

What Comes After Welfare Reform?

A New Agenda for Fighting Poverty

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Poverty in the U.S.

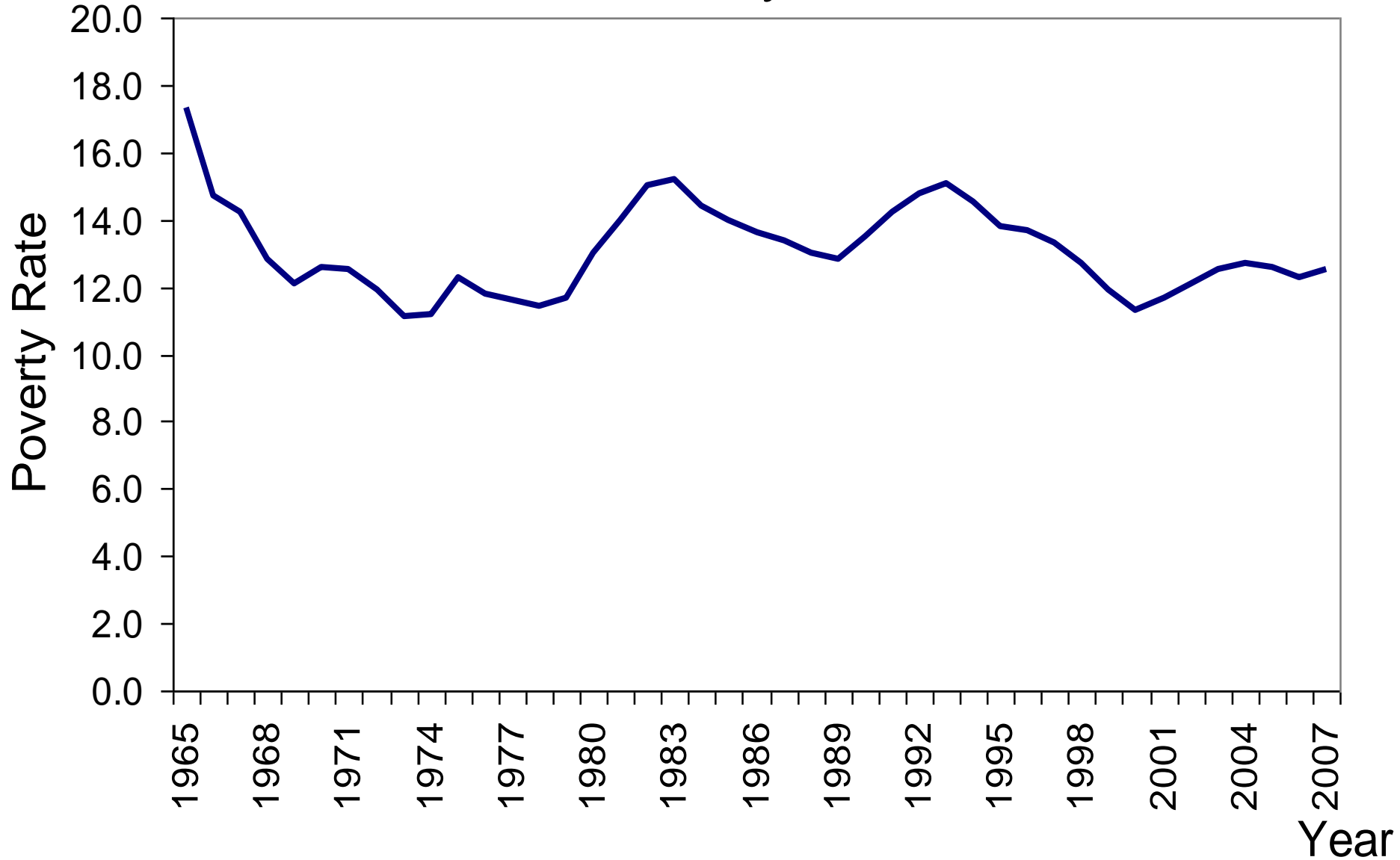
- 12.5% of population in 2007
- 37.2 million people

