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Before the Committee on Finance
U.S. Senate
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Chairman Grassley and Members of the Finance Committee:

My name is Ron Haskins. I am a Senior Fellow at the Brookings Institution in Washington, DC and a Senior Consultant at the Annie E. Casey Foundation in Baltimore. In the past, I have been a welfare staffer for the Ways and Means Committee in the House of Representatives and an advisor to President Bush for welfare policy. My testimony does not necessarily reflect the views of the Bush Administration. I thank you for the opportunity to appear before your important Committee to testify on reauthorization of the 1996 welfare reform law.

My testimony addresses two issues: what has the 1996 welfare reform legislation, crafted in significant part by members of this Committee, achieved; and what measures should Congress take in this year's reauthorization bill to strengthen welfare reform.

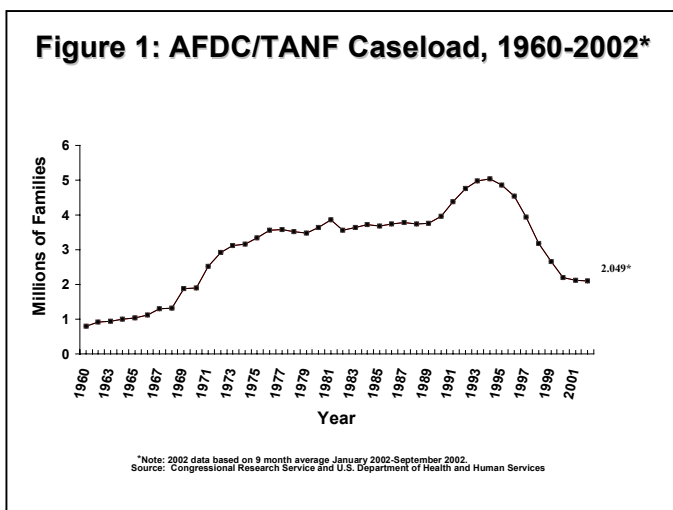
Effects of Welfare Reform

Welfare Dependency and Work Effort

Like most of the academic research and media coverage on welfare reform, my testimony will focus on the effects of the Temporary Assistance for Needy Families (TANF) program that replaced the Aid to Families with Dependent Children (AFDC) program. However, the reauthorization debate provides an ideal time to examine the many other important reforms contained in the 1996 legislation. These include major reforms of child care, child support enforcement, Supplemental Security Income for children, food stamps, child nutrition, welfare benefits for noncitizens, and welfare benefits for drug addicts and alcoholics. Good information about the effects of each of these reforms is beginning to appear. Especially because these important and, in many cases, far-reaching reforms have largely been ignored, Congress could perform a very useful public service by reviewing and bringing attention to what we have learned about these other reforms.

In concentrating attention on the TANF program, I take my cue from the 1996 legislation itself. The major goals of TANF were to increase self-sufficiency by promoting work and increasing the proportion of children being reared in two-parent families. Before making decisions about reauthorization, it is appropriate and useful to examine the extent to which these two goals have been achieved.

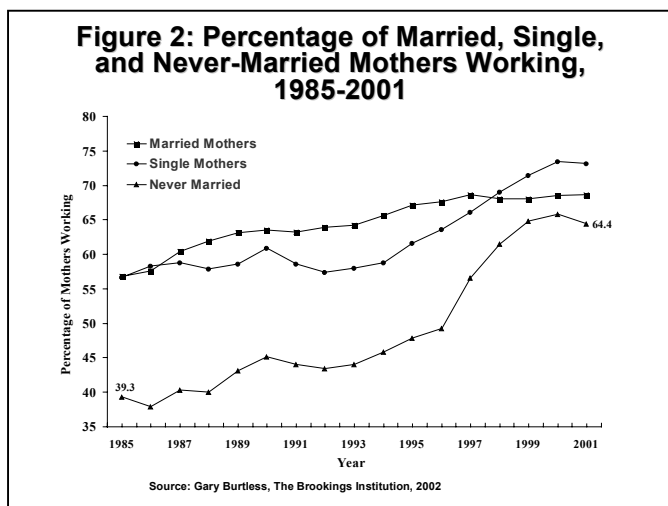
Figures 1 through 4 present four types of information bearing on whether TANF has been accompanied by increased work effort and declining welfare dependency. Figure 1 shows the trend in the AFDC/TANF caseload since 1960. The period after 1994



