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Welfare Reform at Twenty: The Consequences of Making Work Status a Proxy for Deservingness

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$2.00 A Day: Living on Almost Nothing in America. By Kathryn J. Edin** & H. Luke Shaefer.*** Boston: Houghton Mifflin Harcourt, 2015. Pp. 240. $28.00.

Twenty years ago, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA),[1] the culmination of what had started as his campaign promise five years prior to "end welfare as we know it."[2] The law ended the country's only cash entitlement program for poor families with children, replacing it with a fixed-budget, state-administered program that offers lifetime-limited cash assistance to some but not all needy families and requires recipients to participate in work activity as a condition of receipt.[3]

The reform significantly altered our safety net's protections, not to mention our national politics, and its effects are still debated today. In *$2.00 a Day: Liv-*

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1. Pub. L. No. 104-193, 110 Stat. 2105 (1996). This Book Review was published online on the twentieth anniversary of PRWORA's enactment.

2. Bill Clinton, Gov. of Ark., The New Covenant: Responsibility and Rebuilding the American Community: Remarks to Students at Georgetown University (Oct. 23, 1991), http://www.ibiblio.org/pub/academic/political-science/speeches/clinton.dir/c24.txtp. For the story of how PRWORA came to be proposed and signed into law, *see generally* JASON DEPARLE, AMERICAN DREAM: THREE WOMEN, TEN KIDS, AND A NATION'S DRIVE TO END WELFARE 85-174 (2005).

3. The federal government now provides block grants to the states, which have wide flexibility to use these funds to operate their own basic income assistance programs. *See* CTR. ON BUDGET & POL'Y PRIORITIES, POLICY BASICS: AN INTRODUCTION TO TANF 3-5 (2015), http://www.cbpp.org/sites/default/files/atoms/files/7-22-10tanf2.pdf; H. Luke Shaefer & Kathryn Edin, *Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Transfer Programs*, 87 SOC. SERV. REV. 250 (2013).

ing on Almost Nothing in America,[4] leading poverty researchers Kathryn J. Edin and H. Luke Shaefer add a new urgency to this debate by documenting the survival stories of families who have fallen into the gaps that PRWORA created—which, researchers increasingly agree, are much wider than previously understood. Their important study highlights the human consequences of combining (1) a welfare system that conditions nearly all basic income support on work with (2) a low-wage labor market that fails to ensure an adequate supply of work for people who want it or provide adequate protections for those who are able to participate.

A Reevaluation of PRWORA's Legacy

In the years immediately following passage of the welfare law, the share of single mothers working increased and measures of child poverty declined, even as the number of families receiving cash assistance fell sharply.[5] Politicians across the aisle declared the law a clear success, with some citing its effects to depict it as a model to extend to other income support programs.[6] But more recently, as time passed and better evidence emerged, researchers began to identify a disturbing trend underneath these initial topline results.

Much of the observed employment gains now appear to be attributable to the unusually strong and broadly distributed economic growth of the late 1990s and, especially, to the significant contemporaneous expansions in refundable tax credits that subsidize employment income.[7] And hidden below the positive

4. KATHRYN J. EDIN & H. LUKE SHAEFER, $2.00 A DAY: LIVING ON ALMOST NOTHING IN AMERICA (2015).

5. *See* ROBERT GREENSTEIN, CTR. ON BUDGET & POL'Y PRIORITIES, WELFARE REFORM AND THE SAFETY NET: EVIDENCE CONTRADICTS LIKELY ASSUMPTIONS BEHIND FORTHCOMING GOP POVERTY PLAN 1-3 (June 6, 2016), http://www.cbpp.org/sites/default/files/atoms/files/6-6-16pov2.pdf; James P. Ziliak, *Temporary Assistance for Needy Families* (Nat'l Bureau of Econ. Research, Working Paper No. 21038, 2015), http://www.nber.org/papers/w21038.pdf.

6. *See, e.g.*, Bill Clinton, *How We Ended Welfare Together*, N.Y. TIMES (Aug. 22, 2006), http://www.nytimes.com/2006/08/22/opinion/22clinton.html ("Welfare reform has proved a great success . . . . Simply put, welfare reform worked because we all worked together. The 1996 Welfare Act shows us how much we can achieve when both parties bring their best ideas to the negotiating table and focus on doing what is best for the country."); HOUSE COMM. ON THE BUDGET, THE PATH TO PROSPERITY: RESTORING AMERICA'S PROMISE 25 (2011), http://budget.house.gov/uploadedfiles/pathtoprosperityfy2012.pdf ("This budget builds upon the historic progress of bipartisan welfare reform in the late 1990s. . . . [It] extends those successes to other areas of the safety net to ensure that America's safety net does not become a hammock that lulls able-bodied citizens into lives of complacency and dependency.").

