in the sense that effective programs must have the potential to be disseminated effectively to other jurisdictions.

In chapter 3, Jay Bhattacharya and Peter Richmond address a fundamental but under-explored issue: a work-based safety net depends greatly on the ability of individuals to engage in work for a long period of time. To the extent that work done by low-skilled, low-income workers harms their physical or psychological health, it may be difficult to achieve and maintain self-sufficiency. At the same time, unemployment can likewise have damaging effects on physical and mental health. Thus, the effects of working on health are a critical, but complex and poorly understood topic in welfare reform. Their chapter provides an introduction to and analysis of this understudied issue, in addition to suggestions for policy reforms to promote the health of poor workers.

If work damages health for workers in low-skilled jobs, then the prospects for a work-based safety net to increase self-sufficiency would seem to be much less promising. And because the relationship between work and health could run in either direction, efforts to disentangle causal effects are complicated. Work can be stressful and some jobs are dangerous. In addition, work

may consume time that is needed to nurture physical health and to maintain relationships with friends and family, which could also be a factor affecting psychological health. At the same time, not having a job can also be stressful and psychologically debilitating. Yet prior work suggests that health status actually improves during economic downturns.

This issue clearly strikes to the heart of the soundness of a work-based safety net, but unlike other chapters in this volume, there is not an extensive, prior literature that examines these issues. Bhattacharya and Richmond find that poor workers tend to use leisure more effectively than non-workers in addressing their physical and psychological health. But work reduces the amount of leisure people have, thus jeopardizing health-promoting activities. Policy initiatives discussed in the chapter include those that may increase the time for activities that promote physical and psychological health, including approaches that reduce commuting time, improve child care options, or allow work schedules to be more flexible. A noteworthy aspect of the paper is its discussion of serum markers of chronic disease, which we hope will increase recognition of biomedical measures of well-being that could be profitably used in other poverty-related research efforts.

Of course, low-skilled individuals are rarely just workers. Among other things, they typically have family obligations. Demands of the labor market may interfere with responsibilities for the care and well-being of children. In Chapter 4, Greg Duncan, Lisa Gennetian and Pamela Morris explore the design features of work-based anti-poverty programs that appear to have the most beneficial (or least detrimental) effects on children.

Transitions from parental welfare receipt to work may benefit children if they obtain high quality child care, if parents become better role models, develop a better sense of maternal self-esteem and sense of control, and perhaps, foster career advancement and greater household

consumption. Of course, greater induced employment may instead overwhelm already stressed parents, force children into less desirable child care arrangements, reduce parental supervision of children, and for those unable to comply with program rules, deepen family poverty.

The authors, using variation created by a series of well-implemented randomized social experiments, examine the causal pathways through which work-based antipoverty policies may affect child well-being. They find considerable evidence that policies that increase family income (earnings plus benefits) and that lead to greater use of center-based child care can improve child achievement. There is very little evidence that changes to child well-being occur through policies affecting maternal mental health or parenting practices. The paper nicely highlights a tension in the design of welfare programs, as they affect children. They can increase parental self-sufficiency (retaining a work-first focus), provide few benefits to children, and save costs. Or, at greater cost, they can use earnings supplements to increase parental employment, raise family income, and provide benefits to children.

Scholars and policy analysts have long been concerned about intergenerational aspects of poverty. Indeed, one of the rationales for the work requirements of 1996 welfare reform was that by requiring parents to be in the labor force, they would provide positive role models for their children, thus reducing the likelihood that their children would be poor. To take seriously concerns about intergenerational linkages of poverty, however, it is imperative to also be concerned with children's educational attainment and the role of public schools in educating children from poor families. In Chapter 5, David Figlio provides a forward-looking analysis of developments in K-12 education reform and how they might help children from low-income families to overcome the disadvantages with which they typically begin school.

There is a strong, growing relationship between educational attainment and self-sufficiency in the United States. For example, while over one-quarter of all adults with less than high school education lived in poverty in 2000, only 2.5 percent of college graduates had incomes below the poverty level. Regrettably, the evidence also shows that children from low-income families begin school at a considerable disadvantage and end school with lower educational attainment. Despite the many forms of remediation that have been used to reduce the gap between advantaged and disadvantaged children, these gaps grow as children progress through school, resulting in significantly lower human capital acquisition that depresses the likelihood of achieving self-sufficiency. Figlio notes that one important reason we have made so little progress in closing education outcome gaps is that schools provide just some of the many inputs into children's learning and success in school.