is the first time that AFDC/TANF caseload experienced a sustained decline. The rolls have now fallen by about 60 percent since 1994, most of which occurred after enactment of the 1996 reforms. The proportion of females on welfare has now reached a low level not seen since the early 1960s. Thus, the incidence of welfare dependency as measured by the number of families receiving cash welfare has fallen more than anyone thought possible when the 1996 reforms were passed.

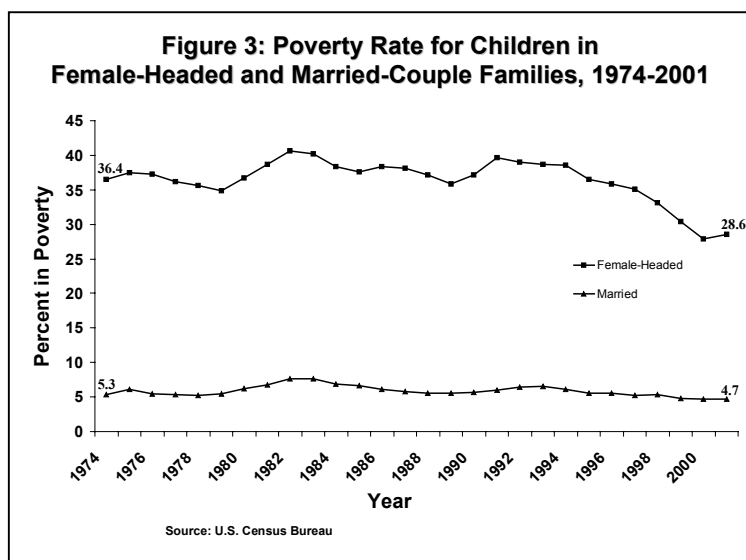
Figure 2 shows that work among single mothers heading families has experienced historic increases. While married mothers increased their employment only slightly after 1995, work by all single mothers and never-married single mothers skyrocketed. By 2000, the employment rate of all single mothers and of never-married single mothers stood at all-time highs. I would draw the Committee's attention in particular to the work effort of never-married mothers.

These are the mothers most likely to drop out of school, least likely to have work experience, and most likely to go on welfare and stay for many years. And yet, employment among these most disadvantaged mothers increased almost 40 percent over the four-year period beginning in 1996. This outcome, perhaps more than any other, shows that disadvantaged mothers previously dependent on welfare have responded forcefully to the TANF reforms.



If welfare is down and work is up, are families any better off? Figure 3 presents poverty rates for married-couple families and for female-headed families since 1974.

A word about poverty trends in recent decades is in order here. As shown by Vee Burke of the Congressional Research Service and Robert Rector of the Heritage Foundation,



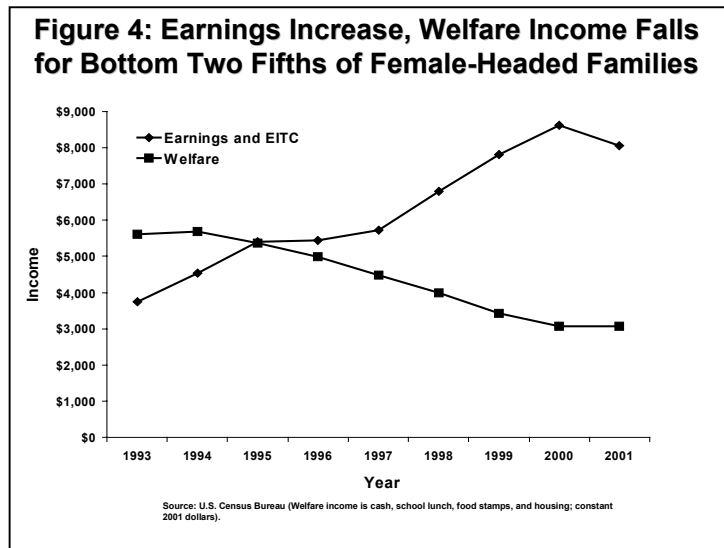
between 1965 and 1995, federal and state spending on social programs (cash, food, medical assistance, training, and so forth) increased from about \$50 billion to about \$350 billion in constant dollars. And yet, child poverty stagnated and even increased during this period. The primary reason that the nation failed to make progress against poverty despite the increased welfare spending was that a higher and

