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COMBATING POVERTY: UNDERSTANDING NEW CHALLENGES FOR FAMILIES

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

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COMBATING POVERTY: UNDERSTANDING NEW CHALLENGES FOR FAMILIES

TUESDAY, JUNE 5, 2012

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:04 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Bingaman, Wyden, Nelson, Carper, Cardin, Hatch, Crapo, Cornyn, and Thune.

Also present: Democratic Staff: David Schwartz, Chief Health Counsel; Diedra Henry-Spires, Professional Staff; and Callan Smith, Research Assistant. Republican Staff: Chris Campbell, Staff Director; and Becky Shipp, Health Policy Advisor.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

Robert Kennedy once said, "As long as there is plenty, poverty is evil."

Nearly 50 million Americans are currently living in poverty. That includes 16 million children. In 2009, more than 31 percent of working families were in poverty. That is more than 10 million people.

Our safety net is designed to give those in poverty a fighting chance. Temporary assistance for needy families, or TANF, is one of those bedrocks. TANF gives people access to job training and education, and it helps fight the evil of poverty.

Today we will look at TANF and the new challenges facing Americans in poverty. Until the 1996 reform law, welfare was open-ended. But through reform, Congress gave the system direction. It now focuses on jobs and promotes self-sufficiency. Figuratively speaking, it aims to teach people to fish.

TANF now helps some people by funding child care, transportation, and job search support. In 2005, the Deficit Reduction Act changed the way States managed TANF caseloads and counted participation in some programs. Those changes did not focus on serving families and helping people find jobs. Instead, some States used the changes to artificially reduce caseloads, and they used TANF funds for other programs. We saw this come to play during the Great Recession.

TANF did not respond to the recession as many of us would have hoped. Other safety net programs expanded to make sure families

were properly fed and had access to medical care; TANF, however, did not.

Some States actually cut caseloads. But people were not rising out of poverty. Fewer than 2 million families received cash assistance through TANF last year. That is far less than in previous years.

We, of course, want to see the numbers of TANF recipients decrease, and we want it to be for the right reason—because people are finding work. We need to make sure it is not because people are falling through the cracks without assistance or without a job, and we need to learn from the lessons of the Great Recession.

TANF works well when there are jobs open for people to fill. But when there are millions of people looking for work, the program does not respond as well as it should. Our goal should be to craft a system that works regardless of the economic climate.

TANF expires on September 30. We have an opportunity to strengthen it as we work toward reauthorization. And we need to keep our core principles in mind through that process.

The United States must have a strong social safety net, and it is not just for the sake of having one. The American people are our greatest national resource and, as a Nation, we cannot afford to leave anyone behind. Leaders cannot lead if they are hungry. Inventors cannot invent if they are homeless.

So let us prepare for a full reauthorization of TANF. And let us remember that our Nation is only as great as the least among us. And let us move forward to fight the evil of poverty.

The CHAIRMAN. Senator Hatch?

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Thank you, Mr. Chairman. I want to thank you for holding this important hearing on poverty and the effect it has on children and families.

With our economy still struggling, poverty remains a critical challenge for our Nation. The 2010 poverty rate of 15.1 percent was the highest seen in the past 17 years.

The current economic recession is especially acute for children. In 2010, over one in five children were poor in this country. That is up from one in six in 2006.

Poverty is also an incredibly complicated issue, one that the Federal Government can only address within the bounds of a Federal system that reserves most of these policy decisions to the States.

Now, there will continue to be a robust discussion on the role of the Federal Government as it relates to poverty. One thing we can certainly agree upon, however, is that poverty is bad for children and, in some cases, is a risk factor for child neglect or maltreatment.

It is that correlation between poverty and the potential for child neglect that I intend to focus on today. According to data assembled by the Center for Law and Social Policy, poverty is the single best predictor of child maltreatment. Children living in families with incomes below $15,000 were 22 times more likely to be abused or neglected than those living in families with incomes of $30,000 or more.

Now, I want to be clear. Poverty does not cause neglect, and being poor does not mean that one is a neglectful parent. But poverty does add stress to already overstressed families and creates conditions that often are detrimental for children.

Parents living in deep and persistent poverty are often tired, frustrated, and frightened, leading to short tempers, sometimes directed towards their children. Many parents in poverty suffer from substance abuse or mental illness and are unwilling or unable to get support for these problems. And subpar housing exposes children to real health risks.

Unfortunately, the programs under the jurisdiction of our committee designed to address poverty do not work well together, even though they are essentially serving the same families. The most salient example of this is the Temporary Assistance for Needy Families, or TANF. TANF is a block grant to States for their use in ending dependence on government benefits and, more broadly, to promote child well-being.

Over time, the focus of TANF has shifted from working with job-ready adults and preparing them for work to a funding stream largely dedicated to purposes unconnected to job readiness. Based on the spending and the composition of the caseload, one can argue that TANF, as a robust welfare-to-work program, has all but diminished and, in large part, been replaced by the emergence of TANF as a child welfare program.

The authorization for the TANF programs expired at the end of fiscal year 2010. During the year leading up to the expiration of TANF and each subsequent year, the Obama administration has failed to propose a comprehensive reauthorization of these programs.

If this committee decides to reauthorize TANF next year, members will need to decide whether or not to recalibrate the program back to a welfare-to-work program. Instead, if members acknowledge and accept that TANF spending and much of the cash assistance is directed to low-income children, then we need to address the fact that this TANF spending is largely unaccounted for and that TANF agencies do not coordinate their spending and services with child welfare agencies.

I hope that the next few years will usher in much-needed reforms to the child welfare system. And as I believe we will learn today, the TANF block grant will have to be a part of that conversation.

Mr. Chairman, I really appreciate you holding this hearing. I look forward to hearing from our witnesses. And it is an important hearing, as far as I am concerned.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. Thank you, Senator, very much.

I am now pleased to welcome our witnesses. Today we will hear from three: Dr. Ron Haskins, co-director of the Center on Children and Families at the Brookings Institution; Dr. Laura Lein, the dean of the School of Social Work at the University of Michigan; and Kay Brown, Director of Income Security at the U.S. Government Accountability Office.

Thank you, all of you, very, very much for taking the time to testify, as Senator Hatch said, on something that is very, very important. And we all look forward very much to your testimony and encourage you to be candid, forthcoming, direct in your 5- to 6-minute verbal statements. But your prepared remarks will automatically be included in the record.

So why don't you begin, Dr. Haskins?

STATEMENT OF DR. RON HASKINS, CO-DIRECTOR, CENTER ON CHILDREN AND FAMILIES, BROOKINGS INSTITUTION, WASHINGTON, DC

Dr. HASKINS. Thank you, Mr. Chairman. Chairman Baucus, Ranking Member Hatch, and members of the committee, thank you very much for inviting me. It is a great privilege to testify before this committee.

I am going to talk about four issues in 5 minutes. That makes me an issue-a-minute man. I am going to talk about poverty trends, spending on programs, major causes of poverty, and then what we should do about poverty.

So issue one: the trends in poverty. I included a figure in my testimony that, to me, has two big surprises. One is, we have made virtually no progress against poverty since 1975, despite the fact that we are spending a ton more money. And secondly, the poverty rate among the elderly, which in most societies is the highest, —most likely to be poor—is lower than for children in our society.

So those are two exceptionally important facts. We need to buckle down and figure out what to do about poverty, and we ought to especially concentrate on children.

Issue two: spending. Between the States and the Federal Government, we spend about $1 trillion on means-tested programs, and this number has increased almost every year since 1965. So the idea that we are not spending enough money is probably incorrect. We could be spending it poorly, it might not be focused on the poor, some of the programs might be unsuccessful, but we are spending a lot of money—about $13,000 per poor person.

Now, a lot of that is on health care—critics will always mention that—about 45 percent of it. But Congress decided that is where they wanted to spend the money. So, unless you want to change that, 45 percent is spent on health care. But the Nation has made a great commitment to helping the poor, and it increases every year.

The third issue: the causes. I think four are especially important. The first is work rates. We are in a long-term decline in work rates among males in the United States. The work rate among young males is down, especially young black males—and I am referring here to before the recession. I do not want to confuse this with the recession. These are trends before the recession.

So we have a real problem with male employment in the United States for reasons that I do not think are very clear.

For females, though, the opposite is true. Females have worked more. Everybody is aware that married women have joined the labor force since World War II, and in increased numbers. It has gone down a little bit now. But never-married mothers, the most disadvantaged, the poorest group of mothers, have had a spectac-

ular increase in employment. And even today, after two recessions, the likelihood that they have a job is greater, about 20 percent, than it was before welfare reform. So that group is working a lot. Still, we need to boost work rates.

Second, wages. These are astounding at the bottom of the distribution. Our wages at the 10 percentile and below in the United States, on average, are where they were 30 years ago.

It is hard to make progress against poverty because we are always going to have 10 percent of the people below the 10 percentile. It is an astounding mathematical fact, as I point out in my testimony. And as long as wages do not change, no matter what we do about the minimum wage, it is a real problem to help people get out of poverty. If they work full-time at the minimum wage, they still will not be out of poverty.

Family composition is the 5th horseman of the apocalypse. It is the biggest cause of poverty, in my estimation. We have had a huge increase in female-headed families. Their poverty rates are 4 or 5 times the rate for married couple families, and the most disadvantaged are never married. About 70 percent—even more than 70 percent of black children—about 45 percent of white children, and 42 percent of all American children are born outside of marriage, and so their probability of being in poverty is very high. So family composition is a huge issue.

And finally, education is a very big issue. I would say that our educational system, both at the preschool level, K through 12, and post-secondary, needs a lot of work. I would not say necessarily it is a failure, and I think the most promising is preschool. I will talk about that in a minute.

So now let me talk about a few strategies to fight poverty. And I want to preface my remarks by saying I think personal responsibility is an absolute key here.

Three of the four causes that I mentioned have a substantial component of personal choices. And, if people do not make better choices, no matter what you do in this hearing and what we are doing in Congress, we are still going to have a big problem with poverty. We have to do something about people's decisions to drop out of school, about decisions to work, and about decisions to get married before they have children.

So the first strategy that has worked—it is not hard to understand—is to give them money. That is what we do with the elderly. We did it especially in the 1970s, and we have a low elderly poverty rate, primarily as a result of Social Security, which is something that Congress did.

That strategy will not work for young, able-bodied Americans, because Americans do not think that able-bodied people should get welfare.

So the second strategy is to do everything possible to encourage and even force people to work and then subsidize their income. I would point out to the committee that this is a highly bipartisan solution: on the one hand, very tough work requirements; on the other hand, very generous work supports—earned income tax credit, Medicaid, child care, other programs.

I would say we have passed at least 40 pieces of legislation over the period starting roughly in the early 1980s to make our system

of means-tested benefits more friendly to working families. In the old days, if you went to work, you lost everything, and that is no longer the case. So we need to emphasize work, and we need to maintain the work support system, the EITC, child tax credit, and so forth.

Then the two other things I would mention just in passing are, one, education—I think we should focus on preschool. We have very strong data that a high-quality preschool could make a big difference. It is not very controversial for the Federal Congress to be involved in preschool, because it has been for so long.

And I think our child care that we spend a lot of Federal dollars on is the heart of the problem, because it is of average quality or worse, and that is where we could really make some progress by increasing the average quality of child care.

And finally, non-marital births. We have lots of strategies. We can reduce teen pregnancy. We have reduced teen pregnancy every year since 1991, except for 2 years. So we have a lot of strategies there.

Even in the 20-somethings, we have a number of programs, including more coverage or comprehensive family planning services and mass advertising campaigns, plus the teen pregnancy programs I mentioned. If we spent more money on those three programs, we would reduce non-marital birth rates, and that would be a good start toward addressing poverty.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Haskins appears in the appendix.]

The CHAIRMAN. Thank you, Doctor. That was very good.

Dr. Lein, you are next.

STATEMENT OF DR. LAURA LEIN, DEAN, SCHOOL OF SOCIAL WORK, UNIVERSITY OF MICHIGAN, ANN ARBOR, MI

Dr. LEIN. Thank you. I also want to thank Chairman Baucus and Ranking Member Hatch and members of the committee for inviting me here, and also for allowing me to join Ron Haskins and Kay Brown on this panel.

I am a social anthropologist and social work educator, and I work on families in poverty and the institutions that serve them. And today—I do not want this to be a contest, Ron—I am going to try to highlight six themes about families from my experience and illustrate them with examples representative of the data I have worked with.

Theme number one: both welfare-eligible and welfare-using populations are varied. Researchers in Washington State found five subgroups ranging from quick leavers who left TANF within a year and did not return to stayers who continued on TANF with barely a break. And these groups have fairly different needs.

Second, both welfare support and the income from low-wage labor leave families struggling. Families cannot sustain themselves on welfare alone or on low-wage work alone, and those relying on these low incomes can experience what I call a cascade effect, when a relatively small problem triggers life-changing events.

One Texas woman I interviewed had moved off welfare into work and out of public housing into her own apartment. She still de-

pended on subsidized child care for her two children. But when her 2-year-old bit another child at daycare, he was asked to leave, and her child care subsidy lapsed when she could not find new child care within the 10 days allowed. She could not work regularly. She lost her job and her eligibility for a renewed child care subsidy. She could not pay her rent and was evicted. Eight weeks from the biting episode, she was jobless, homeless, and without child care to allow her to hunt for a job or to work.

The third theme: TANF rates have remained stable in a time of recession, but disconnected households with neither earned income nor welfare income have increased. Estimates say that between 13 percent and 20 percent of single-parent poverty households are disconnected at any one time.

One Chicago woman, in a study by Seefeldt and Horowski, had worked all of her life and never been on welfare. As the recession deepened, her hours were reduced. Then she was injured on the job. Her employer contested her application for unemployment, and she was not yet eligible to apply for TANF. Her car was repossessed, making doctors' visits for her injury and her job search almost impossible. She cut back on her own eating to purchase food and then prepare meals to sell for others. It was 4 months before she received unemployment benefits.

Theme number four: more families are living in extreme poverty, often leaving them debilitated by untreated medical conditions and extensive debt. Shaefer and Edin estimate that, as of the beginning of 2011, about 1.46 million United States households, with about 2.8 million children, were surviving on $2 in cash or less in income per day per person in a given month.

Theme number five: the jobs available for low-skilled or low-educated workers leave the working poor particularly vulnerable. Chicago researchers Lambert and Henly studied low-wage work in retail and hospitality. Successful applicants provide lots of availability. "I can work anytime between 8 a.m. and 8 p.m. I might be assigned, say, around 25 hours per week, with the timing and number of hours varying each week. However, my employer expects that I can be available any hours between 8 and 8. Needing more money, I take on a second job. However, when that job conflicts with hours assigned by my first job, I am punished with reduced hours in my first job. They filed what they called the 'full-time, no hours week.'"