Figlio contends that although we should demand that schools provide equality of educational opportunities for all children, it is unreasonable to expect equality of educational outcomes. He reviews the many approaches to improving educational quality and outcomes that have been proposed and/or tested—including school finance reforms, reduced class sizes and student-teacher ratios, teacher compensation and strategies for improving teacher quality, and school choice—and argues that the key to improving educational outcomes for disadvantaged children is to improve teacher quality. In light of the substantial differences in teacher quality both within and between schools, Figlio sees considerable potential for using incentives to encourage high-quality teachers to move to and remain in schools serving large numbers of disadvantaged students. At the same time, he cautions that the specific incentive policies need to be carefully considered and implemented, given the difficulties in measuring teacher quality and the potential

negative effects of accountability mechanisms (e.g., increased teaching to the test) that aim to reward teachers for student performance.

Youth and adults in poor families are at a disproportionately high risk of interaction with the criminal justice system and subsequent incarceration. In 2001, the lifetime probability of a male spending time in jail or prison was 5.9 percent for whites, 32.2 percent for blacks, and 17.2 percent for Hispanics. One of the particularly troubling weaknesses of the work-based safety net is its inadequate provision for dealing with the increasingly difficult challenge of accommodating the large number of men and women who are or were in prisons and jails in the United States. Extensive social science evidence documents the employment difficulties associated with prolonged exposure to the criminal justice system. These issues are discussed in Chapter 6 by Steven Raphael, who offers constructive, tractable suggestions for policy changes that could ease the transition of men and women back into non-institutionalized society and the labor market.

It is hard to imagine healthy communities when, in some instances, up to one-third of working men may be in jail or prison on a given day and a considerably larger fraction are or have previously been under the jurisdiction of the criminal justice system. Most of these men have child support orders and little income that they can use to meet their financial responsibilities to their children. While they face extremely poor employment outcomes, there are few existing federal or state programs that are designed to foster economic self-sufficiency of single, non-custodial parenting men, particularly those with a criminal record.

There are several policy changes that could limit the adverse consequences of corrections policies on poor, minority communities. These would include eliminating federal bans on the participation of certain convicted felons from participation in various public assistance programs; rationalization of federal, state, and local employment bans to allow for greater consideration of

the details of particular cases; legislative guidance on how employers may or may not consider the criminal history of job applicants; and for state programs to expunge records of criminal history for former inmates who exhibit sustained desistance from criminal activity and meet other benchmarks of responsible post-release behavior. Importantly, Raphael also argues for more proactive efforts to curb the inflow of youth into the system and to reduce the number of lives and families damaged by incarceration.

No matter how well-designed labor market policies are, some individuals are unlikely to be able to achieve economic self-sufficiency. In Chapter 7, Becky Blank and Brian Kovak discuss the prevalence and problems of “disconnected” workers in the U.S., focusing on single mothers who have left welfare but have not moved into the labor market.

As the safety net has evolved to emphasize work, employment and earnings of low-income single mothers has increased. But these developments have also made assistance less available to those who are unsuccessful in securing and/or retaining employment and subsequently find themselves destitute. This is a long-recognized, but inescapable tension that arises with a work-based antipoverty strategy: we wish to provide a humane level of benefits to low-income families, but in doing so, we create incentives for persons to utilize government assistance rather than move into employment. Recognizing this problem and designing a system that adequately accommodates the needs of these individuals and families, without undermining incentives for work, is a central challenge for a work-based safety net.

After documenting empirical facts about “disconnected” workers—those who report periods without earnings or public assistance benefits—Blank and Kovak discuss policy developments that could address the central design challenge for the work-based safety net. One possibility would be to expand non-cash, means tested programs and redouble efforts to enroll disconnected

families and individuals in these programs. Another would be to expand Supplemental Security Income to allow for temporary or partial coverage. A third approach would be to create special programs that help highly disadvantaged single mothers who are having problems finding stable employment. The final policy option discussed in the paper is to remove barriers in TANF that make it difficult for states to provide ongoing support to disconnected mothers.

U.S. policymaking does not occur in a vacuum. It should be informed by the welfare reform efforts of other industrialized countries grappling with similar issues, although clearly, the starting points for such reforms will differ. In Chapter 8, Marcia Meyers and Janet Gornick describe and draw evidence from recent social welfare policy developments in several European countries that may point us toward policy alternatives for more effectively supporting the working poor. Conceding that employment loss and earnings instability are likely to be an enduring challenge for most poor families, they argue that current policies need to go beyond the conception of a “safety net” to develop a more comprehensive and accessible system of social and employment supports that assures the economic security of working but poor families over time.