higher fraction of American children were being reared in single parent families. As Figure 3 shows, poverty rates among female-headed families are about six or seven times higher than poverty rates for married-couple families. If the proportion of children living in married-couple families declines while the proportion living in female-headed families increases, all else equal, poverty will increase. Studies by Isabel Sawhill of the Brookings Institute and others show that this is exactly what happened during this period. Other studies, reviewed in detail by Larry Mead of New York University in his important book *The New Politics of Poverty*, show unequivocally that a major reason single mothers and their children were poor is that the mothers were unlikely to work. Thus, they were dependent on welfare and welfare benefits in every state guaranteed a life below the poverty line.

Although remarkable, perhaps the data in Figure 3 should not be surprising. Mothers left welfare and went to work. Simultaneously, poverty among female-headed families entered its first sustained decline since the early 1970s. By 2000, poverty among all children was lower than at any time since 1978 while among black children poverty reached its lowest level ever. Indeed, until the welfare reform era, black child poverty had never fallen below 40 percent. The latest Census Bureau data show that in 2001 it stood at 30.2 percent.

Is the fact that mothers were working the reason so many children escaped poverty? Figure 4, which summarizes annual inflation-adjusted income data from the Census Bureau, provides strong evidence on this question. The line graphs in the figure present income from welfare (primarily cash welfare and food stamps) and from earnings plus the Earned Income Tax Credit for females heading families in the bottom 20 percent of income (below about \$21,000) for all families headed by females. The figure shows a consistent picture of income from welfare declining and income from earnings rising throughout the 1990s. Total income increased by around 20 percent over the period. Thus, rising earnings more than made up for the declines in welfare income.

The trends captured in Figures 1 through 4 show that the 1996 welfare reform



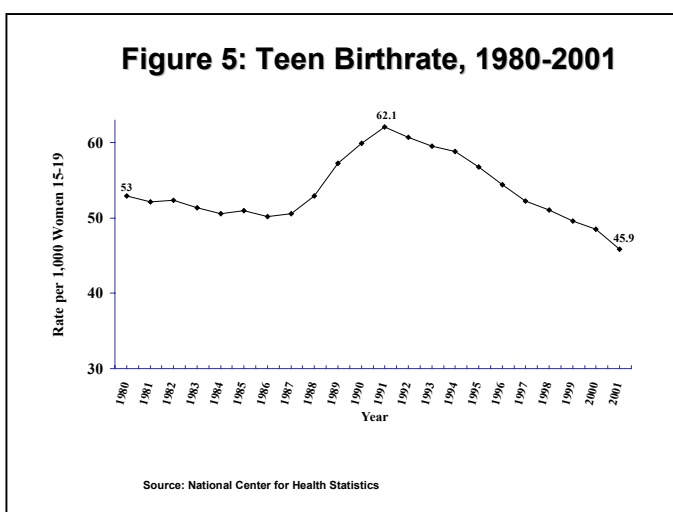
legislation achieved one of its primary purposes. If welfare use and income has declined sharply, if work and earnings have increased at historic rates, and if child poverty has declined smartly primarily because of increased earnings by single mothers, it is undeniable that millions of female-headed families have broken the cycle of welfare dependency. These data portray a signal legislative achievement of great magnitude.