Particularly high among

- Single mothers
- Persons of color
- Children

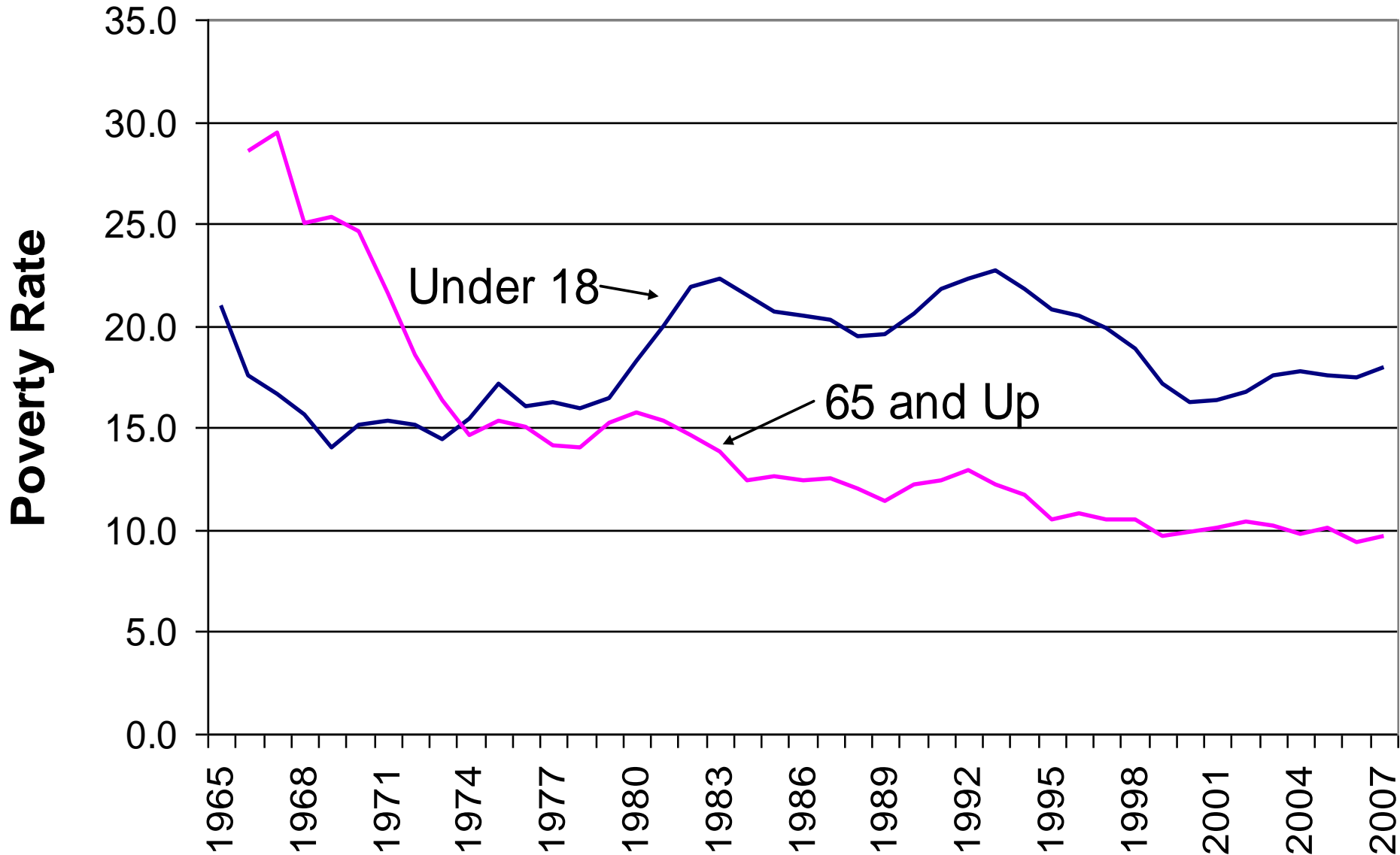
Expect it to rise rapidly in the next year
with the recession

U.S. Poverty Rate



Sources: Poverty rate from US Bureau of the Census, Historical Poverty Tables (<http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html>).