A more comprehensive, accessible set of social benefits and employment supports would reduce the number of disconnected workers or families. But as Meyers and Gornick document, *working* families with children are at greater risk for income insecurity and poverty than are families with children and no labor market earnings.<sup>10</sup> Looking to the Nordic countries in Europe for a model, they make the case that there is considerably more that the U.S. government could do to help families with low-earning parents achieve greater economic security. They focus on three types of policies with the potential to better support the efforts of families to attain

---

<sup>10</sup> Fewer than 15 percent of poor U.S. children live with nonworking parents.

an above-poverty standard of living with their labor market earnings and public benefits: income benefits, paid family leave and subsidized child care.

Meyers and Gornick show that the U.S. performs considerably more poorly than its European peers in reducing child poverty rates through taxes and transfers and is particularly austere toward working-age families with children, who receive close to half of their supports as targeted, means-tested and/or time-limited assistance. In addition, they make a very important point in noting that there are no “institutional bridges” between means-tested welfare and other forms of assistance available to higher income families. In other words, low-income families will lose their financial supports long before they earn enough to benefit from some of the subsidies available through tax provisions and employment. Recognizing the political and financial limits of policy reforms in this area, Meyers and Gornick argue for both bold and incremental changes to current policies, including a more inclusive unemployment insurance system, more generous, directly-funded child care assistance, and paid family leave financed through social insurance that distributes the burden more evenly between employees and employers.

In general, the chapters in this volume take a traditional policy analysis approach to analyzing key issues critical to strengthening the work-based safety and to identifying promising new policies for enhancing self-sufficiency. That is, they define the issue, survey the literature, analyze the problems, and offer informed suggestions for constructive approaches to addressing the problems. Of course, the likelihood of realizing beneficial, forward-looking changes to the safety net will depend on many factors, some of which typically lie outside the purview of a well-circumscribed empirical public policy analysis. For example, every policy proposal will be scrutinized within the political system, with concerns about resources for implementation and

political ramifications bearing down. Since it was beyond the scope of the chapters in this volume to also ask each author to address political feasibility, policy implementation and financial matters in their subject area, Kent Weaver draws together and addresses such issues in the ninth and final chapter of the volume. He presents an insightful discussion of political challenges and constraints that have shaped past policy efforts to improve the economic circumstances of poor families and that will continue to confront those who wish to enhance the work-based safety net and increase its effectiveness over the next two decades.

Even well thought out policy ideas with overwhelmingly strong research evidence undergirding them will do little to help low-income families in their quest for self-sufficiency if they cannot be enacted and implemented. The political power of low-income families is minimal, and broader public support for more generous benefits targeted to the poor appears to be weak. In his analysis of policy efforts to improve the life chances of low-income families, Weaver discusses key policy “streams,” including social insurance, refundable tax credits, and cash and in-kind means-tested assistance, and their political dynamics. He identifies enduring political constraints—public opinion, policymaking bodies prone to gridlock, increasing fiscal pressures, and federalism—and considers how they might be overcome to promote more innovative, generous work-based programs for low-income families.

Weaver describes the tax-based, cash transfer programs that are criticized by Meyers and Gornick as a major political success story. He points out, for example, that refundable child tax credits have become a major source of income transfers to low-income *working* families. He is alternatively pessimistic about the political chances of increasing the use of social insurance mechanisms for expanding benefits such as family leave or allowing for more generous child support, absent a pro-poor political “tsunami” or major window of opportunity. In regard to a

possible broadening of Unemployment Insurance, he suggests that concerns about increased employment insecurity could allow for an incremental expansion, although given that the incidence of prolonged unemployment is low and concentrated among the poor and politically disengaged, he does not see this as likely. In general, Weaver sees that policymaking for low-income families will continue to be of relatively low political salience, although he suggests that this should not discourage advocates from aiming high and moving incrementally toward policies that promote greater self-sufficiency among the poor.