Family Composition

One of the two major goals of the 1996 reforms was to increase the proportion of children living in two-parent families. This goal was formulated by Congress because by 1995 there was widespread agreement that living in female-headed families, as compared with married-couple families, was bad for both children and adults. Daniel Patrick Moynihan, a former member of this Committee, was among the first to draw attention to the serious disadvantages suffered by children from single-parent families. In 1965, as an Assistant Secretary in President Lyndon Johnson's Department of Labor, Moynihan published a detailed paper arguing that African Americans were being held back because so many of their children were reared by never-married mothers. The reaction against this argument was swift and devastating, although no one provided an evidence-based case against the Moynihan thesis. Nonetheless, the effect of the assault against Moynihan's message was to virtually close down debate on the topic for several decades. Charles Murray broke the silence on this issue with his 1984 book *Losing Ground*. Murray presented a very strong case, based on empirical evidence, that nonmarital births were a major domestic problem that was arguably the most important underlying cause of many unfavorable trends such as falling school achievement, rising crime, and rising welfare dependency. But Murray, a widely-known conservative, was attacked in the same fashion as Moynihan had been two decades earlier. The ice covering the issue of nonmarital births was broken for good in 1994 by a slim but seminal volume written by scholars Sara McLanahan and Gary Sandefur. In *Growing Up with a Single Parent*, McLanahan and Sandefur reviewed massive evidence showing that adolescents from female-headed families were more likely to drop out of high school, more likely to have babies outside marriage, and more likely to be unemployed than children reared in two-parent families. Research conducted since the appearance of the McLanahan and Sandefur volume has continued to show that children from single-parent families suffer

serious disadvantages and that children from never-married single parent families are the most disadvantaged.

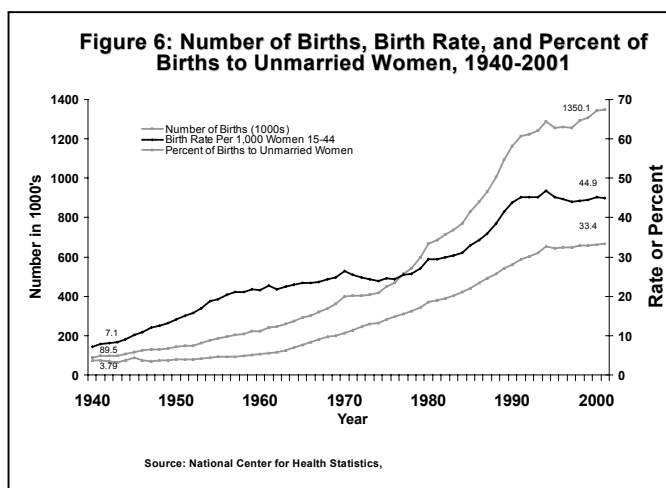
Thus, in the 1996 welfare reform law Congress wisely decided to adopt policies aimed at reducing the proportion of children being reared in single-parent, especially never-married, families. At least fifteen policies in the 1996 law were directed at this end. These included strong paternity establishment requirements to qualify for welfare, stronger child support enforcement, a requirement that teen mothers live at home or under adult supervision to qualify for welfare, an option for states to stop paying additional money to mothers on welfare who have additional children outside marriage (generally called the “family cap”), a new abstinence education program, and an annual cash bonus for states that manage to reduce their rate of nonmarital births. Never before had Congress launched such a broad and aggressive set of policies aimed at reducing the proportion of children being reared in single-parent families.



Although less spectacular than the effects of the welfare-to-work provisions of the 1996 law, evidence seems to indicate that the nation is at last making modest progress against nonmarital births and the previously relentless increase in single parent families. Figure 5 shows that the frequency of teen births has been declining since 1991. Due in all likelihood both to increased abstinence among teenagers and to more effective use of birth control, the reduced incidence of teen births is a very

welcome development. Unfortunately, even after all this progress, the U.S. still has the highest rate of teen births among the industrialized nations. Much more must be done to reduce teen births.

But only about one-third of nonmarital births are to teenagers. Thus, the trend in nonmarital births among women beyond their teen years is also of great importance for any strategy designed to reduce the proportion of children being reared in single-parent families. Figure 6 shows three measures of nonmarital births published by the National Center for Health Statistics. All three measures show that the rising tide of nonmarital births has been held at bay for the last five years. Although stopping the increase is a major



achievement, in this area too more progress is possible and necessary.