U.S. Poverty Rate for Children & Elderly



Source: Poverty rate from US Bureau of the Census, Historical Poverty Tables (<http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html>).

Year

Recent anti-poverty initiatives

Welfare Reform...

...was discussed throughout the 1990s.
Legislation passed in 1996.

Goal was to move (primarily single mothers) from cash assistance to work

- Strong welfare-to-work programs mandated within states
 - Cash support limited
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Recent anti-poverty initiatives

Other policies...

...reinforced the incentives to work

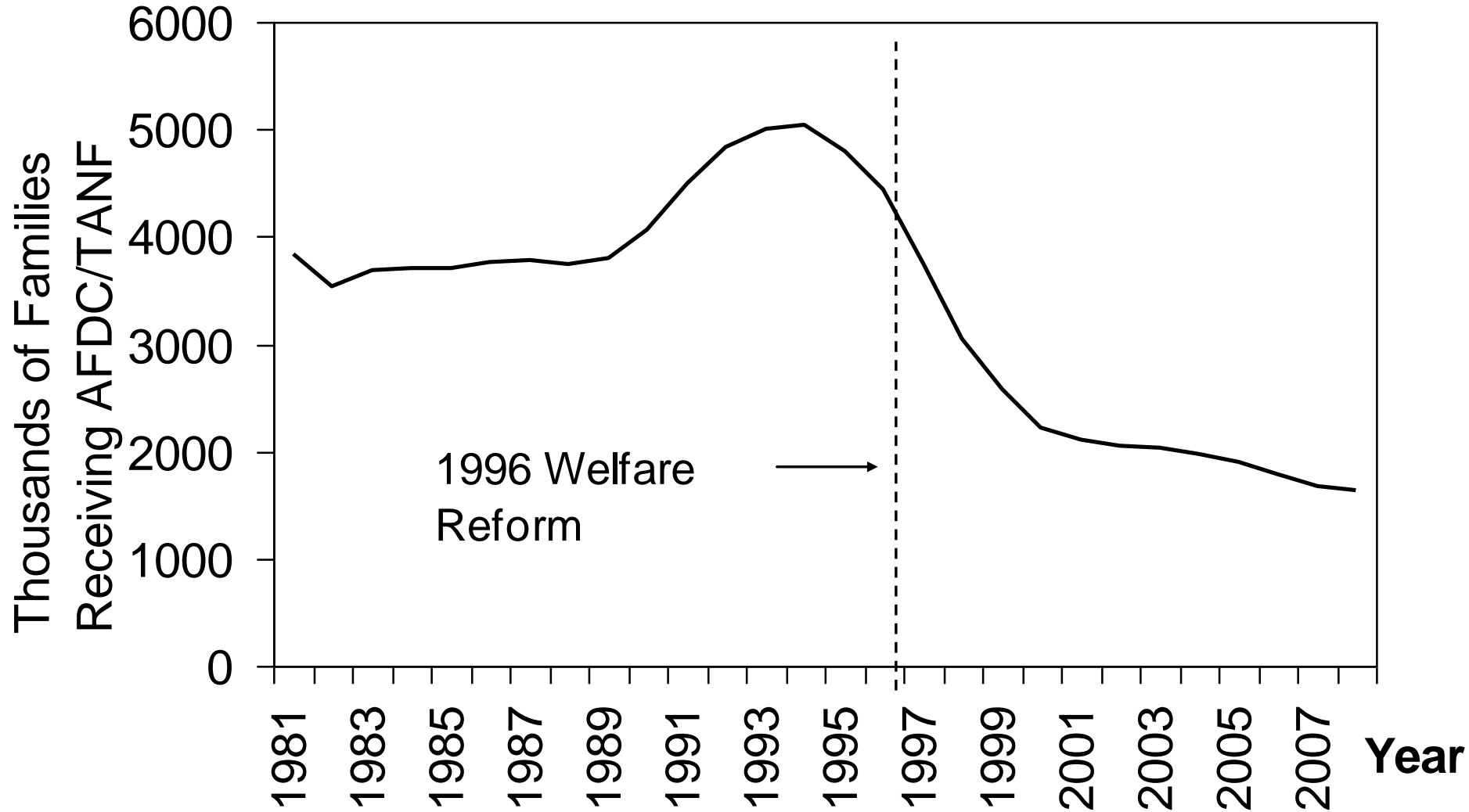
- Earned Income Tax Credit (EITC) expanded
 - Minimum wage increases
 - Child care subsidy expansions
 - Medicaid expansions
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Results of these changes:

- Plummeting caseloads
- Significant increases in work

Big shift in the share of income among single mothers from public assistance dollars to earnings.

Total AFDC/TANF Caseloads



Source: Website for Agency for Children and Families, Department of Health and Human Services (<http://www.acf.dhhs.gov>). 2008 data is average from January through September of 2008.

Income Composition: Single Mothers with Less Than HS Degree

		Percent of Total Income		
	Total Family Income	Family Public Asstnce	Own Earnings	Other Income ¹
1990	\$22,022	10.3	44.9	44.7
1995	23,891	8.1	44.8	47.2
2000	27,002	2.4	52.7	44.9
2005	25,023	2.1	53.2	44.7

Total income is in constant 2005 dollars.

¹ Other income includes earnings by other family members as well as other sources

What Comes Next?

- Supporting low wage work
 - Assuring an effective safety net
 - Access to financial institutions
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Supporting Low Wage Work

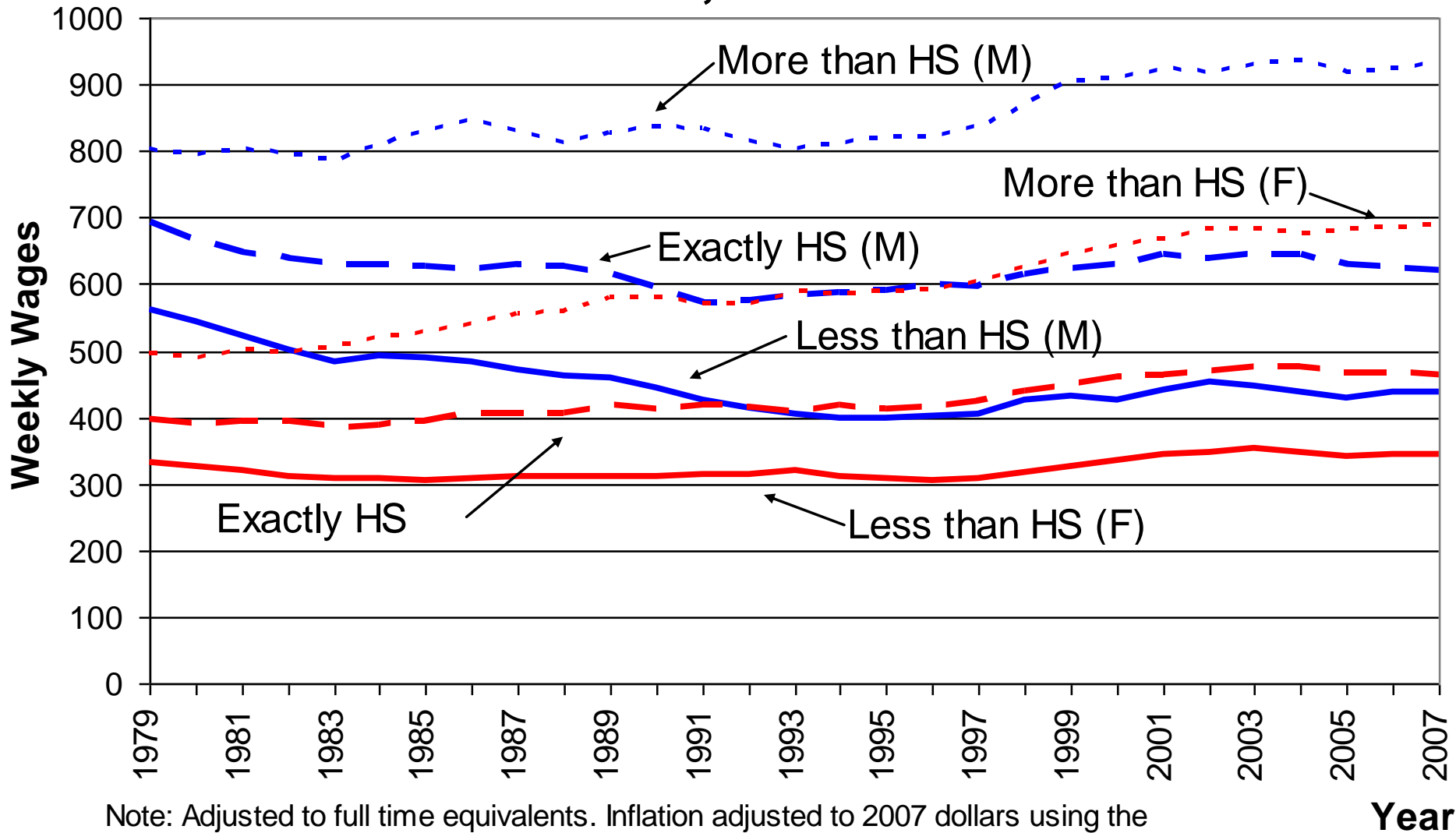
Rebecca Blank and Heidi Shierholz. "Exploring Gender Differences in Employment and Wage Trends Among Less-Skilled Workers." In Working & Poor: How Economic & Policy Changes Are Affecting Low-Wage Workers, R. Blank, S. Danziger and R. Schoeni, eds. Russell Sage Press, 2006.

Rebecca Blank. "Economic Change & the Structure of Opportunity for Less-Skilled Workers." June 2008. Forthcoming as an Institute for Research on Poverty working paper.

Labor market for less-skilled workers remains difficult:

- Wages for less-skilled men are lower than in the late 1970s
 - Wages for less-skilled women have risen somewhat
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Real Median Weekly Wages by Skill Level and Sex, 1979-2007