Unemployment and under-employment also affect the men who father children in low-income single-parent families, leaving both them and the families impoverished.

Six, there are a number of policies that I think can work for families, and, in some ways, this echoes what we have just heard. While paid work is the core of family stability, it is enabled by work supportive services, including a robust EITC, TANF—particularly when used as a bridging program for families facing time-limited periods of need—access to child care and health care, a gradual diminution of welfare benefits as recipients enter work so that they receive supports necessary for their stabilization, and emphasis on best employment practices so that parents can work and parent simultaneously.

We also need to look at alternate programs for parents physically or mentally unable to work—their access to disability services and their access to supports, such as supported work placements and longer-term income and rehabilitative assistance. And we need programs that encourage and reward fathers' fiscal and logistical involvement, child support programs that encourage that involvement, and training and placement programs for men. And overall, we need opportunities for program experimentation and evaluation to support low-income families and children.

Thanks very much.

[The prepared statement of Dr. Lein appears in the appendix.]

The CHAIRMAN. Thank you, Doctor, very much.

Ms. Brown, you are next.

STATEMENT OF KAY BROWN, DIRECTOR, INCOME SECURITY, GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Ms. BROWN. Chairman Baucus, Ranking Member Hatch, and members of the committee, I am pleased to be here today to discuss our work and the role of TANF in helping poor families.

Over the past 15 years, Federal and State spending for TANF has totaled about $406 billion, representing a significant investment in efforts to promote self-sufficiency and combat poverty. My remarks, based on previously published GAO reports, will focus on the performance of TANF as a safety net, as a welfare-to-work program, and as a funding source for other services.

First, on TANF as a safety net. The story of TANF's early years is well known. The strong economy combined with the new focus on work contributed to a decline in the rolls of more than 50 percent.

Many former welfare recipients increased their income through employment. However, much of the caseload decline resulted from fewer eligible families participating in the program, perhaps in response to TANF's new rules, such as work requirements and time limits. We have been particularly concerned about a small, but possibly growing portion of families that were eligible for TANF but did not work, had very low incomes, and did not receive cash benefits.

More recently, we had the first test of TANF during severe economic times. The relatively modest national caseload increase of 13 percent, along with caseload decreases in some States, raises questions about the responsiveness of TANF.

For example, we recently estimated that, among poor and near poor families that lost jobs in the recession and used up their unemployment benefits, 40 percent received food stamp benefits, yet less than 10 percent received TANF assistance.

Next, on TANF and moving parents into work. TANF's work participation requirement is the primary Federal tool to encourage States to prepare parents for work. States are expected to ensure that 50 percent of work-eligible families receiving cash assistance are engaged in certain federally defined work activities.

However, States have generally engaged fewer families than envisioned, closer to one-third, with little change over time. Despite this, States can still meet their work participation requirement by relying on several policy and funding options. As a result of these

options, States do not have the incentive to engage more families or to work with families with complex needs.

Lastly, on the use of TANF for a broad array of services. TANF plays a significant role in State funding of other programs and services for low-income families, as allowed under program rules. In fact, in fiscal year 2011, Federal and State TANF expenditures for purposes other than cash assistance amounted to 71 percent of the total. These purposes included child care, child welfare, earned income tax credits, and teen pregnancy counseling.

However, we do not know enough about how these funds are used and who benefits. This information gap hinders decision-makers in considering the success of TANF and what tradeoffs might be involved in any changes to TANF when it is reauthorized.

In conclusion, the Federal-State TANF partnership makes significant resources available for families with children. With these resources, TANF has provided financial support to these families, helped many parents step into jobs, and provided States with flexible funding to support programs consistent with TANF goals.

At the same time, there are questions about the strength and breadth of TANF as a safety net. Many eligible families, some of whom have very low incomes, are not participating. The focus on work participation rates has helped some families gain employment, but it may not provide States with incentives to engage the most difficult to serve.

And finally, while States have used TANF to support a variety of programs, we do not know enough about this spending and whether this flexibility is resulting in the most efficient and effective use of funds at this time of scarce government resources and great need among the Nation's low-income families.

This concludes my prepared statement. I am happy to answer any questions.

[The prepared statement of Ms. Brown appears in the appendix.]

The CHAIRMAN. Thank you, all of you, very much.

My staff gave me a startling statistic, and I would like you to respond and indicate what you believe the solutions are. You have already touched on it a little bit.

The statistic is, the Untied States ranks 34th out of 35 economically advanced countries on child poverty, just ahead of Romania—34th out of 35, just ahead of Romania on child poverty.

I do not know the source of that. I am going to take it that it is accurate. I think it is a Census Bureau satistic. That is not good.

And, Dr. Haskins, you have listed several causes. You mentioned that work rates are so low, wages are not keeping up, family composition is deteriorating, and we have a weak education system. And you also mentioned in your presentation that, although the elderly are doing a little better, the children are doing a lot worse. And this number seems to reflect that.

Can we focus a little bit on the kids? How are we going to get more kids out of poverty?

Dr. HASKINS. The first thing I would say is that we are going to need resources. We have a lot now, but we are going to lose some of them inevitably over the next 2, 3, 4, 5 years when Congress at last decides to deal with the deficit.

So I think in the long run, the number one thing we have to do is to at least slow the rate of growth in programs for the elderly and increase the rate of growth in programs for children, and especially programs that are focused on children's development, like high-quality preschool programs.

We have abundant data from very good scientific experiments that high-quality preschool can increase kids' development and make them ready for school, and we may have a number of good studies that show long-term impacts on lower teen pregnancy rates, higher college admissions, and so forth.

So that would be a place where we could invest. And, even if we could not get money from the programs for the elderly, by reducing the rate of growth—not cutting them, but reducing the rate of growth—we should be able to figure out a way to do it with the poverty resources. Of course, the committee structure of Congress is not exactly helpful in doing that. But that way would be much more productive to invest money there.

Secondly, I think that the work strategy, as other witnesses said—you cannot get out of poverty in the United States if you are only on welfare, and you cannot get out of poverty in the United States, especially if you have two or more children, if you work in a minimum wage job.

So we cannot command that the employers pay more than a minimum wage. We could do that, but we would lose some jobs if we did it. The better strategy is the one that we have adopted, which is to subsidize the earnings to low-income families. And our earned income tax credit, the child tax credit, our Medicaid program, even our food stamp program, all made important changes since roughly the mid-1980s all the way up until the last that I know of, where, during the recession, we made a number of changes in the EITC and the child tax credit that made it more generous to working families.

So that is the strategy that works. That is the only thing I think that we have done that will produce a fairly short-term impact on poverty.

So we have to increase work by single mothers and, hopefully, by males as well, and subsidize their earnings. We need to maintain that system. We have something that works. We need to expand it and stick with it.

The CHAIRMAN. If we are 34th out of 35, what can we learn from other countries? What do other countries do that might be helpful here?

Dr. HASKINS. Well, first, I have never seen that number before. There are lots of big debates in the scholarly world——

The CHAIRMAN. Let us assume it is close. What can we learn from other countries?

Dr. HASKINS. It depends on what you count. Like, if you use an artificial poverty measure, it is crazy. The official poverty measure—all these programs that I just talked about are included in the official poverty measure.

The CHAIRMAN. This is UNICEF. That is the source of this.

Dr. HASKINS. That makes it even more doubtful.

The CHAIRMAN. Whatever it is, you are not condoning it.

Dr. HASKINS. No. I am not condoning it, but we ought to think about the problems that we have in the United States. There are some things we can learn from foreign countries.

The CHAIRMAN. I was going to ask. Do any come to mind?

Dr. HASKINS. We have done a number of things that they have done, and they have done a number of things we have done.

For example, people tend to think of Europe as a bunch of liberal socialists. They had very strong work requirements, not only in their poverty programs, but also in their disability programs, and even they are trying to figure out ways to encourage the elderly to work, because they are following the principle that, in the 21st century, governments are not going to make it unless they have more people working and paying taxes and fewer people getting benefits.

So I think they have learned something from us. We have learned from them the importance of a social safety net, and I think we do have a fairly reasonable safety net.

I would point out to the committee that in 2009, even though TANF was abysmal—I admit that, and we should talk about that, and the committee should address it during reauthorization. But nonetheless, our other programs expanded, and poverty did not increase in 2009, despite the huge increase in unemployment, and it was almost totally because of government programs that kept people out of poverty.

So that is a great achievement of our system, and I think part of that we learned from Europe about the importance of having a safety net.

The CHAIRMAN. Well, I think it is just astounding. In fact, it is more than a tragedy that so many kids live in poverty. It just is an outrage. And I just think our country deserves a big black eye for not addressing it more efficiently.

My time has expired.

Senator HATCH. Dr. Lein?

The CHAIRMAN. Although my time has expired, Senator Hatch is being very generous, suggesting that you be able to respond.

Dr. LEIN. It is important that I think we can learn both about how to coordinate early childhood education from the approaches other countries have taken so that it is more universally available, and secondly, to recognize that the costs of health care and the damage done to families by injury and lack of health treatment are considerable and that bolstering health care, particularly for low-income adults, can make a change in our poverty levels.

The CHAIRMAN. Can you give an example of that coordination?

Dr. LEIN. The kinds of coordination? So, in our country, we have basically three different systems that provide child care to impoverished adults—to impoverished parents for their children. We have the Head Start program, we have subsidized child care, and, in most locales, we have pre-kindergarten.

Each of those is for different subgroups of children, and none of them is reaching all eligible children——

The CHAIRMAN. All right.

Dr. LEIN [continuing]. Unlike a system that has it more tied in to public schools as an accepted part of the schooling system or in a series, as they have in France, of places where you can take children, and, again, it is fairly universally available.

The CHAIRMAN. Thank you.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

Dr. Haskins, the most recent data from the Department of Health and Human Services reveals that nearly 55 percent of work-eligible adults receiving assistance are engaged in zero hours of activity.

I would like you to comment on that statistic. And also, do you believe it was the intention of members of Congress and President Clinton that, in over a decade and a half since welfare reform, more than half the welfare caseload would be doing absolutely nothing?

Dr. HASKINS. Well, of course it was not. I worked on the welfare legislation when I was with the House Ways and Means Committee, and there is no question that there was bipartisan agreement that more people should work and that the cash welfare system should not just dispense cash, it ought to encourage employment, and it does that now.

However, I think part of the problem is—it is astounding to me that, after 1996, the States ran programs that were very successful under almost every count. There was a problem at the bottom, and we can talk about that if you want to. I do not want to say welfare reform was a magic bullet, but it did a lot that people thought was impossible.

We had a 40-percent increase in a 4-year period in the percentage of never-married mothers, the most disadvantaged group, who actually had jobs. So that was very successful and subsidized by EITC and so forth.

But then in the Deficit Reduction Act, I think we really—I think we made a mistake. We tightened the screws on the States. I am not sure why we did that. The States were performing fairly well. And we put a lot of requirements in the DRA that I think are very difficult for States to meet.

And, at the same time, I would even question—and I hope the committee looks into this carefully—the block grant structure, because as GAO points out—and they do have previous reports that show that money is being spent. We allowed the States to spend it any way they wanted to as long as it was on low-income families. They could not build bridges and so forth.

So I think that is an issue, too. If we were to do the kind of things we are talking about here, that is, provide more work services for people who are really disadvantaged, those would be more expensive than what the States are doing now. They would have to get that money back, and they would have to get it back from their own State programs, and that is very difficult.

This is what the committee should look into. So that is a big issue.

And secondly, the work requirement is so stiff, and the counting is so green eye shade—I recently have had the experience of calling all the State TANF directors to find out how their programs survived during the recession, and it is amazing to me that over half of them have said that the paperwork burden for counting work and hours is so heavy and so difficult that it distracts them.

Now, that is a typical excuse that a bureaucrat makes, but I have heard it so often and it does make such sense, that I think there are issues here. And we could do something at the Federal level to do something about these work requirements. That there be more than 70 percent of the caseload or something should be achievable, if they are doing at least something, but they are not meeting the work requirements as they are spelled out in the current regulations and statutes.

Senator HATCH. Dr. Lein, in your written testimony, you describe the need for fragile families to form connections, both "tight" connections to an informal support system and "loose" connections to community and civic organizations.

What advice do you have for this committee on policies that could promote these types of connections?

Dr. LEIN. I think there are two different kinds of approaches to take in looking at how you help families become seated in the larger society, where they can reach out for assistance and receive assistance in different ways.

One is to support them in the kinds of tight networks, or networks that are likely to actually deliver help in emergencies. I think that is one of the reasons why I am very interested in programs that would encourage the non-residential fathers of these children to stay involved, to become more involved, rather than be distanced, in some cases, by the policies that we have in place.

So I think there are ways of using public housing policies, child support policies, to encourage that involvement rather than, in some cases, discourage it.

Senator HATCH. Ms. Brown, when States describe how they spend their welfare dollars, a significant percentage of dollars is spent on services and activities that are characterized as "other."

Can you comment on what these "other" activities are and what challenges for policymakers are presented by having so much of the TANF expenditures unknown? And what suggestions would you make for policymakers to achieve greater transparency on TANF expenditures?

Ms. BROWN. We are actually doing some work right now to try to tease out all of the things that are spent through the TANF block grant that are not cash assistance. But we know in that "other" category that a large portion of that is child welfare. It goes directly to services for prevention for agencies that are trying to serve high-risk children and families.

I am sorry. I missed the second part of your question.

Senator HATCH. It was: what suggestions would you make for policymakers so that we can get greater transparency on TANF expenditures?

Ms. BROWN. Well, I think the tricky part of that is, we have heard already that there is a risk of expecting too much reporting and too much detail, going too far, so that the States feel that there is a barrier or an encumbrance.

But I do think that as long as—right now, 71 percent of the resources for the TANF block grant are not spent on cash assistance. I think it is really important that we have a better understanding of what those resources are spent on, and we are hoping that we can contribute to that with this work we are doing right now.

Senator HATCH. That is my point as well. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Bingaman?

Senator BINGAMAN. Dr. Haskins, I understand a main point that you are making here is that the best thing that we can do with this TANF funding is to subsidize earnings. Is that accurate?

Dr. HASKINS. That is one thing we should do, but I think training also plays a role. Job search has been shown again and again to be effective. We should have more effective job search programs.

The distinction between job search, simply looking for a job—which usually includes some tutoring in how you conduct yourself and how you dress and so forth and having a nice resume—and training is, there is a continuum here, and we need more training. We need more preparation for some of these mothers to do well in the labor force, and the same thing after they get in the labor force to advance. That has been a very disappointing thing to me, that many of these mothers do not advance.

So TANF should be used for that sort of thing. It is not just to subsidize income. The EITC, child tax credit, we have lots of subsidies of income.

Senator BINGAMAN. Well, I guess what I am trying to understand is whether it would make sense, in this reauthorization that is contemplated here in the next couple to 3 months, for Congress and for the Federal Government to essentially say, all right, this is a block grant, but you have to spend a certain percentage of this block grant—each State has to spend a certain percent of it doing a certain set of things.