Due in part to these favorable trends in nonmarital births, several national data sets are now showing modest increases in the proportion of children residing with two parents. These include studies at the Urban Institute and the Center on Budget and Policy Priorities in Washington, DC as well as the nonpartisan Office of Management and Budget. The trend toward children living with both parents appears to be especially strong among African-Americans. According to Richard Bavier of the Office of Management and Budget, a decline in the share of unmarried women with a child under age 6 and a decline in the mean number of children among unmarried mothers were major underlying causes of the increased share of young children living with married parents. Research at the Urban Institute suggests that welfare reform may be playing a role in these favorable trends.

Although these trends are new and poorly understood, they suggest that the 1996 legislation may be having an impact on the number of children living without both parents, arguably the nation's foremost domestic problem. In considering reauthorization legislation, Congress should keep in mind that additional investments in this area may pay for themselves many times over.

Proposals for Reauthorization

Work Requirements and Child Care

Given that the 1996 reforms have been so successful, we should leave intact the major features of the reforms. Thus, the block grant and state flexibility has proven its value and should be maintained. Similarly, even though the welfare rolls have declined substantially, we should maintain the full level of block grant funding at \$16.6 billion per year. The reason the block grant should be maintained at a high level is that states are spending money, not just on cash welfare payments, but to provide work supports to former welfare recipients and other low-income families. This spending, especially on child care, is important to the continuing success of welfare reform and to expanding the fight against welfare dependency.

The work requirements in the 1996 law have been a vital part of the success of welfare reform. Even so, there is a major shortcoming in the work requirements as they were drafted in 1996. During negotiations on the 1996 reforms, governors made the reasonable point that they should receive credit toward fulfilling the participation requirements if they managed to reduce their rolls. Hoping to avoid giving states an incentive to simply drop people from the rolls by changing their eligibility standards, Congress agreed to give credit to states that reduced their rolls, but only if the reduction did not result from policy changes. As shown in Figure 1, the welfare rolls fell precipitously, an outcome the magnitude of which no one predicted. As a result, because of the caseload reduction credit, the average state now has only a 5 percent work participation requirement and many states have a zero requirement.

States argue that they have done a good job even without a true work requirement. And so they have. But the federal statutes should reflect the policy that Congress supports. The bipartisan agreement back in 1996 – and an agreement that was largely accepted by governors – was that states should have half their caseload in work programs by 2002. This reasonable policy should be reflected in the federal statutes. It follows that the caseload reduction credit must be changed.

The President has proposed and Congress seems to have accepted on a bipartisan basis that the work requirement should be raised from 50 percent to 70 percent and the caseload reduction credit modified. As Congress takes up reauthorization, there seems to be bipartisan agreement that states should receive credit against the work requirement for good performance. There is disagreement, however, over whether the credit should be based on reducing the rolls or on placing welfare recipients in jobs. Both are reasonable criteria. The former is reasonable because a major role of welfare reform is to get people off welfare. The latter is reasonable because it is also important to place recipients leaving welfare in jobs. The Administration favored an employment credit, but the House enacted a caseload reduction credit.

Whether states get credit for reducing the caseload or for placing people in jobs or both is less important than how the credit is constructed. The employment credit created by this Committee last year had the unfortunate effect of virtually eliminating any work requirement. I recommend that the Committee fashion a caseload reduction credit that would have the effect of reducing the participation requirement from 70 to about 50 percent in the average state. HHS can help the Committee conduct empirical analyses to ensure that whatever credit the Committee adopts will have this effect. To be certain that a substantial work requirement is maintained, I would also recommend that the Committee adopt a provision stating that, when fully implemented, the work requirement cannot fall below 50 percent regardless of the effect of the caseload reduction or employment credit.

The number of hours of work a recipient must perform to count toward the participation standard was one of the more contentious issues in last year's reauthorization debate. Current law requires most recipients to participate in programs for a total of 30 hours per week, at least 20 of which must be actual work (as opposed to training, education, drug treatment, and so forth). The Administration proposed and the House has twice passed an increase in the requirement to 24 hours of actual work and a total of 40 hours of participation. Because of the manner in which the 40 hours is calculated, the requirement is actually around 37 hours.

