

Why Work Matters and How the Safety Net Should Encourage It

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KEY TAKEAWAYS

America's safety-net policies should promote work to support beneficiaries' human dignity. But recent modifications to the child "tax credit" do the opposite.

Congress just reversed welfare work requirements, disregarding past success that connected low-income Americans with work and helped them to move out of poverty.

Lawmakers should reject efforts to make this temporary change permanent, and instead reconnect safety-net programs with work.

Like all Americans, low-income individuals desire and deserve opportunities for themselves and their children. For the past 25 years, federal cash-welfare assistance has supported low-income Americans by connecting benefits to work. This strategy, created by Congress on a bipartisan basis, has been extremely effective in increasing employment while simultaneously reducing poverty, long-term government dependence, and social isolation.

Regrettably, a key welfare cash-grant program, which used to operate as a child tax credit requiring work, was recently transformed in a partisan vote into a one-year unconditional child allowance. The \$1.9 trillion American Rescue Plan (ARP) of 2021 temporarily ended the long-standing work requirement for recipients of the child tax credit, converting the annual tax credit into an unconditional monthly cash

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payment.¹ While parents used to have to work to receive the credit, under the ARP they no longer have to do so. Now the Biden Administration has proposed to make these unconditional cash payments permanent beyond 2022.²

The debate on the transformation of the work-related child tax credit into an unconditional child allowance boils down to the question whether work—or even preparing to work through education and training—matters for the long-term success of individuals and families who depend on the safety net. Some advocates of removing the link to work argue that, if the safety net is work-oriented, low-income single mothers could be unduly pressured into the workforce, negatively affecting their children, especially young children.³

This argument overlooks evidence from the past 25 years of federal cash-assistance policy about the significance of work in improving outcomes for low-income parents and their children. In addition, it fails to acknowledge how current policy has addressed single mothers' needs both to support and care for their young children. Finally, it runs counter to a broad consensus about the importance of work for preventing and overcoming poverty and for overall well-being beyond material welfare.

It is critical that policymakers carefully weigh what will happen to these parents and their children who rely on the safety net if they do not complete their education and find employment. If the safety net fails to encourage work—and parents become completely disconnected from work—the result is likely more long-term poverty, a decline in child well-being, and fewer children experiencing intergenerational mobility. If policymakers want to help low-income Americans, the safety net should continue to connect benefits to work.

The History of Workless Safety-Net Benefits

The U.S. history of unconditional safety-net benefits is bleak: less economic mobility and more child poverty. Before 1996, the primary cash-benefit program was Aid to Families with Dependent Children (AFDC), founded in the Social Security Act of 1935. These monthly cash payments were remarkably similar to the new child allowances: Policymakers did not expect low-income recipients to work or to prepare for work.

The results of these no-strings-attached cash benefits were profoundly negative for low-income families. The AFDC caseload exploded; one in seven children was dependent on the program, and intergenerational poverty worsened. Some 90 percent of cash-safety-net recipients were

single mothers; the majority were never married.⁴⁵ The majority of families received AFDC benefits for an average of eight years.⁶ Work among the recipient parents was extremely low—nearly nine in 10 families were workless. Many remained in long-term poverty.⁷⁸

Some argue that safety-net benefits were a net positive for these families, even if a family was detached from work. The evidence does not support this claim. In fact, several comprehensive studies produced evidence that safety-net receipt had a harmful impact on children whose parents did not work, and that increasing benefits did not produce better outcomes. A significant 1994 study found that a mother's welfare dependence, whether single or married, was associated with a reduction in her child's math and verbal-ability test scores.⁹ A 1992 study found that girls who were raised in aid-recipient families were 1.4 times less likely to graduate high school than their peers whose parents did not receive aid.¹⁰ A similar 2003 study found that "exposure to one year of welfare in early adolescence is associated with a reduction in schooling of about 0.3 year."¹¹

It was precisely because of these kinds of negative outcomes that consensus on the importance of work emerged, leading to reform of the safety net. Throughout the 1990s, policymakers passed reforms to make work more rewarding for employed low-income families, including the earned income tax Credit (EITC) and child tax credit.¹² Most significantly, with the signature of President Bill Clinton and the vote of then-Senator Joe Biden (D-DE),¹³ Congress passed the historic welfare reform bill, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.¹⁴ Families receiving cash benefits from AFDC—now renamed Temporary Assistance to Needy Families (TANF)—had to work or participate in training or education that could help them to return to the workforce. The bill also created work requirements in the other major safety-net program for food, the Supplemental Nutrition Assistance Program (food stamps).¹⁵ The work-based welfare reform was passed with overwhelming bipartisan support. The final votes in favor were 328 to 101 in the House and 78 to 21 in the Senate.¹⁶