7. Although the magnitude of its effect relative to other economic and policy changes has been debated, few deny that the welfare law itself contributed to the increase in employment among single mothers. *See* Jeffrey Grogger, *The Effects of Time Limits,*

trend in overall poverty was a sharp detachment of the fortunes of families able to find consistent employment—supported by expansions of the Earned Income Tax Credit (EITC) as well as the 1996 minimum wage increase—from those who, for whatever reason, were unable to find and keep year-round work.[8] New data showed that the number of "disconnected" single mothers—neither working nor on welfare—had grown substantially, rising to one in five single mothers during the mid-2000s.[9]

As one recent review summarized, "TANF's combination of nearly unfettered state flexibility, fixed block grant funding, narrowly defined work requirements, and time limits has created a system that provides a safety net to very few families in need and does little to prepare low-income parents for success in today's labor market."[10] The result, it has become increasingly clear, is proliferation of a new form of destitution poverty characterized by the virtual absence of cash income[11]—a constant state of grinding hardship that many Americans would have difficulty even imagining existing here today (p. xiii).

Edin and Shaefer document this trend by combining empirical study with heart-wrenching true stories gathered from direct observation of the families left behind by the 1996 welfare law. Their headline finding is shocking: one and a half million households with three million children—including *four percent of all households with children*—are surviving in America on less than two dollars,

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the EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families, 85 REV. ECON. & STAT. 394, 405-06 (2003) (finding that the Earned Income Tax Credit expansions of the 1990s "appear to be the most important single factor in explaining why female family heads increased their employment over 1993–1999," with the overall decline in the unemployment rate ranking second); Jeffrey Grogger, *Welfare Transitions in the 1990s: The Economy, Welfare Policy, and the EITC* (Nat'l Bureau of Econ. Research, Working Paper No. 9472, 2003), http://www.nber.org/papers/w9472.pdf.

8. *See* Shaefer & Edin, *supra* note 3, at 250-51 (finding that in the aftermath of the 1996 welfare law, "total public means-tested transfers have fallen for the nonworking poor but have increased for the working poor"); GREENSTEIN, *supra* note 5, at 1 ("[T]he data are clear that TANF also has contributed to an enduring *increase* in 'deep poverty' (people living below half of the poverty line) and to a significant loss of income at the very bottom.") (emphasis in original).

9. PAMELA LOPREST & AUSTIN NICHOLS, URBAN INST., DYNAMICS OF BEING DISCONNECTED FROM WORK AND TANF 10, 11 & ex. 1 (2011), http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412393-Dynamics-of-Being-Disconnected-from-Work-and-TANF.PDF.

10. LADONNA PAVETTI & LIZ SCHOTT, CTR. ON BUDGET & POL'Y PRIORITIES, TANF AT 20: TIME TO CREATE A PROGRAM THAT SUPPORTS WORK AND HELPS FAMILIES MEET THEIR BASIC NEEDS 1 (Aug. 15, 2016), http://www.cbpp.org/sites/default/files/atoms/files/8-15-16tanf.pdf.

11. EDIN & SHAEFER, *supra* note 4, at xviii ("Taken together, these findings seemed to confirm the rise of a new form of poverty that defies every assumption about economic, political, and social progress made over the past three decades.").

per person, per day (the metric used by the World Bank to measure extreme poverty across the globe).[12] This figure has more than doubled in the years since the welfare law, as the cash assistance program it created—Temporary Assistance for Needy Families (TANF)—"was no longer catching families when they fell" (p. 31). These families formerly would have been able to make use of cash income support to make ends meet, but the welfare law eliminated this guarantee. This empirical finding already has gained wide attention, but the narratives that Edin and Shaefer uncover—documenting how this other half lives today—represent an equally important contribution to our understanding of how families experience deep poverty in America.

Conditioning Basic Support on Work That is Not Always Available

Since the law's passage, our safety net has conditioned nearly all forms of basic income support on a single indicator of deservingness: the status of being currently employed in the formal economy. As researcher James Ziliak has noted, "What we lost [under welfare reform] is a commitment to the poor who face significant barriers to work, whether because of child care or physical or mental disabilities. . . . We have walked away from cash [assistance] for that group and that group has suffered considerably."[13]

Although the families whose stories are documented by Edin and Shaefer differ across a wide range of axes—in terms of demographics and geography, in the length of and reasons for their spells in destitution poverty—the trait that connects every one of them is a driving will to work.[14] They describe families

12. These findings are reported in detail in a subsequent empirical article. H. Luke Shaefer, Kathryn Edin & Elizabeth Talbert, *Understanding the Dynamics of $2-a-Day Poverty in the United States*, 1 RUSSELL SAGE FOUND. J. SOC. SCIS., 120 (2015). Including benefits from the Supplemental Nutrition Assistance Program (formerly known as food stamps) reduces this figure number by about half. EDIN & SHAEFER, *supra* note 4, at xviii.