#### Topics not addressed in this volume

There are a set of issues that would be natural additions to our volume, but for a variety of reasons, they do not receive prominent treatment. For example, perhaps one of the most obvious topics would be adult education and skills training. Public investments in this area have historically been small, and for more than the last decade, they have been decreasing in real terms. Nonetheless, any efforts to enhance skill formation will undoubtedly play a substantial role in helping low-skilled individuals to achieve self sufficiency. In *Reshaping the American Workforce in a Changing Economy*, edited by Harry Holzer and Demetra Smith Nightingale (2007), contributors thoroughly address the issues of schooling and training for adults, including strategies for helping the “hard-to-employ” and increasing the labor force participation of older workers. We refer our readers to this fine collection of writings on this topic.

Scholars have long been concerned about mismatches between the areas where poor people live and the jobs that might be available to these workers. Moreover, many are concerned about concentrations of low-income families and individuals, raising the possibility that individuals in poor neighborhoods may also have limited access to retail stores, attend poor quality schools, and endure disproportionate risk for crime and gang activity. In response to these concerns,

ambitious experiments with housing programs have been implemented to aid families in moving to better neighborhoods and to evaluate the role of neighborhood effects in their subsequent labor market and quality-of-life outcomes. The resulting studies—the most prominent being a HUD-sponsored evaluation, Moving to Opportunity—have produced striking findings. As reported in Kling, Liebman, and Katz (2007), the intervention clearly affected the neighborhoods that people lived in; four to seven years after random assignment, families that received vouchers to move out of their poor neighborhood lived in safer, lower poverty neighborhoods than households that did not receive vouchers. However, there were no significant effects of the intervention on adult economic self sufficiency (employment and earnings) or physical health.<sup>11</sup> Given this and other extensive evidence from the high-quality experimental intervention (see, for example, <http://www.nber.org/~kling/mto/recent.html>), we chose not to include housing as a topic for this volume.

In the face of rising income and asset inequality in the U.S., growing attention is being paid to issues surrounding wealth accumulation and asset development for low-income families. The federal Assets for Independence (AFI) program, for example, provides funding to community-based nonprofits and government agencies that give low-income families an opportunity to save their earned income in special, matched savings accounts called Individual Development Accounts (IDAs) for the purpose of acquiring a first home, starting a small business, or enrolling in postsecondary education or training. In fact, the stated rationale for IDAs is that while welfare and other cash transfers will reduce hardships faced by the poor, they are less effective in helping low-income families to become economically self-sufficient. Apostolov et al. (forthcoming) evaluate the results of a controlled field experiment implemented in Tulsa, Oklahoma that

---

<sup>11</sup> While female youth in the treatment group did better on measures of education, risky behavior, and physical health, male youth did worse on each dimension. The experiment did reveal mental health benefits for all adults and female youths.

examined the effects of IDAs. The authors conclude that “Despite strong incentives, regular interaction between program staff and treatment group participants, and the presence of a strongly motivated group of savers, we find generally weak sample-wide effects of the Tulsa IDA program on household behavior. There are *no* (emphasis in the original) sample-wide impacts on holdings of subsidized assets.” Renters do significantly increase homeownership, but the increase in housing wealth is largely offset by a reduction in non-retirement financial assets. Moreover, as the authors discuss, the experiment included incentives for renters to accelerate home purchases and for control group members to delay home purchases.<sup>12</sup>

Although we concur that an interesting set of issues and opportunities is presented by these interventions and the corresponding policy discussions, in our opinion, the benefits of these programs are considerably less likely to be as far-reaching as programs focused on early childhood development, health, education, and labor force participation (that is, topics we do cover in this volume). In addition, a forthcoming volume edited by Michael Barr and Becky Blank will provide a thorough discussion of these issues and their implications for financial services policy.

As Jay Bhattacharya and Peter Richmond note in their chapter, health insurance coverage is an important factor in explaining gaps in health outcomes between poor workers and non-workers. Thus, a focus on health insurance issues is an important omission from this chapter and our volume. That said, the literature on reforming health care in the U.S. is voluminous and growing, and arguably too expansive to be effectively integrated into the health chapter in this volume, or maybe even to be adequately addressed in a separate chapter. In reviewing the

---

<sup>12</sup> A more optimistic view of IDAs is given in a non-experimental longitudinal study. It concluded that after three years, participants were significantly more likely to be homeowners, business owners and to engage in postsecondary education than nonparticipants. The comparison group of nonparticipants was selected from the 2001 Survey of Income and Program Participation and propensity score matching was used to adjust for observed differences between IDA participants and nonparticipants. See Abt Associates (2008).