I guess, Ms. Brown, as I understand your testimony, you are saying that 29 percent of the dollars that States receive from the Federal Government is actually being spent in cash assistance.

Ms. BROWN. That is correct.

Senator BINGAMAN. So you have 71 percent that is being spent in other things, and you are trying to figure out exactly what all those other things are and how much of each.

But, if there are some things that we think are high-priority uses and most beneficial uses of this money, should we not say to States, 50 percent of your money has to be spent either helping people get jobs—job training—or for cash assistance for people who are earning in the labor force, or some set of things?

Dr. Haskins, do you have a point of view on that?

Dr. HASKINS. Yes I do. I question putting more requirements on the States. We gave them a block grant. The idea was the States would be responsible and handle the money well. And now there is some indication, well, maybe they did not. Maybe they spent the money on child protection. This committee has jurisdiction over several open entitlement programs for child protection.

So it makes sense somewhat to put more rules on the States, but more rules lead to more paperwork and so forth. I am not sure—I think it is more important to get the incentives right.

Senator BINGAMAN. I think one of you testified that the caseload, the TANF caseload, has decreased in some States during the recession.

Now that, to me, is a sign that this thing is broken. I mean, if this is a program that is supposed to be helping these folks, you should not have folks dropping out of the program when the economy goes in the tank.

So isn't some change in the program essential as part of a rewrite here?

Dr. HASKINS. Yes. Yes. I am not defending the status quo. I am just—I am worried about how you do it. Some States feel that people ought to work and they ought to look for work intensely and, if they do not find work, it is their fault. That seems to be the essence of their policy, even during the recession. And people do find employment during a recession.

If we want to have the States spend more TANF dollars during the recession on TANF cash assistance, which is the way we originally thought of the program—we put a contingency fund in the original legislation. It was supposed to give the States more cash during the recession so that they would be able to pay more benefits. But somehow, in some States, the work message is so strong that the States are reluctant to do things to attract people back into the rolls. And plus, they say that encourages dependency.

So you have a real philosophical conflict here, and, if you tried to do this, I could find 10 Governors to come in here and say, "No, don't do that, it is an outrage." That does not mean you should not do it, but I am just saying that there is a real difference of opinion here about what the real cause is of why people do not get TANF benefits.

But, yes, I think you ought to look at that, and I personally would support something that would cause the States to be more responsive during a recession, because they were not very—many of them were not.

Senator BINGAMAN. Dr. Lein, did you have a point of view on any of this?

Dr. LEIN. I think, also, we need to look at how TANF operates in a period when there simply are not enough jobs. And the people who are going to be out there job hunting are going to find jobs in the informal economy. They are going to find jobs that may not count in TANF regulations, and it may take them longer to find jobs.

Senator BINGAMAN. A period where there are not enough jobs may be the new norm. Certainly, we have had that circumstance now for several years since this recession started.

Dr. LEIN. And so we need to take a hard look at what we want people to do if they are not finding jobs. And what they are doing now, I suspect, is—I do not think we know for sure, but I think one option is that they are not joining TANF because they know they cannot meet the requirements.

Senator BINGAMAN. My time is up.

Dr. HASKINS. Mr. Chairman, could I have 20 seconds to add something to this? It is extremely important.

When this committee and the Congress passed the emergency fund during the recession, it gave the States $5 billion in TANF funds, and it gave them the option of basically creating jobs by subsidizing jobs even in the government and private sector, which had never worked before.

But the States created 260,000 jobs. And so, how did the Congress reward them? When the time for the emergency money came to an end, poof, it was gone, and the State programs were falling apart.

But that shows you that the States are highly motivated to try to do things, including even the very complex issue of subsidizing jobs in the private sector—260,000 jobs is one great achievement.

The CHAIRMAN. Senator Cornyn?

Senator CORNYN. Thank you, Mr. Chairman. I appreciate your holding this very important hearing.

Dr. Haskins, I have been following some of your work with your colleague Isabel Sawhill at Brookings, and I am intrigued by something I want to quote back to you. And that is, you said that if families follow three basic rules, that they are virtually assured that they will avoid poverty: complete at least a high school education, work full time, and wait until age 21 and get married before having a baby.

Based on an analysis of Census data, you conclude that people who followed all three of these rules had only a 2-percent chance of being in poverty and a 72-percent chance of joining the middle class. Conversely, these numbers for those people who violated all three rules would elevate their chance of being poor to 77 percent and reduce their chance of making it to the middle class to 4 percent.

So, if it is that clear that those three things would raise the likelihood of success of people leaving poverty and joining the middle class, what can the Federal Government do to help?

Dr. HASKINS. Well, first of all, we did something terrific in the 1996 welfare reform legislation, because we really strongly encouraged work. And I think we have to maintain that message, because keep in mind the poverty rate among kids in single-parent families—and that is where the highest poverty rate in the country is—is still lower now after two recessions than it was before welfare reform, and that is primarily because those mothers are working. And the work rates are still about 20 percent higher than they were before welfare reform. So the work message—it was more than just welfare reform that did it, but the work message has gotten through. So that is the first thing.

The second thing is, non-marital births are a huge problem in the United States, and we are trying, we are doing some things, but I think we could do a lot more. I have suggested things in my testimony.

Our teen pregnancy programs, avoiding teen pregnancy, are quite good, and we are expanding those. The administration now is doing evidence-based funding—it is about $100 million a year, and I think that is extremely important.

The House tried to kill it last year. The Senate saved it. The House tried to kill it the year before, and the Senate saved it again.

I think that is an extremely important program, because we are still learning about how to reduce teen pregnancy. And there are several programs, national campaigns, at least two of which have good evidence about the importance of comprehensive sex education, especially addressed to males for the use of condoms when

they are engaging in non-marital sex where they do not want to have a baby, and expansion of Medicaid to women who are not covered so their birth control is free. Both of those have been shown to produce big benefits that outweigh their costs.

So I think that is another thing that the Federal Government can do. I would like to see us expand work requirements, but this is very sensitive. I am sensitive to the point that Senator Bingaman made about work in the United States: we have the lowest percentage of people employed that we have had in decades, probably, maybe even forever.

And maybe that is the future. Who knows? We are not recovering from this recession very well. But there are still a lot of people getting jobs at the bottom. So we should do everything we can to encourage employment. I think we should look at the food stamp program and at the housing program, because they both have weak to nonexistent work requirements, and that concerns me. I think we might be able to make some progress there.

Senator CORNYN. When I was Attorney General of Texas, I was responsible for child support enforcement under the title 4(d) program, which, of course, assigned to the State Attorney General the responsibility to enforce the child support obligation, establish paternity where necessary.

But could you speak, Dr. Lein—I know you have had a distinguished career at the University of Texas as well.

Dr. LEIN. Absolutely.

Senator CORNYN. But I would be interested in hearing from each of the witnesses or any of the witnesses who care to comment about what should the Federal Government continue to do when it comes to enforcing the child support obligation and assisting the States?

I will just close, before I ask you to answer, with a quick story. I was in El Paso, TX and got out of an airplane, and a gentleman approached me and told me, "You put me in jail when you were Attorney General." I did not really know what to expect next. [Laughter.]

But actually what happened was, he told me that—he said when we sued him to force him to pay his child support, his wife had previously denied him access to his child, and the judge, at the same time he ordered him to pay child support, ordered his ex-wife to allow him to see the child.

And so this child was a 2-time loser: he did not get the financial support and did not get the love and support of both parents.

Ironically, this story ended on a happy note. He told me once the judge ordered that, he said, "You know, we are back together again now." It had a happy ending.

There are not enough happy endings in this scenario. But could you comment on—as we approach that function, the child support enforcement function—what do we need to do differently? What do we need to continue to do that we are doing right? If you would address that, please.

Dr. LEIN. Sure. And Texas has been interesting, because they have done some very interesting experiments on encouraging payment of child support. And those experiments include things like punishments on the one side for not paying, but also a lot of assistance, in some of the experiments, for finding the job, for getting

placed again in your community and in jobs, particularly if you have been jailed or imprisoned in the interim, and I think the child support payments need both of those.

You cannot just punish non-paying fathers if they cannot get jobs and they cannot earn, but you also do not want them to earn without giving them a sense that it is really required that they pay over to their children. So I think setting up those kinds of programs can do both.

I think, also, other than having a threshold, we should have some of the money that the father pays go over to women who are on welfare—even if they are still drawing welfare—so that almost immediately that family system sees the benefit of fathers paying into their system, rather than setting up a system where both parties to it might feel they are better off if the father pays under the table, which takes it out of the State oversight.

The CHAIRMAN. Thank you very much, Senator.

Senator Nelson, you are next.

Senator NELSON. I am going to pass.

The CHAIRMAN. All right.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman. I very much appreciate this hearing.

Dr. Haskins, it is nice to be with you again. I served on the Ways and Means Committee and went up against Dr. Haskins 16 years ago and lost most of my arguments and provisions, but joined the majority in supporting the TANF legislation 16 years ago. And I think it was the right decision to change the program and make it focused on getting people out of poverty and getting them employed. But I do think we have to acknowledge some concerns.

Senator Bingaman already mentioned some of those issues. In a recession, we would expect States to be able to respond by putting more cash out there when the job market is more difficult. But we know that during this recession, States did not have that option in many cases. They just did not have the fiscal capacity to do what we would have liked them to do. They would have had to cut other programs, and they were not prepared to do that. So I do think it does raise an issue as to how TANF works during recessions.

Secondly, we can all point with pride to the number of people who are off of cash assistance. But I think we also have to acknowledge that during the same period of time, using the mid-1990s as our base, the number of children in poverty has actually increased in America. It is over a million more children in poverty. And our objective was to get people out of poverty. So I think we need to figure out more effective ways in order to do this.

I also want to talk a little bit about the issue, Dr. Haskins, you have raised on the requirements on our States. This was supposed to be a partnership with the States, giving them the ability to innovate and move forward. And I think, in many cases, we have not let that happen.

There was testimony in the Ways and Means Committee recently by Shauna King-Simms from Kentucky, who talked about how the 30-percent participation rate for those in vocational education has restricted that State in what it wants to do to get people employed.

We all know that education is critically important. The 1-year limitation is a problem—there are many programs that are 2 years.

I just visited some in the community colleges in Maryland who are in 2-year vocational education programs, and yet a person who is participating in the program would be prevented from going beyond 1 year during their lifetime. So I think there are some restrictions.

And I would also point out one of the debates we had back 16 years ago was whether the test should be how many people go off of cash assistance or how many people end up among the employed, and we opted for getting off of cash assistance as the test rather than using those who are employed.

I guess my question to the panel is—I think the States have demonstrated the capacity to innovate and to use this program in a most flexible way to meet the needs of the people in their own State. But they are asking for more flexibility. Why shouldn't we give it to them?

In a way, I like the Republican view originally of giving flexibility to States. Why shouldn't we give them the ability to come forward with a demonstration program that would allow the test to be getting people employed rather than off of cash assistance, or why can't they have the ability to go beyond 30 percent on participation, where they have demonstrated that they have been able to achieve the other goals that we have set out for them in welfare reform?

So, as we consider the reauthorization of TANF, should we not be considering ways to give the States additional flexibility, allowing them—holding them accountable to a final result, but giving them more flexibility in order to achieve it?

Dr. HASKINS. Yes, we should. I think we were right in 1996, because the States were not focused on work. They made excuses about, oh, well, these mothers are not capable of working and so forth. So we really changed the whole culture of welfare. And I have visited several offices in your State, and you can see that they are organized around work. They call themselves work offices. The word "welfare" has been cast into the depths.

So I think there have been a lot of big important changes. And under those circumstances, my own opinion—I am not very popular among Republicans for this view, but my own opinion is that we should give more flexibility to the States. And I think the relentless increase and tightening the screws on requirements as, for example, in the DRA, has produced unexpected results, and they are not helpful to either the mothers or to the States.

So I think we ought to look at this very carefully. I think, for example, in the case that you raise of education—now, the fact is that a lot of these families, even when they try to go to school, they drop out quickly. A lot of them, it is the furthest thing from their mind.

But still there are families on welfare that could profit from education, especially a tailored, short program that was 6 months and led to a welding certificate or something. Those kind of things, I think the States should not be limited in doing. We need to look at that very carefully and I think make changes, I agree.

Senator CARDIN. Do other panelists want to respond?

Ms. BROWN. I think there are two things that you mentioned that are important. One is the idea of encouraging the research and trying to find innovations and supporting States in those efforts.

The second piece is the incentives. As long as TANF is a block grant and the States do have those flexibilities, the four goals are very, very broad, and thinking about whether those are still the four goals that you would want the program to address is important, because a lot of the resources that are going away from cash assistance and jobs are because of those broad goals.

And the final point is incentives. I think I agree with Dr. Haskins that the way that State performance is being measured now is not really helpful, and there are probably a number of different ways that you could consider new incentives, including outcomes that you mentioned.

Senator CARDIN. My time has expired, so I am at the mercy of the chair.

The CHAIRMAN. There are other Senators who do wish to speak, so I will go down the list here. Thank you very much.

Senator Nelson?

Senator NELSON. Dr. Haskins, you remember that the change in the law was to end welfare as we know it. And looking at your poverty rates, figure number one, after the enactment of that law, the poverty for children went down; for seniors, it basically stayed about the same; for all people, it went down a little. But all of those trend lines have gone back up recently.

What happened?

Dr. HASKINS. We have a lower percentage of non-marital birth mothers and single mothers working. Their work rates have declined less than most other demographic groups, but they work less. And now we have created a system where, if you do not work, you cannot get out of poverty.

So that is exactly what happened. But I would point out to you that the work rates among low-income mothers are still higher than they were before welfare reform, and the child poverty rates among kids in never-married families and all single-parent families are lower than they were before welfare reform.

So the strategy is still working somewhat. When the economy gets going, I think it is plausible to assume that those mothers will go back to work, especially if the States have the kind of programs that Senator Cardin described.

So I am somewhat optimistic that, as the economy recovers, poverty will drop again among this group. But keep in mind, poverty among single-mother families and among black children—with single-parent families at such a high proportion—reached its lowest level ever, and it is still much lower than it was before welfare reform, and it is because of work.

Senator NELSON. Wasn't the earned income tax credit supposed to be part of the relief for this? And why, with the institution of that, would you still have——

Dr. HASKINS. If mothers work close to full-time, even at, say, 8 or 9 bucks an hour, between the earned income tax credit, the child tax credit, food stamps, they will be above poverty if you include all those benefits.

I gave an example of this in my testimony. I think it is a triumph for American social policy that the combination of work, which Republicans really preferred in welfare reform, and benefits that are contingent on work, those two things, are a highly bipartisan solution. That is what we have created, and as long as we can help mothers work, then the system will work.