13. Eduardo Porter, *The Myth of Welfare's Corrupting Influence on the Poor*, N.Y. TIMES (Oct. 20, 2015), http://www.nytimes.com/2015/10/21/business/the-myth-of-welfares-corrupting-influence-on-the-poor.html.

14. Edin summarized these findings in an interview:

> Almost all of these households actually do have workers. . . . You still see these pretty lengthy spells in extreme poverty, but these people are in and out of the [formal] low-wage labor market. Seventy percent of them have had a worker in the low-wage labor market in the past year, whereas only ten percent have even gotten a dime from TANF. . . . These people identify as workers, they want to work, they are continuously trying to get and maintain jobs, but what has happened along with welfare reform is a change in the American economy so that bad jobs are really bad. In some ways, these families are holding onto the very bottom end of the low-wage labor market, and are getting eaten up by it in ways that leave them very vulnerable to poverty.

submitting hundreds of job applications from free-access library desktops, then making arrangements for childcare while parents walk forty blocks to interview when an inquiry finally is returned. More strikingly, these disconnected families are not just willing to work but actually do so, as they can for stretches over the year.[15] The typical story is a family "caught in an endless cycle of jobs that don't pay nearly enough and periods of living on virtually no income," (p. 44-45). But the low-wage labor market fails them with "too few jobs, inadequate hours, and unsafe working conditions."[16]

There is Rae McCormick, who—after being named cashier of the month in two of her six months on the job at a Cleveland-area Walmart—is fired on the spot when her uncle neglects to refill gas in the truck they share and she is unable to get to work (p. 56-63). And Jennifer Hernandez, whose hours deep-cleaning foreclosed homes in southern Chicago are slashed by management after she (and later her children) become ill from the poor conditions at her work (p. 36-42). Modonna Harris is fired from a record store after eight years of work when her cash drawer one day came up $10 short. When the missing bill was found shortly thereafter, "no call of apology came, no invitation to return to work." (p. 3-4). Or Susan Brown, who—after a series of frustrating interview failures—learned that the criminal conviction history of a *different* Susan Brown was coming up when potential employers ran her background check using inaccurate private databases (p. 54). And while all of those stories take as their scene city economies, the authors also describe the bleak outlook in small towns and rural regions, concentrated in the Deep South and Appalachia, where "opportunities for work [have] virtually disappeared for those with low levels of education" (p. 132) and "the impact of $2-a-day poverty . . . can be felt on a community, not just an individual, level" (p. 156).

This is one of the most vexing paradoxes of our current welfare system. Although many elements of our prime-age safety net—from temporary cash support to refundable tax credits[17] to even unemployment insurance[18]—are

Dylan Matthews, *Selling Plasma to Survive: How Over a Million American Families Live On $2 Per Day*, VOX (Sept. 2, 2015), http://www.vox.com/2015/9/2/9248801/extreme-poverty-2-dollars (emphasis in original). *See also* EDIN & SHAEFER, *supra* note 4, at 159 ("Everything we've learned about the $2-a-day poor suggests that it is typically the opportunity to work that is lacking, not the will . . . .").

15. "Few families in $2-a-day poverty are chronically disconnected from the workforce. Rather, most of them are workers who fall into extreme poverty only when they can't manage to find or keep a job." EDIN & SHAEFER, *supra* note 4, at 42.

16. Kathy Edin & H. Luke Shaefer, *Time to Reform Welfare Reform to End $2-a-Day Poverty: Edin and Shaefer Respond to Haskins*, BROOKINGS INST. (Sept. 17, 2015), https://www.brookings.edu/blog/social-mobility-memos/2015/09/17/time-to-reform-welfare-reform-to-end-2-a-day-poverty-edin-and-shaefer-respond-to-haskins/.

17. "Because tax credits like the EITC are viewed by many as being pro-work, they have long enjoyed support from Democrats and Republicans alike. But here's the

now conditioned in some way on employment income, we have done little to ensure that the labor market will be practically accessible to those who wish to participate.