widely dispersed research on this topic, we found much of the important new work on health insurance coverage relevant to the themes of this volume to be accessible in the archives of the Economic Research Initiative on the Uninsured (<http://eriu.sph.umich.edu/>). For example, a recent study by Thomas DeLeire and colleagues (2006) finds that less-skilled women are twice as likely to be uninsured as women who complete high school, and more than three times more likely to lack coverage than female college graduates. Evincing the complexity of these issues, however, they also report that welfare reform had a small positive effect on coverage trends for less-skilled women who had not received welfare benefits prior to reform. In related research, Hanns Kuttner and Catherine McLaughlin show that, among uninsured adults, job changes are the leading reason that adults become uninsured, which supports our substantial attention to labor market policies in this volume (Economic Research Initiative on the Uninsured, 2006). Kent Weaver also briefly takes up the politics of health care reform in Chapter 9.

Although Kent Weaver gives some attention to the larger policy implementation challenges in his chapter, particularly those concerning fiscal capacity and institutional fragmentation, adequate attention to the implementation issues in each of the safety net areas discussed in the chapters could be a book in itself. Our strategy here is to present promising policies that we expect could reasonably be implemented with available resources. We understand that important choices about program design and implementation have to be made and that these choices will be different for each of these areas. Policy reforms could vary, for example, in whether they are aggressive or incremental; conducted nationally or left to state-by-state options; whether they include private sector participants or are the sole responsibility of public agencies. In fact, we will be delighted if some of the policies discussed in this book get far enough along in the

political and policy process that their implementation becomes a topic of serious concern by policy makers and interested parties.

### Cross-cutting themes and questions

The issues raised in the chapters that follow provide a rich set of observations in their respective domains of interest. But one of the inevitable challenges in policy design and implementation—particularly in considering the expansive scope of the social safety net—is to step outside of one’s own area of interest to see how the pieces fit together. For example, a scholar or policymaker who spends most of his or her time thinking about the employment and hours worked by disadvantaged workers may advocate policy reforms that would increase employment (e.g., akin to the increased work participation requirements in the reauthorization of PRWORA). But if employment has harmful effects on children or harmful effects on the health of parents, the ultimate success of those policies will likely be jeopardized. Moreover, employment policies that target one set of individuals but that fail to account for empirically numerous subpopulations, such as ex-offenders or individuals who, because of cognitive limitations, drug or alcohol problems, or other barriers, are unable to comply with rules, will be unsuccessful.

Thus, to increase the chances for successful policy changes, we need to look across safety net domains to design innovative policies and reconcile high-quality research evidence in ways that will enhance the life-chances of parents with low-skills and the children being raised in their families and improve the communities they live in. We think the historical evidence makes it clear that a work-based safety net is viable. The striking increase in women’s labor force participation over the past two decades, even for poor women with low levels of education and those who are unmarried with children, show that work is possible for individuals who

historically have had low employment rates. Moreover, politically, it is a necessity that the safety net reflects the values and expectations of broader society. When rates of female labor participation across all ages and education levels are high, it seems appropriate that the safety net be organized around the same values and behavior that are adopted across the population.

Based on evidence from the pre-1996 period of welfare waivers and from evaluations associated with welfare reform, there is a great deal of evidence about policy levers that can increase employment of low-skilled workers. If increasing employment is the sole goal, this goal can be achieved by strictly enforced work requirements, perhaps coupled with time-limited assistance. Alternatively, approaches that subsidize employment, raising the returns to work, have also been successful in increasing employment. The combination of work requirements, earnings subsidies through the earned income tax credit, coupled with administrative changes, perhaps reinforced by the message of time limits, appears to be a successful mix. The Duncan, Gennetian, and Morris chapter argues, however, that reform packages that increase family income, generally through earnings subsidies, are superior in their effects on children to work-increasing reform packages that do not increase family income. Hence, when one broadens perspective about policy goals, employment and child wellbeing can be enhanced by work-oriented policies that raise family income. But this combination of policies, of course, is more expensive, at least in the short run, to taxpayers.