Last year this Committee accepted the 24 hour requirement but refused to raise total hours to 40. Neither the composition of this Committee nor of the Senate itself has changed enough to give confidence that a majority of Senators supports 40 hours. I do not think this is a tragedy. If the 24 hours of work is adopted and the work requirement is maintained at 50 percent or more, I think 34 or 35 total hours would be adequate. This level would ensure a serious work requirement that goes a long way toward preparing mothers on welfare for full-time jobs in the private sector and yet does not impose an

undue burden on state spending. Whatever the Committee does, I hope all members will agree that a strong work requirement is the backbone of welfare reform.

Education has also been a contentious issue in this Committee and in the Senate. I want to be straightforward with the Committee in stating that I am hopelessly biased on this issue. I have believed for many years that the key to helping mothers break their dependency on welfare is work. A modest amount of education and training may be fine, but the statute as now constructed strictly limits the amount of education and training that can count toward the work requirement. I strongly support these limitations and hope the Committee will ensure that we don't turn our back on proven success and suddenly allow extended education to count as work. For more than three decades, studies of the effects of education and training programs on the employment and earnings of poor adolescents and young adults have revealed a series of major failures and minor successes. Substantial investments, such as the Job Corps which cost on the order of the \$17,000 per recipient, are useful, but most programs, including those designed specifically to help welfare recipients, have failed. There is some reason to think that very short-term training on the order of three months may be effective, but the empirical literature shows that what works is work.

Nonetheless, it is clear that several members of the Committee, including some Republicans, feel strongly that the reauthorization bill should allow for more education than is counted under current law. For these members, let me point out that states are free to use as much education as they want. Indeed, Maine, Arkansas, and a few other states have allowed some recipients to attend four-year colleges. There is nothing in the TANF statute to prevent this policy, and TANF funds may be used to support extended education and training. However, only one year of education can count toward the work requirement.

The President's recommendation and the House bill accommodate education in two ways. First, states can enroll recipients in any type of job-preparation program, including education and training, during the first three or four months of enrollment and for one four-month period every 24 months thereafter. Second, recipients can participate in non-work activities to make up the difference between the 24 hour work requirement and the total 40 hour requirement. Even if the Committee reduced the 40 hours, there would probably still be 10 or more hours left for education each week.

Given the substantial body of research on the failure of education to promote employment and earnings among disadvantaged youth and the even more substantial body of research on the effectiveness of work first programs in promoting employment and earnings, the education provisions in the President's recommendation seem just about right. However, because members of this Committee are intent on increasing education, I hope that the Committee will not permit a loosening of the work standards beyond the education already permitted in current law. Specifically, perhaps the Committee could compromise by adopting a definition of work that would allow education to count toward the participation standard for one year.

Another aspect of the welfare-to-work requirements that demands careful consideration by Congress is child care. The House bill recommends an increase of \$1 billion in entitlement spending over the next five years. The entitlement portion of the Child Care and Development Block Grant increased at the rate of \$200 million per year between 1999 and 2002. In effect, the House bill continues this pattern for one year and then holds spending at that increased level for the next four years.

Spending through the Child Care and Development Block Grant is not the only source of funding for child care. The TANF block grant was designed to provide states with flexibility in the use of federal resources. States have seized upon this flexibility and now spend around \$4 billion per year in TANF funds on child care. This is entirely appropriate and demonstrates once again the wisdom of Congress in providing states with such flexibility in the use of TANF funds to promote employment. In deciding how much to spend on child care, the Committee should take into account this flexibility in use of TANF dollars.

Despite the reasonableness of the House position on child care, many in the Senate would like to spend much more than a mere \$1 billion in additional funds on child care. But given the huge pressures on the budget in 2004 and beyond, combined with the flexibility states have in using TANF dollars, the amount of additional spending on child care will probably be modest. I doubt that the Committee or the Senate will settle for \$1 billion, especially because a number of Republicans want to spend more. However, I would recommend caution in deciding how much more money to spend on child care. The final number will in all likelihood be only modestly greater than \$1 billion and almost certainly will not be more than \$2 or \$3 billion over five years.