As Edin and Shaefer show, the low-wage economy provides very few protections for workers and thus "can be exceedingly unforgiving" and "[w]hen one job is lost, finding the next can be remarkably hard" (p. 61). The bonds connecting low-income workers to the workforce are fragile (often most so for the most vulnerable participants), even as they are often essential to avoiding desperation. Finding oneself with unreliable access to transportation, a sick kid or parent, a criminal conviction, or the wrong name—any potential small turn of luck can, in an instant, foreclose access to not only to wage income but also, now as a consequence, nearly all cash income support.

This presents a cruel irony, as we might expect the safety net to insure against exactly this sort of common risk, to help families meet basic needs when they are unable to access work and avoid a downward spiral when a crisis arises.[19] The harshness of this dynamic, as it plays out in the lives of millions, repeats itself throughout the book and ultimately informs the authors' conclusion that, "[t]o eradicate $2-a-day poverty, or at least reverse its upward trend, the low-wage labor market has to change" (p. 62).

The Dire Consequences of Slipping Through the Cracks

Twenty years after PRWORA, most people not living in poverty probably continue to have the vague sense that there still exists a cash assistance program called "welfare" that is always available to those who have reached the end of their rope. But that guarantee does not exist in America—not anymore.

Fewer than two of every one hundred Americans receive assistance from today's cash welfare program, including only around one in four poor families with children (p. 7). But these national figures hide wide variation among states, many of which effectively have no functioning welfare systems.[20] Among the

catch: only those who are working can claim them." EDIN & SHAEFER, *supra* note 4, at 9.

18. Even unemployment insurance, Edin and Shaefer note, is "fairly rare among low-wage workers in the service sector, where low earnings and unstable work hours can make it hard to meet the program's eligibility criteria." *Id.* at 4. *See also* RACHEL WEST ET AL., CTR. FOR AM. PROGRESS, STRENGTHENING UNEMPLOYMENT PROTECTIONS IN AMERICA: MODERNIZING UNEMPLOYMENT INSURANCE AND ESTABLISHING A JOBSEEKER'S ALLOWANCE 36-53 (June 2016), https://cdn.americanprogress.org/wp-content/uploads/2016/05/31134245/UI_JSAreport.pdf.

19. *See* PAVETTI & SCHOTT, supra *note* 10, at 2.

20. In Georgia, for example, only 19,000 families were receiving TANF at the height of the Great Recession, and over four of every five cases involved children only. Neil deMause, *Georgia's Hunger Games*, SLATE (Dec. 26, 2012), http://www.slate.com/articles/news_and_politics/politics/2012/12/georgia_s_war_against_the_poor_the_southern_state_is_emptying_its_welfare.html.

million adults participating in the TANF program, fully half live in California and New York.[21] Across the country, states have used the flexibility provided under the welfare law to "spend the money in ways Congress never imagined, with less than a third of the funds going to providing a safety net or effective work programs."[22]

Meanwhile, the support that is available to non-working families—namely nutrition assistance and, where they can be accessed by poor families, Medicaid and housing vouchers—overwhelmingly takes the form of in-kind transfers. Although their support is essential for families, it cannot be used to make ends meet when no other cash is available. And disability insurance is available only to those with severe, non-temporary medical impairments. The consequence is that, as Edin and Shaefer conclude, "[r]ight now, we don't have a functioning cash safety net to catch people when they fall" (p. 168).

How, then, do these families survive? The authors find that "not having cash basically ensures that you have to break the law and expose yourself to humiliation in order to survive" (p. 154). Many of the families they follow sell their food stamp benefits at discount—a crime that is rare among all households using nutrition assistance, but which many of the virtually cashless poor determine to be necessary (p. 105). Others find cash through the informal economy, collecting metal for scrapyards (p. 124) and selling frozen Kool-Aid popsicle sticks (p. 137).

And families on the edge often resort to converting their bodies into cash (p. 114). Healthy individuals facing limited options often "donate" their blood plasma up to twice a week, for thirty dollars each time—a cash generation scheme that is "so common among the $2-a-day poor that it might be thought of as a lifeblood" (p. 93). One of the most devastating passages from the book recounts the choice faced by Mississippi tenth-grader Tabitha—who routinely felt so hungry that "it feel like you want to be dead" (p. 149)—as she was forced to decide between living with the pain of persistent hunger and the promise of food, offered by her gym teacher in exchange for sex.

The desperate circumstances that these families navigate inform another of the authors' key insights. One of the primary objections to welfare programs is the perennial concern that their existence will encourage dependency on government. But as Edin and Shaefer show, where families are not working and have no cash income, it is inevitable that they will need to rely on help from *someone* else. And where our shared policy commitments do not reach these families, those who do step in often are acting without their best interests at heart. Tabitha's tragic choice is one such example, but the authors give multiple examples of where reliance on family or friends "prove[s] toxic for the most vulnerable in our society, ending in sexual, physical, or verbal abuse" (p. 73). As they show, "a little bit of cash means a little bit of freedom." (p. 108).