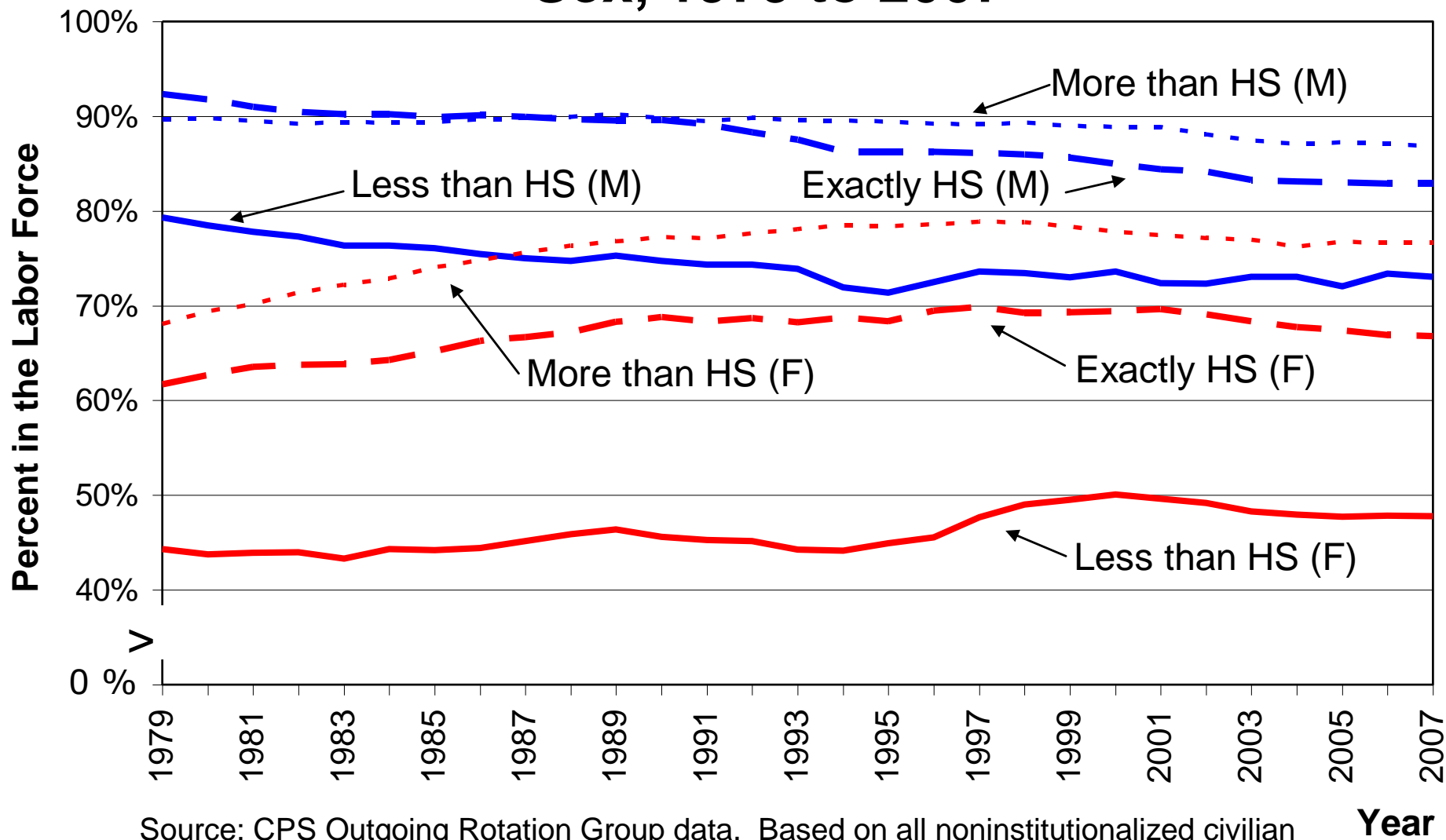
Note: Adjusted to full time equivalents. Inflation adjusted to 2007 dollars using the PCE deflator from the Bureau of Economic Analysis.

Year

Labor force participation has reflected wages

- Work (at least in measured employment) remains low for less-skilled men...and even lower if greater incarceration is taken into account
 - Work among less-skilled women has risen somewhat
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Labor Force Participation by Skill Level and Sex, 1979 to 2007



Source: CPS Outgoing Rotation Group data. Based on all noninstitutionalized civilian adults ages 18-65.

Why are women doing better?

- Gains to experience rise for women, as does the level of experience
 - The effect of children on labor market outcomes has lessened
 - More skilled women also experience growing returns to education, pulling them ahead.
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Policy implications for single mothers

- Supporting low-wage work among single mothers
 - Child care availability and affordability
 - Health care coverage
 - Access to Unemployment Insurance
 - Making sure that jobs remain available
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Policy implications for men

- Welfare reform has led to increased concern about the non-resident fathers
 - Job availability
 - EITC expansions for those w/out children
 - Serious efforts at 'jail to work'
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An Effective Safety net

Rebecca Blank. "Improving the Safety Net fo Single Mothers Who Face Serious Barriers to Work" The Future of Children. Fall 2007.