Let me point out one more thing. The EITC has a vicious little characteristic. If a mother loses a job, she not only loses her earnings, she loses her EITC. So it is a double-whammy, and that is—I do not know what to do about that, but that is a very serious problem.

The EITC is a great thing. It is one of the best programs we have. But it is really a problem when someone loses a job or loses hours.

Senator NELSON. That is a very good point, Mr. Chairman and Senator Hatch, a very good point.

Dr. Lein?

Dr. LEIN. And I just wanted to point out, following up on that, that what we are seeing is an increase in the variability of jobs, so that people have jobs with variable hours. There is a great deal of under-employment, as well as unemployment, so that people are under-employed, and, as their wages sink, other kinds of benefits sink as well.

Senator NELSON. But at least, even if they are under-employed, as Dr. Haskins points out, they have a chance to get the earned income tax credit.

Dr. LEIN. They have a chance to get the earned income tax credit, but the sum will start dropping them into poverty again.

Senator NELSON. Final point. Let me ask you about the much-maligned stimulus bill. One of the biggest parts of that, other than tax cuts, by the way, which often is overlooked, but one of the big parts of the stimulus bill was to help out the States with Medicaid and also education.

And I know in my State, a huge amount of money went back to the States for 2 years to help them with Medicaid. But after 2 years, it cut off. And then the States did not pick up the responsibility after that. And so you have this huge falling off the cliff after 2 years.

What do you think about all that, and how does that tie into this?

Dr. LEIN. I think one of the problems that that causes is that, for low-income families, I think medical debt is becoming a part of their financial life, and families who have tried to orchestrate that, if they do not have access to Medicaid or to the child health insurance program, end up in debt and often in surprising debt in very large amounts.

And I think one of the concerns we have, as medical insurance does not become more widespread, is that more families are going to be hampered by the degree to which they are carrying medical debt.

Senator NELSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Carper?

Senator CARPER. Thanks, Mr. Chairman.

I want to welcome our witnesses. It is very nice to see you, Dr. Haskins. And when I was privileged to be Governor of Delaware and in the National Governors Association, on this issue he was one of the top advisors for us in the House and, frankly, for Governors as well, and I appreciate very much the great work that you have done, and continue to do.

And I welcome our other two witnesses as well.

I still have a chance to go into schools all over my State, and I am sure my colleagues visit schools throughout their States. I like to do assemblies in high schools, and sometimes when I do—and in middle schools, as well—I will mention this to them: if a young woman, age 16, becomes pregnant, drops out of school, does not marry the father of her child, there is an 80-percent—eight-zero percent—likelihood that they will live in poverty.

If that same 16-year-old girl does not become pregnant, graduates from high school, waits to at least 20 to have a child, and ends up marrying the father of her child, there is an 8-percent likelihood that they will live in poverty. Those were numbers from probably a decade or so ago, but my guess is they are probably not far off.

I remember holding and hosting, as Governor, a 1-day summit in Dover, DE—we had it at the Sheraton Hotel—and we invited every high school in Delaware to send two kids, a boy and girl, and to help us think out loud about teen pregnancy. And we spent the better part of the day together.

The young people did not know it, but they actually helped me draft what we wanted to do on welfare reform in our State. And they basically said, it starts with a State-wide campaign on teenage pregnancy and the change, the incentives, and what we really think about teenage pregnancy.

They also said it was important that we not only help people find a job, but that we help make sure they do not become parents before they are ready to become parents. We all believe we should make sure they have some of the skills that they need that will help them find a job, and that we should provide resources to reduce the incidence of teenage pregnancy, that we ensure people have the skills that they need to find a job for which there is an opening; better ensure that they have the ability to find that job, get to that job, make sure that they have child care for their kids if they need that, to make sure that they have health care so they do not just lose their time out on Medicaid.

But the idea, again, as you all know, sort of the grand compromise is to make sure that people are better off going to work than they are just staying on welfare. That is pretty smart, and those kids were pretty smart in helping me and others to figure that out in my State and probably in other States as well.

I would like to know what has been going on with teen pregnancy rates in this country over the last decade or so. And I understand that actually there is some encouraging news out there. And I would like to know what is going on, if you know, and to what extent the ways we have moved foward from welfare to work, trying to make sure that people are better off when they are working, how that might have affected teen pregnancy rates.

Do you want to start, Dr. Haskins?

Dr. HASKINS. Yes. Thank you. You may recall that we had something like 15 provisions in the 1996 welfare reform bill that were intended to have an impact on family structure—teen pregnancy, non-marital birth rates. We set aside I think it was $25 million for cash awards to the States that could reduce their non-marital birth rates. And I do not think any of that had much impact.

However, we have had success in teen pregnancy. Teen pregnancy rates have fallen every year since 1991, except for 2 or maybe 3 years. Those are recent years, and they have picked back up again.

The Congress has done a lot, in cooperation with the administration, to try new programs that are based on hard evidence that they will work, and we are spending about $100 million on those evidence-based programs.

So I think we are continuing to do what is required. Here is the big problem, I think, and it is hard to figure out exactly how to address it. And that is, if you look at the non-marital birth rates for the young ladies just above the teen years, so in their early 20s, those rates, as the teen poverty rate goes down, those rates go up. It is almost as if young ladies can only avoid pregnancy for so long, and I think there is some truth in that, having interviewed a number of these mothers.

It is not necessarily—in fact, in most cases, it is not a mistake. They want a baby. Their prospects for marriage are not great. Their choices among men are problematic, because many of them do not work. And so they decide, "Well, I have a baby with this guy, but I sure wouldn't marry him," and they have a baby with a guy.

So we need to focus on 20-year-olds, too. It is not just teenagers. And there, I think, Medicaid can play an important role by covering family planning services, and the mothers are anxious to do that. They do it if it is offered.

It is not going to solve a huge part of the problem, but it is one solution. So that is something to really focus on, non-marital birth rates among 20-somethings.

Senator CARPER. Good. Mr. Chairman, could I ask either of the other witnesses just to briefly comment on the same issue, please? Thank you.

Dr. LEIN. And I think it is also worthwhile to think about focusing on men and on young men, the potential fathers of these children, and what we are doing about their job prospects, what kinds of services they have available to them, and what kinds of health care and advice they have access to, because they are undoubtedly less served than the women in the same age bracket.

Senator CARPER. Ms. Brown?

Ms. BROWN. I was just going to mention one other point, which is that we are still learning and need to learn a lot more about the concept of marriage promotion. There have been some recent studies that have just been released that are not very encouraging.

And so, if we are talking about promoting marriage, I think we still have a long ways to go in figuring that out——

Senator CARPER. All right. Thanks.

Ms. BROWN [continuing]. For low-income families.

Senator CARPER. Thank you.

Mr. Chairman, thanks so much for holding this hearing and giving us a chance to have this discussion.

The CHAIRMAN. Thank you, Senator.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman. And, Mr. Chairman, I think the focus that you and the staff have been putting on poverty and particularly the opportunities to address these anti-poverty issues in a fresh and creative way makes a lot of sense, and I very much appreciate it.

Dr. Haskins, you have been doing yeoman work in this field for a long time, and I am really looking forward to being——

Dr. HASKINS. But I am still so young.

Senator WYDEN. You are. [Laughter.]

We will put you in the youth caucus as well. And I am looking forward to pursuing economic mobility issues with you as well in the days ahead, and I will have a question on that in a moment.

Now, I want to take what we have done in Oregon and get your sense sort of on one of the opportunities for reform. My home State has focused primarily on education and trying to find ways to keep families together. Those are our special kind of priorities. Now, this approach coincided with the recession, which hit my State particularly hard.

Between December 2007 and December of 2009, nationwide caseloads went up 12 percent, but Oregon's went up 40 percent. Two-parent caseloads alone went up over 214 percent. So now we are looking at the prospect of $27.5 million in Federal fines for not meeting the work participation rates.

So the question I have is about your sense of a policy change. In an economy with fewer jobs than job-seekers, would it not make sense to give the States more credit for moving a public assistance recipient into a job rather than simply moving them off the rolls, because it seems to me, if we take that as kind of a fundamental proposition, we could look at a variety of new approaches, like perhaps giving the States a waiver to start trying some demonstration projects in this area?

What is your thinking on that point?

Dr. HASKINS. Yes. I think it is a good idea. It is a reasonable thing to do. I am worried about the way you actually measure it. It would give the States something new to report. What it is compared to is an issue.

So there are a lot of issues about how to measure it, but I think basically it is a sound idea, as long as we did not lose the focus on work. A lot of people get jobs during a recession.

What you say about the number of people looking for a job and the ratio to number of jobs available was worse in this recession than any time since the Depression. So that is a consideration in how you are to find a job.

But people still find jobs even during a recession. So, again, it is like the original TANF program, the balance between a reasonable policy and a policy that does put pressure on people to work. As long as that is maintained, then I think your idea is a good one.

Senator WYDEN. Well, it is that balance that I am interested in, and I think Senator Cardin has made a number of good points on this. And that is why the approach of trying particularly to let

States that have been creative—and as you know, Oregon has been consistently in terms of human resources—get a waiver to try some of these approaches, I think would be attractive.

Let me ask you a little bit about the economic mobility issues. As you know, I am going to be one of the co-chairs of the caucus which is going to kick off here very shortly in partnership with Pew.

Now, you have touched on a number of policy recommendations, but why don't you, if you would not mind, just give us a couple of recommendations with respect to the economic mobility work that you have been pursuing, because I think this is hugely important. We are seeing, of course, these major regional differences, which I gather our colleagues have touched on before I came in, as well.

Why don't you, just for purposes of the rest of my time, give us a sense of a couple of recommendations that you think are particularly important on the mobility issue?

Dr. HASKINS. Let me mention two. The first one is everything we have been talking about in this hearing room today, because the way to increase mobility, one big way to increase it, is to start at the bottom. Those are the people who are most disadvantaged.

If you look at the data on earnings and almost any measure of income, the bottom is what has really been stagnant. In fact, the bottom would have been even worse than stagnant, would have declined, if it had not been for Federal benefits.

So the Federal transfer of payments for wealthy or more advantaged people to low-income people has actually meant that, even over the period of the last 2 or 3 decades, the bottom has actually moved up, unlike what you are likely to read in the *New York Times*. And a big part of that is that so many people at the bottom work, especially single moms.

So the purpose of TANF is verified by the importance to increasing mobility in the United States. Start at the bottom, help them first.

The second thing is that I think we need to figure out a much better way to get kids into junior colleges and colleges. We are working on that. And I would not fault social policy at either the Federal or State level, but we need an even more intense and a smarter focus on it.

The reason is that low-income kids are still at a disadvantage. They are less likely to enroll either in 2- or 4-year colleges, and they are more likely to drop out despite the fact that they are less likely to enroll.

So the difference in achieving a 2-year or 4-year degree between kids from the bottom and kids from the top is enormous, and that is something we ought to focus on, especially because we have very good data from universities, long-term data, where we can compare the income of kids to their own parents. That is how long these kids have been followed, over 40 years.

And it shows that, if a low-income kid from the bottom 20 percent, roughly below $20,000, if they get a college degree, their chances of staying in the bottom are cut by more than half, and their chance of making it to the top is increased by a factor of four.

Name any other intervention that would increase something by a factor of four. So this is an extremely important problem. We just

simply have to figure out a better way to get kids in junior college and college, especially low-income kids. And a big part of it is making the high schools better. I know that is hard, but that is a big part of it.

Senator WYDEN. Well said. My time has expired, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Thune?

Senator THUNE. Thank you, Mr. Chairman. And thanks for holding the hearing today on an important subject. Thank you all for taking your time to share your insights with us.

Let me ask this of Dr. Lein and then maybe Ms. Brown as well. Why do you think that the utilization of the TANF program has decreased?

Dr. LEIN. I think there are several contributing factors to it. I think it is hard to use, and it is particularly hard to use if you really do not think you are going to get a job and you are not going to be able to meet those work requirements. So I think some people just opt out for that reason.

I think a lot of families are doing things, and feel they have to do things in that network sense, that make TANF harder to do. They have other people living in their household. They are drawing on their networks in ways. They are engaged in the informal labor market, trying to make ends meet, and it does not mesh well with the TANF program.

And I think, unless they are in a program where they see some movement up through education and training, it also appears that they are not going to be helped to be placed in jobs that would actually dramatically change their situation. So I think there is that part of it.

The second thing that families tell us is that the TANF payments are actually only part of the picture, and as long as they were using it as an avenue into Medicaid, into other kinds of supports, it was more valuable to them than just the cash payment itself, and those have become somewhat separated.

Senator THUNE. Same answer, Ms. Brown?

Ms. BROWN. Pretty much. I would just like to add that, at the risk of making this more complicated, in addition to the TANF program, there are other types of investments that States are making, and sometimes States will take families whom they think are not likely to succeed in the work activity program and move them into a separate program. And so they are not counted in the numbers that you would see in TANF.

Now, in very tight economic times, that becomes more and more difficult for the States.

Senator THUNE. And what reforms, if any, do you think Congress ought to make to TANF in order to ensure that States are more proactive in assisting families as they prepare for and find jobs? Are there things that we ought to be doing and we are not doing?

Ms. BROWN. Well, I think we ought to go back to the point that sounds very simplistic, but is really complicated of course, and that is the idea to start first very clearly with the goals of the program, making sure those are still the goals that you want them to be, and then look at the incentives and the way that the success of the States is measured.

Having one measure, and one measure that does not tell you very much about whether the States are actually achieving what you hoped they would, is not going to encourage States to make changes.

If you were to think about some different measure or basket of measures that were more focused on outcomes or that gave States more flexibility for families that had larger problems or more significant problems, those are the kinds of things that we have seen make a difference when you are using a block grant, where there is a lot of flexibility but you still want to hold a State accountable.

Senator THUNE. Yes.

Dr. LEIN. I think there are three issues, following up on what Ron said: I think making more allowance for opportunities for education and training that may extend beyond some of the limits in many States; I think looking at coordinated programs that would increase father involvement with families; and third, looking at ways in which to expand people's ability to get child care during the time they are trying to enter the labor force and to keep that child care for some time afterwards.

Senator THUNE. Good. Let me ask just quickly one other question, and that has to do with a GAO report out here recently that suggested that there is about somewhere in the neighborhood of $4 billion or north of there in refundable tax credits, payments made to people who are claiming children who do not live in this country and are here illegally.

And there is some legislation, which I am cosponsoring now, that would require greater documentation to prove that you are here legally in order to benefit from that program. Are those the types of reforms that you would support, that you think make sense? Obviously, this is something where you have people who are not here legally benefitting from a program at great cost for the taxpayers.

Does anybody want to take a shot at that?

Dr. HASKINS. Yes. I would support something like that. The EITC, despite being a great program, as we have discussed several times during this hearing already, has a very high—whatever you want to call it—error rate. Some of it is because of, I think, legitimate mistakes, but this case where people are undocumented and claiming EITC, I think that it is illegal under the current law, and we ought to have a way to detect it.