21. Matthews, *supra* note 14.

22. *See* PAVETTI & SCHOTT, supra *note* 10, at 2.

Conclusion

Edin and Shaefer's book raises a fundamental question about the structure of our safety net: what obligations—if any at all—do we have to the families of those who would like to work but are not able to consistently, for whatever reason?

As Edin and Shaefer acknowledge, the previous cash support system was marred by real flaws: perverse incentives that encouraged cheating and undermined public support for the program.[23] But to the extent that welfare reform was driven by a desire to separate those deserving of our sympathy from those seeking only to take advantage of a broken system, it now is clear that we chose to differentiate between these two groups using a metric (current formal work status) that is often unconnected to peoples' willingness or desire to work. In seeking to identify who among the poor are deserving of our support, we have relied on current work status as an all-important proxy—but done little to ensure that all who are able to work will have the opportunity to do so, and that those who cannot practically work for reasons other than disability will still be able to make ends meet.[24]

The main legacy of welfare reform—considered in the context of the policy changes with which it was paired—has been its attempt to push non-workers into the labor force by combining expanded work subsidies (through the refundable tax credits) with a dramatic scaling down of cash support for people who are not working. A growing body of evidence establishes that the support provided by these credits has resulted in a wide range of benefits for low-income workers and their families.[25]

But Edin and Shaefer's research shows that this is not the full story. Our decision to nearly eliminate cash support for families who cannot access the labor market has driven millions—who desperately want to work but cannot consistently do so—into a new form of poverty that simply should not exist in a coun-

23. *See generally* DEPARLE, *supra* note 2; *see also* EDIN & SHAEFER, *supra* note 4, at 157-58.

24. This would be mitigated if the state were required to provide, before kicking recipients off the program, the option to work or train for work—where the status of non-employment could be thought of as truly representing a *choice* not to work. Indeed, a feature of Presidential Clinton's original proposal was to guarantee the availability of a minimum-wage public job where options in the private sector were unavailing. EDIN & SHAEFER, *supra* note 4, at 21. But instead, the welfare law implemented this test through rigid and universal lifetime time limits, which do not discriminate between those who have chosen not to work and those who desperately wish to work (and maybe even recently have) but are for whatever reason unable to do so with consistency.

25. *See* CHUCK MARR ET AL., CTR. ON BUDGET & POL'Y PRIORITIES, EITC AND CHILD TAX CREDIT PROMOTE WORK, REDUCE POVERTY, AND SUPPORT CHILDREN'S DEVELOPMENT, RESEARCH FINDS (Oct. 1, 2015), http://www.cbpp.org/sites/default/files/atoms/files/6-26-12tax.pdf.

try as wealthy as ours.[26] And this has coincided with emerging scientific evidence showing that the effects of poverty on childhood development are both more dramatic and lasting than previously understood.[27]

Over the past several years, our country has begun to revisit points of longstanding policy consensus across a range of issues, from the effects of trade liberalization to financial regulation to drug policy to policing and mass incarceration. Edin and Shaefer show that the time has arrived for us to do the same with respect to our support for vulnerable families, by strengthening protections in the low-wage labor market and recognizing our obligation to support and protect those who still fall through the cracks.

26. *See* Yonatan Ben-Shalom, Robert Moffitt, & John Karl Scholz, *An Assessment of the Effectiveness of Antipoverty Programs in the United States*, *in* THE OXFORD HANDBOOK OF THE ECONOMICS OF POVERTY 709, 739 (Philip N. Jefferson ed., 2012) ("Within single-parent and two-parent families, as well as those with nonemployed members, we find a notable shift in transfers away from those in deep poverty toward those at higher income levels, both below and above poverty. These trends reflect primarily the rise of the EITC and decline of AFDC/TANF and Food Stamps for the very poor, which is a regressive combination. We find that the posttransfer deep poverty rates for these groups have actually risen over time as a result.").

27. *See* ARLOC SHERMAN, DANILO TRISI & SHARON PARROTT, CTR. ON BUDGET & POL'Y PRIORITIES, VARIOUS SUPPORTS FOR LOW-INCOME FAMILIES REDUCE POVERTY AND HAVE LONG-TERM POSITIVE EFFECTS ON FAMILIES AND CHILDREN (July 30, 2013), http://www.cbpp.org/sites/default/files/atoms/files/7-30-13pov.pdf.