A final provision in the President's recommendation and in the House bill deserves brief comment. Senator Grassley will recall the major fight waged in 1996 over whether child support collections on arrearages owed to the government should be given to mothers who have left welfare. As a result of the 1996 compromise, states can now keep (and split with the federal government) about half of these collections once the mother leaves welfare, but must give the other half to mothers and children. The Administration proposed, and the House adopted, a policy that would give states the option of providing all collections to these mothers and their children. The policy includes a financial incentive for states to do so because the federal government would pay its share of all child support collections sent to mothers and children who have left welfare. Because these funds would help roughly 250,000 mothers remain off welfare, and would also have the effect of showing children that their fathers are providing financial support; I would strongly recommend that the Committee adopt this policy in its bill.

Family Composition

As shown above, the incidence of teenage childbirth has been declining since the early 1990s and the decades-long growth in the proportion of children born outside marriage has held more or less steady for the last five years. Research at the Urban

Institute in Washington, DC and elsewhere suggests that welfare reform may be playing some role in these favorable trends.

But much more could be done. The President has called for \$300 million per year in spending on programs that attempt to increase marriage rates among low-income families. There is little question that increased marriage rates among the poor would greatly reduce poverty and lead to improved school performance, improved social behavior, and improved health among children.

There are, however, some problems with the marriage agenda that must be frankly acknowledged. First, there is little evidence that marriage programs will actually increase marriage rates. In view of this fact, the President's proposal seems to be the ideal approach. The Administration strategy is to encourage states, community organizations, and faith-based organizations to design and conduct programs that might increase the rates of healthy marriages among the poor. Following the precedent set by the many years of high quality experimentation with welfare-to-work programs, the marriage programs should be carefully evaluated to determine whether they produce their intended effects. Research should also collect information on possible unintended positive and negative side effects such as increased earnings and family violence respectively. If we follow this strategy, five years from now this Committee will have the advantage of good research information that will help members decide whether these programs hold promise and should be continued.

A concrete example of such a marriage demonstration program might prove helpful. Research by Sara McLanahan and her colleagues at Princeton based on a large national sample of unmarried first-time parents shows that about half of the unwed parents are cohabiting at the time of the birth. An additional 30 percent say that they are romantically involved with their partner. Interviews show that most of these couples look favorably on marriage and have actually thought about marrying their partner. McLanahan's research confirms what many previous studies have shown; namely, that poor and low-income young adults hold out marriage as an ideal. The assumption that low-income adults have rejected marriage as an important and ideal institution is simply false. Despite these views and attitudes, marriage rates among poor and low-income adults have fallen dramatically in recent decades. Perhaps these couples would choose to prolong their relationship and move toward marriage if they were given additional supports such as counseling, improved health care, assistance with employment, suspension of child support payments for fathers who live with and support their nonmarital children, and other forms of assistance that states or community organizations think would be helpful. These possibilities could be tested through a large-scale demonstration, perhaps conducted on a cooperative basis between state government, local departments of social services, and local churches. A demonstration of this type would yield very important information about the potential success of the marriage agenda in promoting employment and in supporting the healthy development of children.

Another issue in the marriage agenda is that young women eligible for welfare have limited choices when they try to select a spouse. As Paul Offner of the Urban Institute has shown, especially among minorities, young males often have low levels of education, poor employment records, high rates of crime and involvement with the justice

system, and high levels of violence, some of which may be directed against domestic partners. Even so, sophisticated research by Isabel Sawhill at the Brookings Institution, and by several other respected researchers, has shown that if low-income couples marry each other the incidence of child poverty would be very substantially reduced. Whether increased marriage would lead to increased domestic violence is an issue for careful study. If young parents could be supported in forming lasting bonds through marriage, and thereby improving their child's chances for a successful future, both the parents and their children would be winners. So would society. As long as marriage is freely chosen, programs that promote this choice and help sustain it could make a major contribution to the public good. Certainly \$300 million per year for a few years to find out is a reasonable investment.

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