The problem with the solutions for EITC for this problem and other problems is that we spend billions in error on the EITC. The problem is trying to figure out a way to get enough information about each individual case so you can make a judgment about whether it is legal that they are claiming a benefit.

It is a very expensive, hard thing to do. I once had, I think, a 2-hour meeting with IRS specifically on this issue about what we could do, and eventually virtually nothing was done. We discussed all kinds of ideas, but they were all very—they would have greatly increased the workload of the IRS.

Senator THUNE. Thank you, Mr. Chairman. Thank you all.

The CHAIRMAN. Thank you, Senator.

I thank you, all of you. This was very provocative and very informative. The burden is on us now to make sure the next steps are constructive and positive. But this has been very, very helpful.

I have learned a lot, I know, from this hearing. Thank you very, very much.

This will help as we move toward reauthorization of TANF and ancillary measures. Thank you.

The hearing is adjourned.

[Whereupon, at 11:30 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

United States Government Accountability Office

GAO

Testimony
Before the Senate Finance Committee

For Release on Delivery
Expected at 10:00 a.m. EDT
Tuesday, June 5, 2012

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Update on Program Performance

Statement of Kay E. Brown, Director
Education, Workforce and Income Security Issues

GAO-12-812T

Chairman Baucus, Ranking Member Hatch, and Members of the Committee,

I am pleased to have the opportunity to participate in today's discussion on combating poverty and understanding new challenges for families. I will focus on the role of the Temporary Assistance for Needy Families (TANF) block grant in helping low-income families with children. As you know, the federal government significantly changed federal welfare policy in 1996 when it created TANF, a $16.5 billion annual block grant provided to states to operate their own welfare programs within federal guidelines.[1] States are also required to maintain a specified level of their own spending to receive TANF funds. Over the past 15 years, the federal government and states have spent a total of $406 billion for TANF, about 60 percent of which were federal funds. This federal-state partnership has undergone multiple program and fiscal changes, including a dramatic drop in the number of families receiving monthly cash assistance benefits, as well as two economic recessions. According to the Bureau of the Census, poverty among children fell from about 21 percent in 1995 to about 16 percent in 2000, rising again to 22 percent in 2010. Examining TANF's past performance can help shed light on the challenges facing low-income families and the role of the federal government in combating poverty.

My remarks today –based primarily on reports issued by GAO from 2010 to 2012 on TANF and related issues—will focus on TANF's performance in three areas: (1) as a cash safety net for families in need, (2) as a welfare-to-work program that promotes employment, and (3) as a funding source for various services that address families' needs. We used multiple methodologies to develop our findings for these reports. We reviewed and analyzed state TANF data reported to the Department of Health and Human Services (HHS); reported on microsimulation analyses conducted for us by the Urban Institute; reviewed relevant federal laws, regulations, and guidance and relevant research on the factors affecting the decline of cash recipient families; interviewed HHS officials; and collected information from TANF officials using different methods for different studies, including surveying and interviewing state TANF administrators and conducting site visits in selected states. We assessed the data we received for data reliability and concluded that the data were

[1] See Pub. L. No. 104-193, § 103(a)(1), 110 Stat. 2105, 2112.

sufficiently reliable for the purposes of this testimony. (See related reports cited throughout for more information on scope and methodology of our work.) We conducted our work in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, the federal-state TANF partnership makes significant resources available to address poverty in the lives of families with children. With these resources, TANF has provided a basic safety net to many families and helped many parents step into jobs. At the same time, there are questions about the strength and breadth of the TANF safety net. Many eligible families—some of whom have very low incomes—are not receiving TANF cash assistance. Regarding TANF as a welfare-to-work program, the emphasis on work participation rates as a measure of state program performance has helped change the culture of state welfare programs to focus on moving families into employment. However, features of the work participation rates as currently implemented undercut their effectiveness as a way to encourage states to engage parents, including those difficult to serve, and help them achieve self-sufficiency. Finally, states have used TANF funds to support a variety of programs other than cash assistance as allowed by law. Yet, we do not know enough about this spending or whether this flexibility is resulting in the most efficient and effective use of funds at this time.

Background

The TANF block grant was created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)[2] and was designed to give states the flexibility to provide both traditional welfare cash assistance benefits as well as a variety of other benefits and services to meet the needs of low-income families and children. States have responsibility for designing, implementing, and administering their welfare programs to comply with federal guidelines, as defined by federal law and HHS that oversees state TANF programs at the federal level. Importantly, with the fixed federal funding stream, states assume greater fiscal risks in the event of a recession or increased program costs.

[2] Pub. L. No. 104-193, § 103(a), 110 Stat. 2105, 2112.

However, in acknowledgment of these risks, PRWORA also created a TANF Contingency Fund that states could access in times of economic distress.[3] Similarly, during the recent economic recession, Congress created a $5 billion Emergency Contingency Fund for state TANF programs through the American Recovery and Reinvestment Act of 2009, available in fiscal years 2009 and 2010.[4]

TANF's Cash Assistance Role Has Declined

The story of TANF's early years is well known. During a strong economy, increased federal support for work supports like child care, and the new TANF program's emphasis on work, welfare rolls were cut by more than half. Many former welfare recipients increased their income through employment, and employment rates among single parents increased. At the same time that some families worked more and had higher incomes, others had income that left them still eligible for TANF cash assistance. However, many of these eligible families were not participating in the program. According to our estimates in a previous report,[5] the vast majority—87 percent—of the caseload decline can be explained by the decline in eligible families participating in the program, in part because of changes to state welfare programs. These changes include mandatory work requirements, changes to application procedures, lower benefits, and policies such as lifetime limits on assistance, diversion policies, and sanctions for non-compliance, according to a review of the research. Among eligible families who did not participate, 11 percent did not work, did not receive means-tested disability benefits, and had very low incomes. While we have not updated this analysis, some research shows that this potentially vulnerable group may be growing.[6]

Despite the decrease in the cash assistance caseload overall, the number of cases in which aid was provided only for the children in the household increased slightly, amounting to about half the cash assistance caseload. For these households, the adult is not included in the benefit calculation,

[3] Pub. L. No. 104-193, § 103(a)(1), 110 Stat. 2105, 2122.

[4] Pub. L. No. 111-5, § 2101(a)(1), 123 Stat. 115, 446.

[5] GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State.* GAO-10-164 (Washington, D.C.: February 2010).

[6] Pamela Loprestand Austin Nichols. *The Dynamics of Disconnection for Low-Income Mothers,* Focus, Vol. 28, No. 2, (Fall/Winter 2011-12).

generally either because: (1) the parent is receiving cash support through the Supplemental Security Income program; (2) the parent is an immigrant who is ineligible; (3) the child is living with a nonparent caregiver; or (4) the parent has been sanctioned and removed from cash assistance for failing to comply with program requirements. Nationally, about one-third of these "child only" households are children living with non-parent caregivers.

We also know that during and after this recent significant recession, while caseloads increased in most states, the overall national increase totaled about 13 percent from fiscal years 2008 to 2011. This has been the first test of TANF—with its capped block grant structure—during severe economic times. This relatively modest increase—and decreases in some states—has raised questions about the responsiveness of TANF to changing economic conditions. We recently completed work on what was happening to people who had exhausted their unemployment insurance benefits after losing a job in the recession.[7] While almost 40 percent of near-poor households with children that had exhausted UI received aid through the Supplemental Nutrition Assistance Program (formerly known as food stamps), we estimated that less than 10 percent received TANF cash assistance.

TANF Emphasizes the Importance of Work but Its Work Performance Measure Falls Short

A key TANF goal is helping parents prepare for and find jobs. The primary means to measure state efforts in this area has been TANF's work participation requirements. Generally, states are held accountable for ensuring that at least 50 percent of all families receiving TANF cash assistance and considered work-eligible participate in one or more of the federally defined allowable activities for the required number of hours each week. However, over the years, states have not typically engaged that many recipients in work activities on an annual basis—instead, states have engaged about one third of families in allowable work activities nationwide. Most states have relied on a combination of factors, including various policy and funding options in federal law and regulations, to meet the work participation requirements without reaching the specified 50 percent.[8]

[7] GAO, *Unemployment Insurance: Economic Circumstances of Individuals Who Exhausted Benefits*, GAO-12-408 (Washington, D.C.: February 2012).

[8] GAO-10-525.

Factors that influenced states' work participation rates included not only the number of families receiving TANF cash assistance who participated in work activities, but also:

- decreases in the number of families receiving TANF cash assistance (not due to program eligibility changes) that provide a state credit toward meeting its rates ,
- state spending on TANF-related services beyond what is required that also provides a state credit toward meeting its rates,
- state policies that allow working families to continue receiving TANF cash assistance, helping a state to increase its rate, and
- state policies that provide nonworking families cash assistance outside of the TANF program. For example, some states serve families with work barriers outside of state TANF because of concerns that they will not be able to meet work requirements.

Many states have cited challenges in meeting TANF work participation rates, such as requirements to verify participants' actual activity hours and certain limitations on the types and timing of activities that count toward meeting the requirements.

Because of the various factors that affect the calculation of states' work participation rates, the rate's usefulness as an indicator of a state's effort to help participants achieve self-sufficiency is limited. Further, the TANF work participation rates, as enacted, in combination with the flexibility provided, may not serve as an incentive for states to engage more families or to work with families with complex needs.

States Rely on TANF Flexibility to Provide a Broad Array of Services

While the focus is often on TANF's role in cash assistance, it plays a significant role in states' budgets for other programs and services for low-income families, as allowed under TANF. The substantial decline in traditional cash assistance caseloads combined with state spending flexibilities under the TANF block grant allowed states to broaden their use of TANF funds. As a result, TANF and state TANF-related dollars played an increasing role in state budgets outside of traditional cash assistance payments. In our 2006 report that reviewed state budgets in nine states,[9] we found that in the decade after Congress created TANF,

[9] GAO-06-414.

the states used their federal and state TANF-related funds to support a wide range of state priorities, such as child welfare services, mental health services, substance abuse services, prekindergarten, and refundable state earned income credits for the working poor, among others.

While some of this spending, such as that for child care assistance, relates directly to helping cash assistance recipients leave and stay off the welfare rolls, other spending is directed to a broader population that did not necessarily ever receive welfare payments. This is in keeping with the broad purposes of TANF specified in the law:

- providing assistance to needy families so that children could be cared for in their own homes or in the homes of relatives;
- ending needy families' dependence on government benefits by promoting job preparation, work, and marriage;
- preventing and reducing the incidence of out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

This trend away from cash assistance has continued. In fact, in fiscal year 2011, federal TANF and state expenditures for purposes other than cash assistance[10] totaled 71 percent of all expenditures. This stands in sharp contrast with 27 percent spent for purposes other than cash assistance in fiscal year 1997, when states first implemented TANF. Beyond the cash assistance rolls, the total number of families assisted is not known, as we have noted in our previous work.[11]

TANF funds can play an important role in some states' child welfare budgets. In our previous work,[12] Texas state officials told us that 30

[10] We refer to this category as cash assistance, although in federal law, regulations and expenditure reports it is referred to as "assistance" which includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs. In each of these years, the vast majority of the expenditures were for cash assistance.

[11] GAO, *Welfare Reform: States Provide TANF-Funded Services to Many Low-Income Families Who Do Not Receive Cash Assistance*, GAO-02-564 (Washington, D.C.: Apr. 5, 2002).

[12] GAO-12-2.

percent of the child welfare agency's budget was funded with TANF dollars in state fiscal year 2010. Many states have used TANF to fund child welfare services because, although TANF funding is a capped block grant, it is a relatively flexible funding source. However, some states may not be able to continue relying on TANF to fund child welfare services because they need to use TANF funds to address other program goals, such as promoting work. For example, Tennessee officials told us that they previously used some of their TANF grant to fund enhanced payments for children's relative caregivers and their Relative Caregiver Program, but that the state recently discontinued this practice due to budget constraints.

While states have devoted significant amounts of the block grant as well as state funds to these and other activities, little is known about the use of these funds. Existing TANF oversight mechanisms focus more on the cash assistance and welfare-to-work components of the block grant. For example, when states use TANF funds for some purposes, they are not required to report on funding levels for specific services and how those services fit into a strategy or approach for meeting TANF goals. In effect, there is little information on the numbers of people served by TANF-funded programs other than cash assistance, and there is no real measure of workload or of how services supported by TANF and state TANF-related funds meet the goals of welfare reform. This information gap hinders decision makers in considering the success of TANF and what trade offs might be involved in any changes to TANF when it is authorized.

Concluding Observations

The federal-state TANF partnership makes significant resources available to address poverty in the lives of families with children. With these resources, TANF has provided a basic safety net to many families, triggered a focus on work in the nation's welfare offices while helping many parents step into jobs, and provided states flexibility to help families in ways they believe will help prevent dependence on public assistance and improve the lives of children.

At the same time, it does raise questions about the strength and breadth of the TANF safety net. Are some eligible families falling through?

The emphasis on work participation rates as a measure of program performance has helped change the culture of state welfare programs to focus on moving families into employment, but weaknesses in the measure undercut its effectiveness. Are the work participation rates

providing the right incentive to states to engage parents, including those difficult to serve, and help them achieve self-sufficiency?

The flexibility of the TANF block grant has allowed states to shift their spending away from cash assistance and toward other programs and services for low-income families, potentially expanding the ability of states to combat poverty in new ways. However, we do not have enough information about the use of these funds to determine whether this flexibility is resulting in the most efficient and effective strategies at this time of scarce government resources and great need among the nation's low-income families.

Chairman Baucus, Ranking Member Hatch, and Members of the Committee, this concludes my statement. I would be pleased to respond to any questions you may have.

GAO Contacts and Acknowledgments

For questions about this statement, please contact me at (202) 512-7215 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony include Alexander G. Galuten, Gale C. Harris, Sara S. Kelly, Kathryn A. Larin, and Theresa Lo.

Testimony of Ron Haskins
Co-Director of the Center on Children and Families
Brookings Institution, and
Senior Consultant, Annie E. Casey Foundation
Before the Committee on Finance
U.S. Senate
June 5, 2012

Chairman Baucus, Ranking Member Hatch, and Members of the Committee:

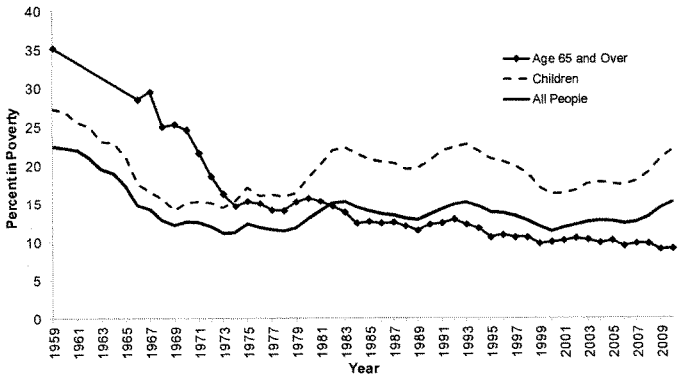
My name is Ron Haskins and I'm pleased and privileged to have the opportunity to testify before the Finance Committee about poverty. Few topics have enjoyed as much attention from federal policymakers over the past half century as poverty and what can be done to reduce it. After a brief review of our success, such as it is, in reducing poverty, I examine the major causes of poverty, trends in spending to help poor and low-income Americans, and strategies Congress has adopted to fight poverty. Poverty has shown great if unfortunate staying power, but we have learned useful lessons about how to fight it.