In addition, the research presented in this volume makes clear that a serious work-oriented safety net cannot neglect the astonishing educational and performance gaps between poor and rich, and black and white students in K-12 schools. This, too, is a case in which it may be easier to focus on an isolated component of the problem, such as test score achievement gaps, but a comprehensive policy must simultaneously consider linkages between child development,

primary and secondary schooling, and labor markets. If children from poor families are not coming to school prepared to learn, and if schools are ineffective in helping them to overcome their disadvantage, they will inevitably have systematically worse life-chances than children from other families. These children will struggle as adults and, like their parents, have difficulty fulfilling their obligation to work. Given this current state of affairs, it seems clear that if we maintain a safety net that emphasizes work, we must make it a priority to increase family incomes, facilitate access to affordable, high quality child care, and simultaneously adopt (and evaluate) hard-headed, evidence-based policies that improve teacher and school quality, particularly in those schools attended by poor children.

In fact, this is almost precisely the point that Marcia Meyers and Janet Gornick make in their chapter where they argue that safety net benefit packages should be more broadly defined to include social, educational, health and employment provisions that relate directly to the challenges facing low-earning adults who are struggling to meet the demands of working and caring for children. Their suggested reforms also go further than most others in this volume toward recognizing that periods of employment instability and/or unemployment are going to be unavoidable for many of the low-income groups with whom we are concerned in this volume, and that a continued emphasis on benefits that are tied to work (through the tax system and/or employers) will be detrimental to these families and particularly the children who live in them.

Kent Weaver's analysis of the "politics of permanent austerity" and the lack of broader political interest in reform of policies toward the poor suggests, however, that the choices ahead, as efforts are taken to improve the safety net, will be difficult and constrained. One dimension of this policy tension will surely be generational. As reform efforts are undertaken, should attention be focused on interventions that come earlier in life versus those that come later for disconnected

individuals, the formerly incarcerated, high school dropouts, and others? The work described in the following chapters indirectly raises this concern but does not provide detailed guidance on this important question. As Weaver's chapter notes, policies focused on children have, over time, received broader political support than policies focused on adults or other groups. There is also a considerable amount of evaluation evidence that suggests well-funded early childhood interventions can strikingly increase the school performance, behavior, graduation, and even labor market outcomes of disadvantaged youth at a reasonable cost, that is, with high rates of return. Thus, in light of the strong evidentiary basis for investing in well-designed early childhood programs, should we invest aggressively in these programs, acknowledging that this would inevitably limit our ability to make progress in other policy areas important to older youth and adults?

Children, of course, are raised in households with adults. And the training literature suggests that while youth training programs, targeting those 16 to 24 have generally shown poor results, adult training programs, particularly for low-skilled women, on the whole have been more successful in increasing workers' earnings. One likely reason is that adults (those older than 24) have had sufficient life experience to take more seriously the opportunities provided by training. In addition, employment and training programs have evolved over time to more effectively address both employer and worker needs, including better targeting of local employment sectors that are growing rapidly and pay more favorably and by making use of financial incentives that support individuals' transitions to and retention of employment. Recent research by Harry Holzer and others in the volume edited by Holzer and Nightingale (2007) suggests that there is substantial, untapped potential for improving and expanding training

options for low-skilled adults.<sup>13</sup> Thus, it seems to us that it would be a mistake to forego these types of opportunities for those of any age who wish to improve their ability to be self-sufficient and contribute more to their community. Hence, while the evidence in support of early childhood programs is strongest, we instinctively think a balanced approach across age groups to enhancing self-sufficiency is wise.

An equally difficult question is whether the current system, which yields extraordinary differences in outcomes between rich and poor, black and white, urban core versus suburban, can be improved with shorter-term, incremental policy fixes, or whether bolder, longer-term reforms will be necessary to effectively increase self-sufficiency. As with any difficult question, there is no easy answer to this one. Our idiosyncratic view is that safety net policy developments in the past twenty years have had many valuable features, including the realignment of the central message of the safety net—work—with the core values of American society. Within that realignment, many innovations have been, in our view, steps in the right direction. These include expansions of the earned income tax credit, S-CHIP and CHIP expansions that sharply increased health insurance coverage of children, and child support and welfare reforms that sought to increase the resources available to low-income families for caring for their children (e.g., child support pass-through, child care assistance, etc.). Nevertheless, the problems confronting low-income families in the U.S. are in some cases so severe, it seems at times like the resources being devoted to them are akin to trying to slay an elephant with a pea-shooter. For example, we say little in this volume about complex and intractable problems such as substance abuse and mental health problems that affect a non-negligible fraction of poor families and undoubtedly contribute greatly to their disadvantage. Still, we think the agenda described in

---

<sup>13</sup> For a thorough discussion of the range of federal, state and local employment training programs and some of the most promising approaches among them, see Holzer (2007).

the following chapters, augmented with a more serious attempt at comprehensively providing health care for low-income children and adults, could usefully guide the expenditure of greater resources than we are currently spending. Thus, we would probably characterize ourselves as incrementalists, although we both would devote considerably more of society's resources to these issues.