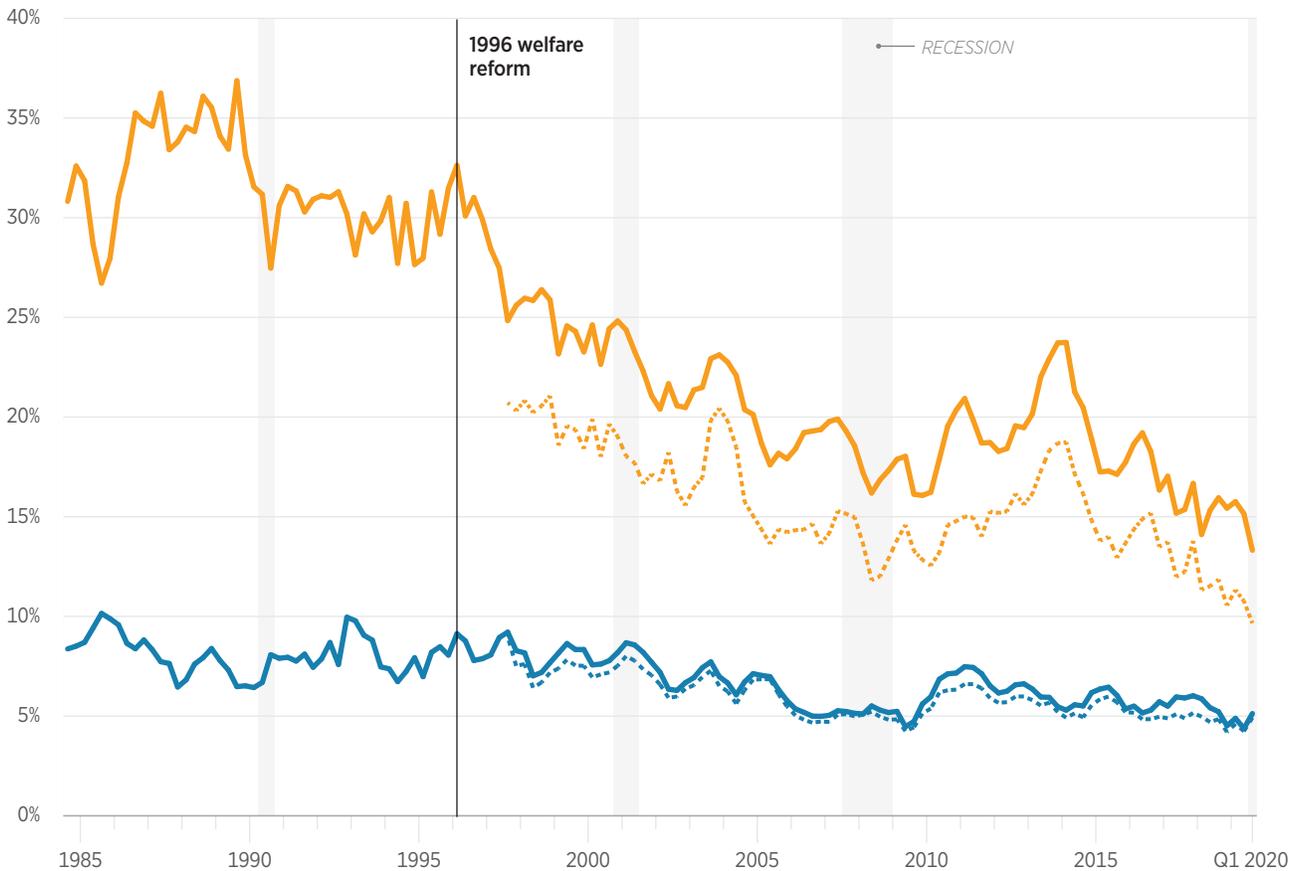
But not everyone agreed with the law. Some on the progressive left projected that the welfare reform bill would create more child poverty. Poverty scholar Peter Edelman, a Clinton Administration official who resigned in protest against the new welfare law wrote that it would bring "[s]erious injury to American children.... There will be more malnutrition and more crime, increased infant mortality, and increased drug and alcohol abuse."¹⁷ The Children's Defense Fund declared the reform an "outrage...that will hurt and impoverish millions of American children."¹⁸ The Urban Institute predicted that the reform would push 2.6 million people, including 1.1

CHART 1

Expenditure-Based Poverty Rate for Families with Children, by Marital Status

- Unmarried with children
- ⋯ Unmarried with children, including subsidized housing and school meals
- Married with children
- ⋯ Married with children, including subsidized housing and school meals

PERCENT OF FAMILIES IN POVERTY



NOTE: Expenditure-based poverty rates are presented as a rolling four-quarter average for all households whose final interview occurred during the current quarter or any of the previous three quarters.