Poverty Trends

Figure 1 shows poverty trends since the 1960s for the elderly, children, and all people. After some initial progress in the 1960s, and continuing progress for the elderly, the nation has made surprisingly little progress against poverty. The nation's inability to reduce children's poverty is especially troublesome. A review of the leading causes of poverty shows why trends in the economy, demography, and education make progress against poverty so difficult to achieve.

Figure 1

Poverty Rates for All People, Children, and the Elderly, 1959-2010



Source: Census Bureau, Poverty Division, CPS ASEC, "Table 3. Poverty Status of People, by Age, Race, and Hispanic Origin: 1959 to 2010."

Causes of Poverty

Work Rates

In the United States, with the important exception of those on Social Security, the only way for most adults and families to avoid poverty is to work. Yet between 1980 and 2009, work rates for men declined from 74.2 percent to 67.6 percent, a fall of around 9 percent. The trend for young black men (ages 20-24) is even worse. Starting from the very low base of 60.9 percent, their ratio declined to the startling level of 46.9 percent, a decline of nearly 23 percent.[1] Work among young black males is a national crisis.[2]

The work rate of women stands in sharp contrast to that of men. In 2007 before the Great Recession set in, 58.1 percent of women were working, a 25 percent increase since 1980. These figures reflect the post-World War II trend of the relentlessly increasing participation by women – including mothers of young children – in the nation's economy. Equally impressive is the 20 percent rise in work by lone mothers over the same period, a trend that bears directly on child poverty rates because children in female-headed families are four or five times (depending on the year) more likely to be in poverty than children in married-couple families.[3] Even more important for the nation's poverty rate, work by never-married mothers rose more sharply than that of any other group during the 1990s. These mothers and their children have always been the group most likely to be in poverty, including long-term poverty, in large part because their work rates have been so low.[4] In 1983, for example, only about only 35 percent of never-married mothers worked. After the welfare reform legislation of 1996, their work rate exploded, increasing from 46.5 percent in 1995 to 66.0 percent in 1999, an increase of more than 40 percent in just four years. Equally surprising, after a lengthy period of employment stagnation and decline associated with the mild recession of 2001 and the deep recession of 2007-2009, in 2010 their work rate was still more than 25 percent higher than it had been before welfare reform in the mid-1990s.

The fact that in 2007 – before the Great Recession – the work rates of males and females were 72 percent and 58 percent respectively, combined with the fact that the poverty rate for individuals in families in which no one works is nearly eight times as high as the poverty rate for individuals in families with at least one full-time, year-round worker, shows that there is plenty of room for improvement.[5] This uneven record of maintaining high levels of work is a leading cause of poverty in America. Without high work levels, it will be difficult to mount an effective fight against poverty.

Wages

Wage rates are a second work-associated factor that has a major impact on poverty. Based on data from the U.S. Census Bureau, trends in wages since 1979 can be succinctly summarized. Wages at the 10th percentile fell and then recovered and ended the nearly three decade period almost exactly where they were in 1979. The general trend of wages at the 50th percentile was a slow increase amounting to about a 10 percent rise over the entire period. At the top, by contrast, wages did very well, increasing 32 percent over the period at the 90th percentile. If we were to plot wages higher up in the distribution, they would rise even higher.[6]

In 2007, wages at the 10th percentile were about $8 per hour, more or less where they were in 1979 if inflation is taken into account. Working at this wage for 35 hours a week year round, a person would earn $14,560, $2,145 under the poverty level for a family of three. It is an amazing mathematical fact that 10 percent of all workers will always be at the 10th percentile of earnings or below. Thus, if wages do not improve at the bottom, all single parents with two or more children at or below the 10th percentile – and even many above the 10th percentile – will always be in poverty if earnings are their only income.

Family Composition.

In 2009, the poverty rate for children in married-couple families was 11.0 percent. By contrast, the poverty rate for children in female-headed families was 44.3 percent.[7] The difference between these two poverty rates is a specter haunting American social policy because the percentage of American children who live in female-headed families has been increasing relentlessly for over five decades. In 1950, 6.3 percent of families with children were headed by a single mother. By 2010, 23.9 percent of families with children had single-mother heads.[8] That a higher and higher fraction of children live in the family type in which they are about four times as likely to be poor exerts strong upward pressure on the poverty rate. One way to think of the shift to female-headed families is that even if government policy were successful in moving people out of poverty, the large changes in family composition serve to offset at least part of the progress that otherwise would be made. In fact, a Brookings analysis shows that if we had the marriage rate we had in 1970, the poverty rate would fall by more than 25 percent.[9]

Education

There now appears to be universal agreement that the combination of technological advances and globalization have resulted in education being a major factor in determining the employment and earnings of many American workers.[10] Census Bureau data on the relationship between education and family income since the 1960s show that families headed by adults with more education make more money. Some of the differences are huge. In 2009, the difference in median family income between families headed by an individual who dropped out of high school and families headed by an individual with a bachelor's degree or higher was about $68,600 ($31,100 compared with $99,700).[11] Even more pertinent for examining the causes of poverty, family income for those with less than a college degree has been stagnant or declining for three decades. Without a college degree, 45 percent of the children from families in the bottom fifth of income will themselves be mired in the bottom fifth as adults. By contrast, with a college degree, adult children cut their odds of staying in the bottom fifth all the way down to 16 percent from 45 percent. The odds of making it to the top quintiles indicate similar abrupt changes if youngsters from poor families manage to achieve a college degree.[12]

Despite the great advantages of having a college degree, James Heckman has demonstrated that the high school graduation rate reached its highest level at about 80 percent in the late 1960s and has since decreased by 4 to 5 percentage points. A high school degree is usually required for college admission. Moreover, a significant gap remains between the graduation rate of white students (above 80 percent) and black and Hispanic students (both about 65 percent).[13] Ethnic gaps such as these are a continuing plague on the nation's social policy.

The four-year college enrollment and graduation rates of students from families with varying levels of income renders the education picture discouraging. Youngsters from higher-income families are more likely both to enroll in and graduate from college than youngsters from poorer families. For example, 79 percent of children whose parents were in the top income fifth enrolled in college and 53 percent earned a four-year degree. But only 34 percent of children whose parents were in the bottom income quintile enrolled in college and only 11 percent received a four-year degree. If education is one of the routes out of poverty, the American educational system seems to be perpetuating poverty and income distinctions as much as it facilitates movement up the income scale.

The effectiveness of the nation's K-12 education system is cast into serious doubt by comparing the performance of U.S. students with students from other OECD nations. In the most recent version of the Program for International Student Assessment (PISA), the U.S. was tied with two other countries for 27th in math, was 17th in science, and tied for 12th in reading.[14] A recent volume by Claudia Golden and Lawrence Katz of Harvard presents a strong case that past U.S. achievements in international competitiveness were due in large part to the superiority of the nation's system of universal education and excellent colleges and universities.[15] The U.S. now seems to be mired in a situation in which the nation's young people are at a level of educational achievement that is inferior to that of young people from many other nations. Thus, not only will the modest educational achievement of many Americans continue to make progress against poverty difficult, but American competitiveness in the global economy seems threatened.

Immigration

Until the recent recession, America had been experiencing one of the greatest waves of immigration in its history. For the past two decades, an average of about one million immigrants has obtained legal permanent resident status in the U.S. each year.[16] In addition, according to the Pew Hispanic Center, in the seven years before the Great Recession, the population of undocumented immigrants grew by an average of a little over 500,000 per year.[17] In a nation that prides itself on being built by immigrants, these large numbers alone are not particularly daunting. However, as George Borjas of Harvard shows, about 20 percent of immigrants have less than a 9th grade education as compared with a little less than 3 percent of non-immigrants.[18] Consistent with the relatively large number of immigrants who lack even minimally adequate education, Borjas also finds a long-term trend toward lower wages among immigrants. In 1940, the age-adjusted average wage of first-generation male immigrants was 5.8 percent above the average wage of non-immigrant males. This figure fell to 1.4 percent above the average wage of non-immigrant males in 1970 and then dropped dramatically to 20 percent below the non-immigrant male wage in 2000.[19]

It comes as little surprise, then, that the poverty rate among immigrants is higher than the poverty rate among native-born Americans. In 2009, the immigrant poverty rate was 19.0 percent as compared with 13.7 percent for native-born Americans. Given that the overall poverty rate for the nation was 14.3 percent, the poverty rate would be lower by about 0.6 percentage points (or around 1.9 million people) if the immigrant poverty rate were the same as the poverty rate for native-born citizens.[20]

Summary

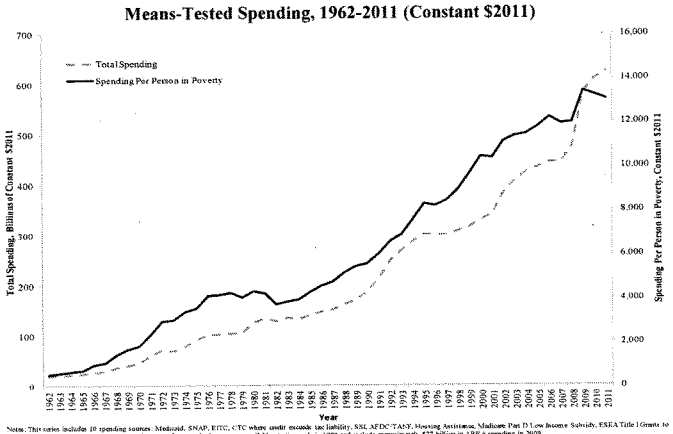
Reflecting on these five major causes of poverty leads one to understand why it has been so hard for the U.S. to make much progress against poverty despite the proliferation of social programs and the substantial increases in spending (see below) since President Johnson first declared war on poverty in the mid-1960s. Declining work rates, stagnant wages, the rise of female-headed families, inferior education, and the arrival of millions of immigrants with poor education and low skills are little engines pushing up the poverty rate. Conditions in the U.S. virtually ensure high poverty rates because the underlying factors that cause poverty have remained very strong. Even so, the nation has done a lot to reduce poverty and has even achieved a few victories as we shall now see.

Trends in Spending on Means-Tested Programs

Many analysts think that the nation could greatly reduce poverty by spending more money on programs for the poor. Figure 2, based on a Brookings analysis of federal budget data published by the Office of Management and Budget, shows that federal spending since 1962 in the ten biggest means-tested federal programs has increased dramatically. Since 1980, by which time all but two of the ten programs that spent the most money in 2011 were in place, spending has increased by about $500 billion, from $126 billion to $626 billion after adjusting for inflation. Similarly, spending per person in poverty between 1980 and 2011 increased from about $4,300 to $13,000 or more than $3 spent per person in poverty in 2011 for every dollar spent in 1980.[21] More recently, means-tested spending increased from about $477 billion to $626 billion in the first three years of the Obama administration, an increase of about 31 percent.

Figure 2

Means-Tested Spending, 1962-2011 (Constant $2011)



Note: This series includes 10 spending sources: Medicaid, SNAP, EITC, CTC where credit exceeds tax liability, SSI, AFDC/TANF, Housing Assistance, Medicare Part D Low Income Subsidy, ESEA Title I Grants to Local Educational Agencies, and Federal Pell Grants. Data on the last two are available starting only in 1980 and include approximately $27 billion in ARRA spending in 2009.
Sources: Most spending sources from OMB, Fiscal Year 2013 Budget, Tables 8.5, 11.3, 12.3. Title I and ESEA spending from Department of Education Budget History Table. Medicare data from CMS, 2011 Medicare Trustees Report, Table IV.B11, number for 2011 is estimated. All figures adjusted to constant dollars using OMB total deflator from historical table 10.1. Data on number of people in poverty through 2010 from Census Bureau, 2011 number estimated by Richard Rawlins.

The Congressional Research Service has conducted a study that divides means-tested spending into eight categories (health, cash, nutrition, employment and training, etc.). Health is by far the biggest category of means-tested spending at $319 billion in 2009, around 2.5 times as much as cash programs, the second biggest category. Employment and training at $9 billion is the smallest of the eight categories.

These spending data are for only the ten largest means-tested programs. The Congressional Research Service estimates that in 2009, spending on these ten programs represented about 75 percent of total federal means-tested spending.[22] If that percentage remained roughly the same for 2011, total federal means-tested spending in that year was closer to $835 billion than the $626 billion spent on the ten biggest programs. Even $835 billion is an underestimate of total means-tested spending because state and local governments also spend money on many of these programs. The Congressional Research Service has estimated that state and local governments supplemented

federal spending on means-tested programs by around 27 percent in 2004.[23] If we assume that the 27 percent has remained roughly constant, we can estimate that total federal, state, and local government spending on means-tested programs was probably more than $1 trillion in 2011.

On a per-person in poverty basis, that figure represents about $23,700 in spending by federal, state, and local governments. But this estimate should be considered in light of several caveats. The first is that not all of the spending on means-tested programs goes directly to individuals and families. Some of the money is spent on programs, such as the $14.5 billion spent on Title I of the No Child Left Behind Act and the $9 billion in spending on employment and training programs, that provide services rather than direct cash or in-kind benefits to individuals and families. Second, some of the money in programs that provide cash or in-kind benefits directly to households goes to individuals and families that are not below the poverty level. Children in families of up to 200 percent of the poverty level, for example, are eligible for Medicaid or the Child Health Insurance Program (CHIP) in almost every state.[24] Similarly, people in households with incomes up to 130 percent of poverty are eligible for SNAP benefits (Supplemental Nutrition Assistance Program, previously food stamps). In the case of the Earned Income Tax Credit (EITC), in 2010 a single mother with two children could receive benefits if the mother's income was below $40,964, about 225 percent of the poverty level for this family.

Thus, means-tested spending has increased enormously no matter how it is measured. Although there have been some periods of comparatively rapid growth, such as during the recession of 2007 to 2009, Figure 2 shows that spending has grown almost every year for the last five decades. The increase in spending has been the most rapid in health programs, but cash, nutrition, and several other types of spending have also increased rapidly. Spending per person in poverty has also increased substantially, although not quite as rapidly as total spending. Unfortunately, as we have seen, the high level and remarkable increases in means-tested spending have not led to consistent declines in poverty, although we have learned a lot about what works and what doesn't, a topic to which we now turn our attention.