Rebecca Blank & Brian Kovak. "The Growing Problem of Disconnected Single Mothers" August 2008. National Poverty Center Working paper #2007-28.

The number of single mothers who are outside both work and welfare is increasing

- So-called 'disconnected women'

This number has grown most rapidly since 2000

Disconnected Mothers

	<u>Disconnected: No significant TANF, SSI or Earnings</u>	<u>Disconnected and living w/out other adults or w/ other disconnected adults</u>
1995	16.0%	10.0%
2000	19.9%	12.4%
2005	25.5%	17.3%

Based on Current Population data, single mothers whose family income is below 200% of the official Poverty Line. Similar results seen in the Survey of Income and Program Participation.

Disconnected Mothers

These women are very poor (2005 CPS data)

	<u>All single mothers, Income below 200% of Poverty Line</u>	<u>Disconnected single mothers</u>	<u>Disconnected single mothers living w/out other connected adults</u>
Avg. no. of children	1.9	1.9	1.9
% white	41%	42%	41%
% less than High School	24%	32%	29%
Avg. family income	\$16,445	\$9,930	\$8,116

What do we know?

- These women face significant barriers to work
 - Mental and physical health problems –own or others
 - Domestic violence history
 - Substance abuse history
 - Learning disabilities & limited education
 - These women do work, but not regularly and not enough
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Policy Implications

- Special state efforts to assist this population, assisted by special Federal dollars
 - Screening (when?)
 - Access to services
 - More limited work requirements
 - Outreach efforts to include these families in other programs (Food Stamps, Medicaid, etc.)
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Interest in rebuilding the safety net for women who are not working enough may rise with recession

- More women are losing jobs. First increase in welfare rolls since 1996 is occurring
- Unclear how many job losers will be able to return to welfare (altho stimulus spending will help)

Expect to see more unemployed single mothers and children.

Access to financial institutions

Rebecca Blank & Michael Barr. Insufficient Funds: Savings, Assets, Credit, and Banking Among Low-Income Households. Forthcoming in 2008 from Russell Sage Press

Financial lives of lower-income families are different

- Less likely to hold a bank account
- More likely to utilize alternative financial services – payday lenders, check-cashing outlets, etc.

But many use both types of services...suggesting that banks are not providing the services these families need.

Savings are limited

Detroit Area study of LMI households:

- 30% save every month
- 46% never save
- Among those who save, median savings in previous year was \$1000

As a result, assets are limited

Income smoothing is a problem

Incomes are more cyclical

- Job loss more frequent
 - Hours more variable
 - Household composition changes more frequently
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Key conclusions in the new work from the Insufficient Funds project

Need for short-term income smoothing among LMI households is high

- Value of savings may be greatest for this purpose, not long-term asset accumulation
 - The cost of 'mistakes' is greater for these families. Cascading problems.
 - Mainstream financial institutions frequently do not provide services needed by LMI households.
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Policy issues

- Encourage banks to better serve low-income communities (Ex: Bank on San Francisco)
 - Provide incentives to utilize bank accounts
 - Link to tax refunds or assistance pgms
 - Make savings easier & more desirable
 - Savings-match plans
 - Savings 'lotteries'
 - Set defaults on employer-based savings plans
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Conclusions

- We are not out of new ideas for anti-poverty programs, but the population of poor families & their needs does shift over time and our policies should shift with them.
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Conclusions

- Many of these programs require more than just government pgms. Public-private partnerships needed on many of these issues.
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Conclusions

- In many cases, good evaluation research on demonstration projects is necessary before we can be confident about 'best practices' and the most effective program design
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Conclusions

- Recession is likely to increase problems of poverty and non-work.

Will this provide increased support for the next round of policy changes?