SOURCE: Authors' calculations based on microdata from the Bureau of Labor Statistics Consumer Expenditure Survey and average benefit levels from the U.S. Department of Housing and Urban Development Picture of Subsidized Households and the Federal Register.

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million children, into poverty, and cause one-tenth of all American families, including 8 million families with children, to lose income.¹⁹

The exact opposite took place. Government dependence declined for the first time in a half century.²⁰ Employment rose, *particularly* among single mothers who did not graduate high school.²¹ Single mothers who worked

rose from 51 percent in 1992 to 76 percent within eight years.²² Teen pregnancies—and the abortion rate—fell sharply.²³ The most significant result: Child poverty, which had been static for decades, fell sharply by almost 8 percent in the following decade.²⁴

After the 1990s shift towards a work-based safety net, there has been continual progress. Since the initiation of welfare reform, the poverty rate in single-parent families dropped by nearly 60 percent.²⁵ (See Chart 1.)

In addition to the important financial outcomes, several studies in the mid-2000s found other positive outcomes when mothers who were formerly dependent on welfare found employment. For example, researchers found evidence of increased physical health²⁶ as well as positive impacts on emotional and psychological well-being.²⁷ Research even showed a connection of better health and behavioral outcomes for those children whose mothers had moved from welfare dependence to work.²⁸

Compared with the outcomes associated with safety-net receipt prior to these work-based reforms, this evidence leads to the conclusion that orienting benefits toward work is indeed critical for the well-being of recipients—and for their children. This ongoing long-term progress is now jeopardized by the Biden Administration's efforts to make an unconditional aid system permanent. If safety-net programs do not re-connect beneficiaries to work, more families may be prevented from finding lasting opportunity.²⁹

How the Safety Net Encourages Work

With the exception of the new child allowance, the law currently attempts to balance support of low-income parents with encouragement to re-engage in work. The following principles are at work in current law:

1. Current work-requirement policies prioritize the caretaking responsibilities of single parents by exempting parents with young children and limiting work to part-time hours.
2. Current work requirements include education and training as fulfilling the work-requirement hours.
3. Many work-first safety-net benefits are designed to reward work. Policymakers should strengthen these benefits by eliminating the substantial marriage penalties.

4. There is significant investment in employment and training programs intended to help beneficiaries to build skills in order to obtain gainful employment. (Policymakers should reform these programs to assure better outcomes.³⁰)

Temporary Assistance to Needy Families (TANF)—State Obligations, Work Requirements, and Time Limits. TANF is the primary welfare cash-assistance program. It replaced AFDC as a result of the 1996 welfare reform. Requiring work or preparation for work in exchange for benefits is a major principle in TANF, and the requirements are reasonable. In order to receive the TANF block grant, states are required to have less than half the adult recipients engaged in work or preparation for work. The law intentionally limits the number of hours that single parents must work to 30 hours a week (and to 20 hours a week for single parents with children under age six). In addition, TANF completely exempts mothers with children under the age of one and gives states the option to exempt mothers with children under the age of six if they cannot find appropriate childcare, which most states do.

The TANF statute defines 12 activities that fulfill the work requirement, many of which go beyond paid work, including community service, vocational educational training, completion of secondary school, and even providing childcare to other beneficiaries.

Supplemental Nutrition Assistance Program (SNAP)—State Obligations and Work Requirements. With SNAP, state governments have the option of requiring parents in recipient families with children over the age of six to engage in work activities. However, historically, states have not exercised that option. Like the TANF work requirements, the SNAP work requirement can also be fulfilled by education and training programs, including both SNAP training or alternate federal, state, or local work programs. States could require parents to participate in training or work up to 30 hours a week, but none do so. States may not require parents with children under the age of six to work.

SNAP does include a time limit for those individuals who do not seek employment, but this applies only to adult beneficiaries who are not disabled—not to parents who have any children or other dependents in the home.

Tax Credits with Work-First Benefits. The EITC, which gives a cash benefit to low-income workers after they file their annual taxes, is an example of a safety-net program that was designed as an antipoverty tool in order to counter the non-work effects of traditional welfare. Originally

conceived as a “work bonus” plan in the 1970s,³¹ the EITC amount increases as low-income workers earn more. The EITC is now one of the larger safety-net programs, with fiscal year 2021 expenditures expected at \$73.1 billion.

The EITC is a different kind of welfare because it is designed to *reward work*. In order to receive the credit, the individual must be working and earning income. Specifically, the EITC phases in as a percentage of earned income until the credit amount reaches its maximum level. The EITC is also specifically aimed at parents. Parents with three children earning under \$25,000 annually can receive up to \$6,600. Parents with one child receive up to \$3,584.