Suppose this “well-funded incrementalist” view is sensible. Are there areas in which we need to move more aggressively, as opposed to allowing a slower, evidence-based incremental approach to policy reform, and how do we judge this? First, we suggest that when the evidence base is very strong (or overwhelmingly) in support of the cost-effectiveness of particular intervention, this is a clear signal to move more aggressively. For example, it seems extraordinary that we have failed to invest more in early childhood education, given that the evaluation evidence suggests we are leaving “dollars on the sidewalk,” with social returns to these investments sharply greater than dollar for dollar. More generally, the reduced costs of crime, teen child-bearing, and the additional resources society would eventually receive in higher taxes and productivity from greater educational attainment would more than pay for the costs of providing high quality early childhood programs and more effective K-12 schools. We should seize opportunities for policy improvement in these areas, including those suggested in this volume, which we expect will also improve the material circumstances of disadvantaged children.

Second, we think that Steven Raphael's work in this volume, along with his past research, presents an incredibly strong case showing a substantive policy area, criminal justice, in which policy reform efforts have failed miserably over the last few decades, with devastating consequences for low-income families and communities. Of the more than \$40 billion spent annually on prison and jail costs, over half goes toward the incarceration of non-violent

offenders, and evidence confirms that recent spending increases on incarceration have been *less* effective in reducing crime. Raphael also shows how current state and federal policies have compounded the problems of former inmates as they attempt to secure employment and reenter non-institutionalized society. Given the collateral consequences on the family of sharply impairing the employment prospects of the formerly incarcerated and the lack of effective policy programs targeted to this problem to date, it strikes us as being particularly urgent to aggressively embark on a series of well-designed, experimental projects (and corresponding evaluations) to develop the evidence base for approaches that can successfully achieve labor market success for ex-offenders and improved family and community well-being.

A final difficult question arises over the appropriate locus of program responsibility. Welfare reform in the U.S. aggressively “devolved” programmatic responsibility for welfare from the federal government to states. The justification came in many pieces. Two prominent ones were that first, states and localities are more familiar with the specific circumstances of the people in their communities and hence are better able to design assistance programs. And second, states and localities can serve as laboratories, where innovation can flourish and other communities can learn from best practices. A problem with the second justification, however, is that there were (at best) weak evaluation requirements associated with devolution. Thus, it is very hard to learn what works and what does not when there is little systematic evaluation of new policy efforts and experiences. Nevertheless, important issues are raised with the question of whether policies are best designed and implemented at the federal or at the state level. Our biases are that federal involvement (not necessarily centralized control) is necessary for at least three reasons: financing, standards, and dissemination. The federal government is less susceptible to regional economic shocks and thus better able to provide a stable funding stream

for effective programs. Moreover, in return for the financial base, the federal government can impose data collection and evaluation standards on states. Absent this, it is nearly impossible to learn about successful programs. With serious program evaluation requirements, the federal government is in a position to disseminate information on policy design, implementation and outcomes and to promote the adoption and diffusion of successful, evidence-based programs. We think the thoughtful, forward-looking recommendations presented in this volume, based on the rigorous social science research of the contributors, provide an excellent starting point for renewed policy efforts to strengthen the work-based safety net and enhance the well-being and self-sufficiency of low-income families.

## References

Abt Associates, Inc. 2008. "Assets for Independence Act Evaluation Impact Study: Final Report," available at: [http://www.acf.hhs.gov/programs/ocs/afi/AFI\\_Final\\_Impact\\_Report.pdf](http://www.acf.hhs.gov/programs/ocs/afi/AFI_Final_Impact_Report.pdf)

Apostolov, Emil, Rhiannon Patterson, Gregory Mills, William G. Gale, Michael D. Eriksen, and Gary V. Engelhardt. Forthcoming. "Effects of Individual Development Accounts on Asset Purchases and Saving Behavior: Evidence from a Controlled Experiment," *Journal of Public Economics*.

Cancian, Maria, Robert Haveman, Thomas Kaplan, and Barbara Wolfe. 1999. *Post-Exit Earnings and Benefit Receipt among Those Who Left AFDC in Wisconsin*, IRP Special Report 75, January on the IRP World Wide Web site at < <http://www.ssc.wisc.edu/irp/sr/sr75.pdf> >.