Strategies to Reduce Poverty

Although the dramatic increase in federal spending has not led to an overall reduction in the nation's poverty rate, at least two strategies have been successful in reducing poverty within specific demographic groups. Both should be considered major successes of the nation's social policy and both could be extended. The first is to give money to people who are not expected to work and the second is to use welfare policy to strongly encourage work and then to subsidize earnings because so many of the poor have low skills and often cannot earn enough to escape poverty.

Before reviewing these and other strategies for reducing poverty, I want to emphasize the importance of individual initiative in reducing poverty and promoting economic success. My Brookings colleague Isabel Sawhill and I have spent years emphasizing the importance of individual responsibility in reducing poverty and increasing opportunity. One of our arguments, based in part on a Brookings analysis of Census Bureau data, is that young people can virtually assure that they and their families will avoid poverty if they follow three elementary rules for success – complete at least a high school education, work full time, and wait until age 21 and get married before having a baby. Based on an analysis of Census data, people who followed all three of these rules had only a 2 percent chance of being in poverty and a 72 percent chance of joining the middle class (defined as above $55,000 in 2010). These numbers were almost precisely reversed for people who violated all three rules, elevating their chance of being poor to 77 percent and reducing their chance of making the middle class to 4 percent.[25] Individual effort and good decisions about the big events in life are more important than government programs. Call it blaming the victim if you like, but decisions made by individuals are paramount in the fight to reduce poverty and increase opportunity in America. The nation's struggle to expand opportunity will continue to be an uphill battle if young people do not learn to make better decisions about their future.

Strategy 1: Give Them Money

The most straightforward way to help people escape poverty, primarily when they belong to a group, such as the elderly or disabled, who are not expected to work is to give them cash and in-kind benefits that will bring their income above the poverty threshold. The Social Security program, for example, is designed specifically to help the elderly avoid destitution. Although in its early decades it provided benefits that were quite modest by today's standards, in the early 1970s Congress enacted laws that increased the Social Security cash benefit.[26] These reforms had an immediate impact in driving down the poverty rate among the elderly. Indeed, research shows that virtually the entire decline in poverty among the elderly is accounted for by the rise in Social Security benefits.[27] In addition, nearly all the elderly are covered by the Medicare health program and the poor and low-income elderly are qualified for many other programs including housing and nutrition. If the value of taxes, in-kind benefits (except health

insurance), and the imputed return on home equity are taken into account, poverty among the elderly drops even further, from the official rate of 8.9 percent to as low as 5.3 percent.[28]

The strategy of reducing poverty by providing government benefits touches on one of the major fault lines in American politics. As polls consistently show, Americans think able-bodied, non-elderly people should earn their own way. Americans simply don't like welfare, even when someone calls it by a different name (e.g., "food stamps" or more recently "SNAP").[29] In 1995 and 1996 during the welfare reform debate, when Republicans were proposing that the cash welfare benefit of lone mothers who didn't meet work requirements be reduced or terminated and that the benefit be time limited, polls showed that the American public supported these tough policies.[30] Giving money and other goods to the poor might work with the elderly or the disabled, because Americans do not expect either group to work. But it seems likely that simply giving welfare to the able-bodied poor, even if they are single mothers, will never be an effective strategy for reducing poverty in the U.S. because it will be difficult to enact legislation authorizing the necessary spending.[31]

Strategy 2: Increase Work Rates and Work Supports

At the other end of the continuum from policies that give money and other benefits to the poor are policies that encourage work. Well over 75 percent of families with children that lack a full-time, year-round worker are in poverty.[32] An individual or family in the U.S. whose only source of income is welfare benefits cannot escape poverty.[33] It follows that an effective anti-poverty strategy would be to increase work rates. This was precisely the goal of the welfare reform legislation enacted in 1996, which replaced the Aid to Families with Dependent Children program with the Temporary Assistance for Needy Families (TANF) program. Passed on a strong bipartisan basis, and signed by Democratic President Bill Clinton, the new law required individuals to meet work requirements in order to qualify for welfare benefits. Mothers on welfare had to participate in state-designed welfare-to-work programs that provided training, job search assistance, or actual work experience. If the mothers did not participate, states were required by federal law to impose financial sanctions on them in the form of reduced or even terminated cash welfare (although they remained eligible for non-cash benefits). In addition to work requirements and sanctions, the reform law imposed a 5-year time limit on benefit receipt for most mothers who accepted welfare.

After passage of the 1996 reforms, poor mothers entered the workforce in unprecedented numbers. Between 1995 and 1999, for example, there was an increase of more than 40 percent in the number of never-married mothers, the poorest of the poor, who found employment.[34] In large part due to this increased employment of never-married mothers, poverty among all single mothers and their children fell by 30 percent, from a 1991 peak of 47.1 percent to 33.0 percent in 2000, its lowest level ever. Similarly, poverty among black children, who live disproportionately in female-headed families, reached its lowest level ever in 2001. This example demonstrates what is possible if government policy encourages and even pressures adults to go to work and then subsidizes the incomes of those who earn low wages. The combination of work requirements and earned public benefits has the appearance of an approach to reducing poverty that has strong bipartisan overtones.

It is notable that even during and after the recessions of 2001 and 2007 to 2009, work rates among never-married mothers did not return to their pre-welfare reform level. Although their work rates fell from the 1999 peak (and highest ever) of 66.0 percent to 58.7 percent in 2010, the 2010 level is still about 25 percent higher than the pre-welfare reform level of 46.5 percent in 1995.[35] On its face, the strategy of emphasizing work, even by mothers whose education and experience usually limit them to low-wage jobs, results in more mothers working and lower poverty levels than the low employment levels that prevailed during the pre-welfare reform years in which millions of mothers spent many years on the welfare rolls.[36] Further, giving benefits to mothers who work full time in order to help them and their children escape poverty is more politically popular – and therefore sustainable – than giving welfare to mothers who don't work.

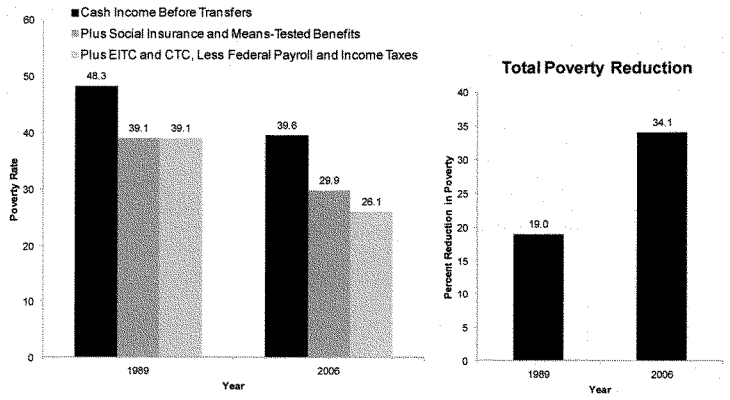
The predominance of low-wage work for poorly educated workers is the reason encouraging work is only half the federal strategy for increasing work rates to attack poverty. Millions of Americans have low-wage and part-time jobs that do not provide them with enough money to support a family at or above the poverty level. If a lone mother worked year-round, full-time at the minimum wage ($7.25 per hour), with no vacations and no time off for illness or to care for sick children, she would earn $15,080, about $2,500 below the poverty level for a mother and two children. Realizing the problem of low wages, and hoping to increase work incentives at the bottom of the wage scale, Congress and three presidents, beginning roughly in the mid-1980s, passed a series of laws that created, modified, or expanded programs that provide cash and in-kind benefits to poor and low-income working families.[37] These programs, often referred to as the nation's work support system, are structured in such a way that they provide benefits to families that have low earnings. Some of the programs, like the Child Tax Credit and the Earned Income Tax Credit (EITC), provide their benefits only to families with earnings. All of the programs allow at least some of their benefits to flow to families that avoid or leave welfare for work.

Federal policymakers developed the work support system over a period of roughly two decades.[38] If the laws on child care, medical assistance, the child tax credit, and the Earned Income Tax Credit (EITC) had not changed after 1984, a study by the Congressional Budget Office shows that in 1999 working families would have received a mere $5.6 billion in benefits. But because Congress expanded, modified, or created all these work support programs after 1984, in 1999 working families qualified for $51.7 billion in benefits. A more recent estimate of benefits from these programs for working families by Sheila Zedlewski of the Urban Institute shows that between 1996 and 2002, work support benefits grew by 27 percent in real dollars.[39] Since 2002, the EITC has been expanded twice, Medicaid coverage has expanded, food stamps benefits have been reformed to make it easier for working families to get them, and day care funding has been expanded. Federal policy does a lot to increase income and reduce poverty among low-income working families.

The increase in work by single mothers following enactment of welfare reform in 1996 activated the work support system for millions of these families, both those leaving welfare and those who never went on welfare. Work and work support, in short, functioned together to reduce poverty and welfare dependency. Figure 3 provides a clear view of the impact of government programs on children's poverty rates in families headed by never-married mothers in 1989, before welfare reform, and in 2006, after welfare reform. The raw poverty rate (before any government transfers or taxes) in 2006 was nearly 20 percent lower than in 1989 (39.6 percent vs. 48.3 percent). Undoubtedly, this decline in raw poverty before any government assistance was due to increased work and earnings by these never-married mothers. As shown by the second bar graph in each set, social insurance and non-cash benefits reduced poverty by between 20 and 25 percent in both years. But in 2006, cash benefits provided through the EITC and Child Tax Credit (CTC) sent the poverty rate down another 13 percent while in 1989 the mothers' work rate was not high enough to attract substantial support from the EITC and CTC. In short, both more work by the mothers and more work support benefits from government contributed to the final poverty rate being almost 40 percent lower in 2006 (26.1 percent) than in 1989 (39.1 percent).[40]

Figure 3

Increased Work and Government Work Supports Reduce Poverty, 1989 and 2006



Source: U.S. House of Representatives, Committee on Ways and Means, *2008 Green Book*, Appendix E, Table E-31.
Note: The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are refundable tax credits designed to help lower income families, particularly single parent families. Data are for families headed by never-married mothers.

Although controversial, a reasonable implication of these results is that federal policy should encourage work. One way to achieve this end would be to strengthen work requirements in both the SNAP program and the means-tested housing programs. This recommendation is controversial because the 1996 reforms showed that some mothers either do not find jobs or have difficulty holding down a job for an extended period. As often happens in these situations, an argument has broken out among researchers and pundits about whether the finding that many mothers do not retain employment is a major problem. There are two primary facts that are accepted by both sides.

First, the percentage of single mothers who are "disconnected" from both cash welfare and employment has more than doubled since welfare reform was enacted in 1996. Second, the percentage of poor single mothers and children who receive cash welfare from the TANF program is the lowest ever; in 1979, about 82 families were receiving cash from the old Aid to Families with Dependent Children program for every 100 families with children in poverty; by 2010 that number had fallen to 27 families receiving TANF for every 100 families in poverty.[41] One side argues that these data show that these mothers and their children are on the edge of destitution and that policy should be changed so that they can qualify for cash welfare benefits.[42] The other side argues that these mothers are choosing not to work, that they get other means-tested benefits (especially food stamps), and that they usually live with other adults who have income.[43] At the very least, the large number of mothers with very low income who are not receiving cash welfare calls for caution. Caution in this case means that strengthening work requirements in SNAP and housing programs should be done on a limited basis and studied carefully during implementation. Caution may also call for Congressional hearings and studies by Congressional agencies of how states are implementing the work requirements established by the 1996 welfare reform law and the Deficit Reduction Act.

Other Strategies

If giving money to the elderly and incentivizing work combined with supplementing earnings with work support benefits have proven to be effective in reducing poverty, at least four other strategies hold promise for reducing poverty.

Immigration. History shows that immigrants are often a hard working and creative group of people who move from their home country specifically because they want to get ahead.[44] In the U.S., however, legislation enacted in 1965 gave preference in admitting immigrants to relatives of those who are already in the U.S., regardless of their education or skill levels. It appears from recent debates that there is now widespread recognition that it would be wise to shift immigration policy to reduce the importance of family relationships in favor of increasing the emphasis on skills and on giving employers more flexibility in allowing valuable employees to stay in the U.S. The hope for legislation to reflect this recognition is being held up, however, primarily by continuing disagreements concerning what to do about undocumented immigrants. If we shifted immigration poverty to place a greater emphasis on education and skills, we would see a shift in the percentage of immigrants who earn higher wages and thereby avoid poverty. In addition, immigrants with higher education and skills would contribute more to the American economy which would in turn contribute to economic growth and increase both employment and tax revenues. There does not appear to be any downside to immigration reforms of this sort.

Reducing Nonmarital Births. One of the engines driving poverty in the U.S. is the fragmentation of families. Around a quarter of children are living in female-headed families at any given moment and about half experience at least some time during their childhood in a female-headed family.[45] When children live in female-headed families, they are at least four times as likely to be poor as when they live in a married-couple family. But poverty is not the only risk faced by these children. Since Sara McLanahan and Gary Sandefur published *Growing up with a Single Parent* in 1994,[46] social science research has repeatedly shown that children reared in female-headed families are more likely to fail in school, more likely to be arrested, more likely to get pregnant as teens, more likely to have mental health problems and to commit suicide, more likely to get a divorce when they grow up, and more likely to experience other negative outcomes.[47] In addition, as Kathy Edin has shown, these parents tend to separate within a few years, whereupon both the mother and father usually go on to form new relationships.[48] Thus, their children experience a series of changes in household composition as their mothers form new cohabiting relationships. The mother might even have a baby with one or more of these new men, creating a household with complex and often difficult relationships among the adults and usually making it hard for the children to establish a close relationship with their fathers.[49] The point is that life in female-headed families imposes both a high likelihood of poverty and of household instability that can produce negative impacts on child development.[50] If the share of children born into and living in married-couple families could be increased, poverty and childhood education, health, and mental health problems would decline, increasing the human capital of the nation's children and having a long-term impact on the nation's poverty rate.[51]

Several programs have proven successful in reducing teen pregnancy.[52] In part because of the prevalence of these programs, the U.S. teen birthrate has declined in all but three years since 1991.[53] It is difficult, however, to be too optimistic about the declining teen birthrate because as the teen birthrate has declined, the nonmarital birthrate for young women in the twenties and early thirties has increased more than enough to offset the decline in the teen rate.[54]

Even so, investments in programs aimed at reducing nonmarital births have been shown not only to actually reduce such births among women in their 20s and 30s, but to save government money.[55] The programs are a mass media campaign that encourages men to use condoms, a program for teens that both encourages abstinence and

instructs on the proper use of contraceptives, and expansion of family planning services provided by Medicaid, mostly birth control for low-income females. Similarly, the Obama administration has initiated a number of new evidence-based initiatives that could reduce the number of nonmarital births even more. Additional investments in these programs would reduce the number of nonmarital births and in doing so reduce the nation's poverty rate. but with 72 percent of black babies, 53 percent of Hispanic babies, and over 40 percent of all babies born outside marriage, there is a long way to go.[56] The nonmarital birth machine that expands poverty and produces children with less human capital than their peers being reared in married-couple families is disrupting and will continue to disrupt the nation's drive to curb poverty.