Effective Employment and Training Programs. Because work requirements can be fulfilled by employment and training programs, it is vital that policymakers are confident that the time and effort these beneficiaries spend in these programs deliver real results. The federal government funds 43 employment and training programs across nine federal agencies, primarily the Departments of Labor, Education, Agriculture, and Health and Human Services. The goal of these programs is to help beneficiaries build skills and obtain employment. While federal expenditures on these programs were nearly \$19 billion in 2019, many of them do not demonstrate that they are effective in helping vulnerable individuals to find employment.³²

If policymakers reformed these programs into pay-for-outcome contracts (based on the number of beneficiaries who obtained jobs and the average compensation of such employment) parents could engage in these programs as part of a work-oriented safety net and find meaningful work that matches their talents and interests, accounts for individual barriers, and helps them to find the means to provide for their families.³³

Why Work Matters

Work is the foundation of upward economic mobility. Antipoverty scholars on both sides of the political spectrum have long recognized the centrality of work in a “success sequence” that offers a poverty-prevention model for individuals—low-income or otherwise—to avoid poverty. Researchers have observed that individuals who follow this success sequence—earning at least a high school degree, finding employment, and marrying before having children³⁴—are far less susceptible to poverty. Only 2 percent of adults who follow these steps encounter poverty.³⁵

While the safety net can be effective—as intended—at alleviating material deprivation, the long-term goal should be for all parents and their children

to break out of the cycle of dependence and poverty. This is done through moving to self-support and upward mobility. Without work, it is difficult for low-income beneficiaries to build work-based skills necessary to obtain promotions and higher wages. The longer that unemployment lasts, the harder it is to return to self-sufficiency. Even after individuals experiencing long-term unemployment find a new job, they earn less (as much as 5 percent annual loss even 20 years after job displacement and subsequent re-employment),³⁶ thus leading to a sustained loss of future income.³⁷ This could be because unemployment leads to a stagnation of skills, due to the loss of work connections, or even because of stigmatization frequently associated with unemployment (for instance, when the prospective employer questions why the applicant has sustained unemployment).

However, the positive impact of work goes beyond economic outcomes. When unemployment lasts more than six months, it is also associated with decreased well-being.³⁸ Unemployment lasting longer than six months can even have significant physical health outcomes, to the point where long-term joblessness measurably affects mortality by as much as a year and a half for a 40-year-old worker.³⁹ It also has substantial mental health effects, including depressive symptoms.⁴⁰

Research finds that connection to work is associated with a higher degree of human connectedness, or social capital.⁴¹ Work provides everyday opportunities for people to interact with a wider community and to meet friends. On the flipside, studies have found that individuals who are long-term unemployed spend less time with family and friends.⁴²

Work also contributes to human flourishing by giving people an avenue to realize their talents and purpose. Social psychologist Jonathan Haidt identified “effectance” as a principal human need. Effectance is a competence for, or mastery of, the world that surrounds people.⁴³ This strong sense of competence, industry, or mastery is essential to human well-being.⁴⁴ Effectance is not “workism,” the belief that paid employment is the primary source of life’s meaning;⁴⁵ paid work is a key pathway to fulfilling this basic need.

Not only does parental connection to work have positive outcomes for adult beneficiaries, but it also influences the intergenerational mobility of the family’s children. Harvard economist Raj Chetty leads the field analyzing the factors that affect intergenerational mobility. In 2014, he and his coauthors summarized: “[A] child’s income depends more heavily on her parents’ position in the income distribution today than in the past.”⁴⁶ However, the source of the income is important. The evidence shows that income through paid work generally increases the likelihood of the next generation’s earned self-sufficiency, while welfare dependence may

negatively impact long-term earnings. A 1992 study showed that boys with safety-net receipt in their family of origin had a large negative association on their earning outcomes after age 25.⁴⁷ Parental connection to work may even be important simply for modeling basic work habits for children.

Conclusion

Policymakers should keep in mind the evidence-based bipartisan consensus of the past 25 years that work improves many life outcomes for low-income parents and children. A work-oriented safety net advances the dignity of vulnerable individuals by expanding their abilities and adding to their long-term well-being.

Rather than eliminate work requirements, policymakers should build on their successes by reforming programs that support low-income families.⁴⁸ By connecting low-income beneficiaries to work, policymakers give low-income individuals tools to overcome their hardships, find opportunity, and improve the lives of their children.

As the safety net supports low-income families, policymakers must ensure that the safety net advances intergenerational mobility as well as the ultimate goal of a temporary and targeted safety net: long-term dignity for all beneficiaries. A welfare system that carefully integrates benefits with some obligation of self-support is in the best interest of parents, children, and society.

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