Cancian Maria, Robert Haveman, Daniel Meyer, and Barbara Wolfe. 2000. *Before and After TANF: The Economic Well-Being of Women Leaving Welfare*, IRP Special Report 77, available on the IRP Web site at < <http://www.irp.wisc.edu/publications/sr/pdfs/sr77.pdf> >

Card, David, Charles Michalopoulos, and Phil Robins. 2001. "The Limits to Wage Growth: Measuring the Growth Rate of Wages for Recent Welfare Leavers," NBER Working Paper #8444, August.

DeLeire, Thomas, Judith A. Levine, and Helen Levy. 2006. "Is Welfare Reform Responsible for Low-Skilled Women's Declining Health Insurance Coverage in the 1990s?" *Journal of Human Resources* 41(3): 495–528.

Economic Research Initiative on the Uninsured (ERIU) Research Highlight. 2006. "Job Churning's Impact on Workplace Health Insurance," Number 12, November.

Gladden, Tricia and Christopher Taber, "Wage Progression Among Less Skilled Workers," in *Finding Jobs: Work and Welfare Reform*, ed. D. Card and R. Blank (New York: Russell Sage Foundation, 2000), pp. 160–92.

Grogger, Jeffrey and Lynn A. Karoly. 2005. *Welfare Reform: Effects of a Decade of Change*, Cambridge, MA: Harvard University Press.

Haskins, Ron and Isabel Sawhill. 2007. "The Next Generation of Antipoverty Policies," a special issue of *The Future of Children*, Volume 17, Number 2, Fall.

Haveman, Robert and John Karl Scholz. 1994. "Transfers, Taxes, and Welfare Reform," *National Tax Journal*, 47, June: 417–34.

Holzer, Harry. 2007. "Better Workers for Better Jobs: Improving Worker Advancement in the Low-Wage Labor Market," accessible at: <http://www.urban.org/publications/1001119.html>

- Hotz, V. Joseph, Guido Imbens and Jacob Klerman, 2006. "Evaluating the Differential Effects of Alternative Welfare-to-Work Training Components: A Re-Analysis of the California GAIN Program," *Journal of Labor Economics*, 24(3), July, 521-566.
- Hotz, V. Joseph, Charles Mullin and John Karl Scholz. 2002. "Welfare Benefits, Employment and Income: Evidence From the California Work Pays Demonstration Project," [http://www.ssc.wisc.edu/~scholz/Research/CWPDP\\_paper\\_version6.pdf](http://www.ssc.wisc.edu/~scholz/Research/CWPDP_paper_version6.pdf)
- King, Christopher T. and Peter R. Mueser. 2005. *Welfare and Work Experiences in Six Cities*. Kalamazoo, MI: Upjohn Institute for Employment Research.
- Kling, Jeffrey R., Jeffrey B. Liebman, and Lawrence F. Katz. 2007. "Experimental Analysis of Neighborhood Effects." *Econometrica* 75(1): 83-119.
- MDRC, 1994, *Executive Summary of GAIN: Benefits, Costs, and Three-Year Impacts*, New York, June.
- Mead, Lawrence M. 2004. *Government Matters: Welfare Reform in Wisconsin*, Princeton: Princeton University Press
- Mead, Lawrence M. 2004. "Toward a Mandatory Work Policy for Men," in "The Next Generation of Antipoverty Policies," a special issue of *The Future of Children*, edited by Ron Haskins and Isabel Sawhill, Volume 17, Number 2, Fall.
- Meyer, Daniel and Maria Cancian. 1998. "Economic Well-Being Following an Exit from Aid to Families with Dependent Children," *Journal of Marriage and the Family* 60, no. 2 (1998): 479-92.
- Pavetti LaDonna and Gregory Acs. 2001. "Moving Up, Moving Out, or Going Nowhere? A Study of Employment Patterns of Young Women and the Implications for Welfare Mothers," *Journal of Policy Analysis and Management* 20, no. 4 (Fall): 721-36.
- Primus, Wendell, Lynette Rawlings, Kathy Larin, and Kathryn Porter. 1999. *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families*, Center for Budget and Policy Priorities, Washington, D.C., August.
- Ziliak, James. 2002. "Social Policy and the Macroeconomy: What Drives Welfare Caseloads?" *Focus*, Institute for Research on Poverty, Special Issue, 29-34.