Increasing Human Capital. The most basic reason rich nations need welfare programs is because a significant fraction of their populations do not earn enough money to support themselves and their families. Since the 1960s, a major goal of anti-poverty policy has been helping the poor acquire the education and skills needed to achieve earnings that will support a decent standard of living. In other words, the goal has been to create more opportunity for economic and social achievement by helping people improve their human capital, which in turn would increase their earnings and reduce their dependency on welfare. There are four major types of programs that the U.S. uses to develop human capital: preschool programs, K-12 education, post-secondary education, and employment and training programs. All have the potential to increase human capital, thereby making the economy more efficient and competitive while simultaneously providing participants with the education and skills needed to find a productive and rewarding place in the American economy. Here I focus attention only on preschool programs.

No human capital program is so widely believed to be effective as preschool education for children from poor and low-income families.[57] The Perry Preschool Program in Michigan, the Abecedarian program in North Carolina, and the Child-Parent Centers in Chicago have all produced both immediate and long-term impacts on the development of poor children.[58] Similarly, a number of state pre-K programs have shown that they boost the development of preschool children from poor families and increase their school readiness.[59] Reviewers regularly cite these and similar programs to argue that there is rigorous evidence that preschool programs can have broad and long-lasting effects that boost human capital.[60]

Between the federal government and the states, the U.S. now spends around $31 billion on preschool programs (including child care and home visiting), mostly for children from poor and low-income families.[61] At least some of this money is being spent on programs, particularly the state pre-K programs, that are of high enough quality to produce some of the impacts achieved by Perry, Abecedarian, and the Chicago Parent-Child Centers. Unfortunately, a substantial portion of the money is being spent on preschool programs that lack an educational focus or on Head Start (about $7 billion in 2010), which has been shown by a recent random-assignment evaluation to have almost no impacts by the end of first grade. Thus, until the U.S. figures out how to achieve bigger impacts in the programs supported by our current $31 billion in expenditures on preschool programs, it cannot be expected that poor children are going to receive enough of a boost from preschool programs to make a long-term difference in their school performance, employment, or earnings.

Two courses of action now seem desirable. First, the Obama administration is subjecting Head Start to the most important and far-reaching reforms in its history. Each Head Start program is being carefully evaluated; those that fail must re-compete against other willing program operators to retain their funding. This reform should be followed carefully by Congress over the next several years through hearings and assessments from the Government Accountability Office or the Congressional Budget Office. If the Obama reforms improve the average impact of Head Start on school readiness, the school performance of poor children in grades K-12 could improve, increasing the chances that they will succeed in the American economy. Second, Congress should work with states to maintain funding of both state pre-K programs and state child care programs and to help states improve the average quality of child care, much of which is woefully inadequate.

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[1] In technical papers, work rates are called "employment to population ratios." They are calculated by putting the number in the demographic group of interest in the denominator and the number of members of this group who have jobs in the numerator.

[2] Harry J. Holzer, Paul Offner, and Elaine Sorensen, "Declining employment among young black less-educated men: The role of incarceration and child support," *Journal of Policy Analysis and Management* 24, no. 2 (2005): pp. 329-350.

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[4] As Wu and Stojnic (2007, 7-8) note, during the period between 1975 and 2000, "individuals in never-married female-headed households were roughly 4 to 5 times more likely to be in poverty relative to a randomly chosen individual in the U.S. population; similarly, individuals in never-married female-headed households were, on average, about twice as likely to live below the poverty line as individuals in ever-married female-headed households..." Lawrence L. Wu and Miodrag Stojnic, "Poverty among the Poorest-Poor in the United States: Trends for Never-Married Women and Their Children," Paper Presented at the Inaugural Conference, Center for Research on Inequalities and the Life Course, Yale University (May 2007). Available at http://www.yale.edu/ciqle/INAUGURAL%20PAPERS/pp070502.pdf.

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[10] Claudia Golden and Lawrence F. Katz, *The Race between Education and Technology* (Cambridge, MA: Harvard, 2008).

[11] U.S. Census Bureau, Historical Income Tables, "Table F-18: Educational Attainment of Householder--Families with Householder 25 Years Old and Over by Median and Mean Income" and "Table F-19: Years of School Completed--Families with Householder 25 Years Old and Over by Median and Mean Income" (http://www.census.gov/hhes/www/income/data/historical/families/index.html).

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[15] Golden and Katz, 2008.

[16] Department of Homeland Security, *Yearbook of Immigration Statistics: 2010*, Table 6 (http://www.dhs.gov/files/statistics/publications/LPR10.shtm).

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[18] U.S. Census Bureau, "Foreign-Born Population of the United States Current Population Survey - March 2009: Detailed Tables," Table 1.5 (http://www.census.gov/population/www/socdemo/foreign/cps2009.html).

[19] George J. Borjas, "Making It in America: Social Mobility in the Immigrant Population," *The Future of Children* 16, no. 2 (2006): 55–71. More recently, Borjas has noted that there was an unexplained rise in entry wages during the 1990s. See George J. Borjas and Rachel M. Freidberg, "Recent Trends in the Earnings of New Immigrants to the United States" (Working Paper 15406), Cambridge: National Bureau of Economic Research, October 2009.

[20] U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2009* (Washington, D.C.: U.S. Department of Commerce, September 2010), Table 4.

[21] The number of people in poverty in 2011 will not be published by the Census Bureau until next fall. Based on a model designed by Richard Bavier, a former senior official at OMB, that has successfully predicted the poverty level for the past several years, poverty increased by .6 percentage points in 2011, bringing the poverty rate to 15.7 percent in that year. According to the American Community Survey, the population of the United States in 2011 was 306 million. Thus, around 48,042,000 people were poor in 2011. This is the figure I used to compute means-tested spending per person in poverty for 2011.

[22] Karen Spar, "Federal Benefits and Services for People with Low Income: Programs, Policy, and Spending, FY2008-FY2009" (R41625), Washington, DC: Congressional Research Service, January 2011, p. 12.

[23] Domestic Social Policy Division, "Cash and noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2002-FY2004" (RL33340), Washington, DC: Congressional Research Service, March 2006.

[24] According to the Kaiser Family Foundation, only North Dakota, Oklahoma, Arkansas, and Idaho set the child eligibility level for Medicaid and CHIP below 200 percent of poverty; half the states are at 250 percent or above. See http://www.kff.org/medicaid/upload/7993-02.pdf

[25] The Brookings analysis is suggestive rather than definitive because of something called selection effects. People who at least complete high school, get a job, and get married and wait until age 21 to have babies may differ in other ways that could account for their ability to avoid poverty and join the middle class. There may be four rules, or five rules, or a dozen rules, most of which those who follow the three rules we specify also follow. If this were true, then attributing success to our three rules would be misleading.

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[34] The percentage increase is based on our analysis of data from the Annual Social and Economic Supplement to the Current Population Survey. The percentage of never-married mothers employed in 1995 was 47; by 1999, the percentage had increased to 66.
[35] Brookings tabulations of data from the Annual Social and Economic Supplement to the Current Population Survey.
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[37] Carolyn J. Heinrich and John Karl Scholz, editors, *Making the Work-Based Safety Net Work Better: For ward-Looking Policies to Help Low-Income Families* (New York: Russell Sage, 2009).
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STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER U.S. SENATE COMMITTEE ON FINANCE HEARING OF JUNE 5, 2012 COMBATING POVERTY: UNDERSTANDING NEW CHALLENGES FOR FAMILIES

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the impact of poverty on American families:

With our economy still struggling, poverty remains a critical challenge for our nation. The 2010 poverty rate of 15.1 percent was the highest seen in the past 17 years. The current economic recession is especially acute for children. In 2010, over one in five children were poor. That is up from about one in six in 2006.

Poverty is also an incredibly complicated issue — one that the federal government can only address within the bounds of a federal system that reserves most of these policy decisions to the states. There will continue to be a robust discussion on the role of the federal government as it relates to poverty.

One thing we can certainly agree upon, however, is that poverty is bad for children and in some cases is a risk factor for child neglect or maltreatment. It is that correlation between poverty and the potential for child neglect that I intend to focus on today.

According to data assembled by the Center for Law and Social Policy, poverty is the single best predictor of child maltreatment. Children living in families with incomes below $15,000 were 22 times more likely to be abused or neglected than those living in families with incomes of $30,000 or more.

Now, I want to be clear. Poverty does not cause neglect. And being poor does not mean that one is a neglectful parent. But poverty does add stress to already over-stressed families and creates conditions that often are detrimental for children.

Parents living in deep and persistent poverty are often tired, frustrated, and frightened, leading to short tempers directed towards their children.

Many parents in poverty suffer from substance abuse or mental illness and are unwilling or unable to get support for these problems.

And subpar housing exposes children to real health risks.

Unfortunately, the programs under the jurisdiction of our committee designed to address poverty do not work well together, even though they are essentially serving the same families.

The most salient example of this is Temporary Assistance for Needy Families or TANF. TANF is a block grant to states for their use in ending dependence on government benefits and more broadly, to promote child well-being. Over time, the focus of TANF has shifted from working with job-ready adults and preparing them for work, to a funding stream largely dedicated to purposes unconnected to job readiness.

Based on the spending and the composition of the caseload, one can argue that TANF — as a robust welfare-to-work program — has all but diminished and in large part been replaced by the emergence of TANF as a child welfare program.

The authorization for the TANF programs expired at the end of FY 2010. During the year leading up to the expiration of TANF and each subsequent year, the Obama Administration has failed to propose a comprehensive reauthorization of these programs.

If this committee decides to reauthorize TANF next year, Members will need to decide whether or not to recalibrate the program back to a welfare-to-work program. Instead, if Members acknowledge and accept that TANF spending and much of cash assistance is directed to low income children, then we need to address the fact that this TANF spending is largely unaccounted for and that TANF agencies do not coordinate their spending and services with child welfare agencies.

I hope that the next few years will usher in much needed reforms to the child welfare system. As I believe we will learn today, the TANF block grant will have to be a part of that conversation. Thank you, Mr. Chairman and I look forward to hearing from our witnesses.

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Testimony of
Laura Lein
Dean and Katherine Reebel Collegiate Professor of Social Work
The University of Michigan

Before the
United States Senate Committee on Finance

Hearing on

Combating Poverty: Understanding New Challenges for Families

Poverty and Welfare in a Time of Recession:
Lessons from Families Lived Experiences

June 5, 2012

Chairman Baucus, Ranking Member Hatch and Members of the Committee, thank you for inviting me to testify before you today. My name is Laura Lein and I am Dean and Katherine Reebel Collegiate Professor of Social Work at the University of Michigan's School of Social Work. I have spent my career concentrating on the interface between families in poverty and the institutions that serve them.

Programs for families in poverty are at the intersection of three related sets of programs: workforce and economic development programs, child welfare and early education programs, and means-tested income assistance programs. Work in this area is not new, of course, but our current recession is testing programs' efficiency and effectiveness. As poverty rates rise, it becomes more important to recognize that families experience many different pathways into poverty, and that the supports necessary to stabilize families and encourage their full participation in our economy and in our civil society are multi-faceted. Such supports care for both children in poverty – the parents and workers of the future – and for the current workers and parents. We need to expand basic education and workforce development. We need to make quality early childhood education and child care widely available to low income families. We need assistance programs that can protect families and their children from near-destitution.

Families that struggle between limited access to welfare and low-wage uncertain work face a range of challenges. It is not just the nature of these challenges that impedes their progress, but their multiplicity. A study of welfare leaves (Lein and Schexnayder, 2007) discovered that the number of barriers welfare leavers faced (child care, transportation, health, housing insecurity, food insecurity) was itself a barrier magnifying the difficulties posed by any single barrier or problem. One barrier accentuated the impact of another: for instance, families with transportation problems had trouble getting to necessary health services.

Furthermore, families sustaining long-term unemployment accrue debt (Chiteji and Danziger, 2011) for medical care, housing costs, and living expenses. Other qualitative research indicates that these families also have drawn heavily on their informal helping networks of friends and relatives, people who themselves are often economically vulnerable (Edin and Lein, 1997).

*** Both the welfare eligible and welfare-using populations are varied and probably increasingly so.**

Even as the recession slowly releases its grip, poverty rates in the United States remain high, and larger groups of the American public are experiencing periods of poverty and near-poverty, even though use of TANF (Temporary Assistance for Needy Families) remains relatively low. In addition to periods of unemployment, people are experiencing unstable underemployment. The population who may be income-eligible for TANF and other benefits is varied in need and may require distinctly different services.

Researchers in Washington State (Mancuso et al., 2010), studying those with some welfare receipt in 2007 and then tracked for three years, indicated five different profiles of 2007 welfare users:

> "-- Quick leavers: Left within 1 year of their last month on TANF in FY 2007 and did not return.
>
> -- Slow leavers: Took more than 1 year to leave following their last month on TANF in FY 2007 and did not return.
>
> -- Low intensity cyclers: Left and returned at least once, with no more than 12 months on TANF over the 36 month follow-up.
>
> -- High intensity cyclers: Left and returned at least once, with more than 12 months on TANF over the 36 month follow-up.
>
> -- Stayers: Continued on the caseload with no break longer than 1 month."

These groups, composed primarily of single mothers and their children, each require an approach to the provision of services tailored to their needs and situation. What is more common, however, in our current TANF systems across the states is a single, somewhat minimalist approach which is likely to be perceived by users as relatively unhelpful.

*** Both welfare support and the income from low-wage labor leave families struggling.**

We've known for some time that families cannot sustain a basic pattern of expenditures when they draw only on cash welfare or only on low-wage work. (Edin and Lein, 1997). Furthermore, as households move off of welfare and face the entry-level labor market, they are increasingly vulnerable to a declining standard of living even if their income increases (Romich, Simmelink, and Holt, 2007). That is, they are likely to lose their eligibility for means-tested benefits before their income grows enough to make up for the loss. Overall, low-income working families remain highly dependent on access to EITC (Earned Income Tax Credit), subsidized child care, and medical care insurance, and they remain highly vulnerable to de-stabilizing events (Lein and Schexnayder, 2007; Seefedlt and Horowski, 2012).

*** As TANF rates have remained stable in a time of recession, the ranks of the "disconnected" – households with neither earned income nor welfare income – have increased.**

Studies using a range of definitions of "disconnected" find that between 13% and 20% of the population of households in poverty are disconnected at any one time. Indeed, TANF goes unused by large numbers of eligible families, including those without employment. While some of these families have informal or non-governmental sources of support,

others experience periods of near-destitution, including days with insufficient food, periods of homelessness or virtual homelessness (Seefeldt and Horowski, 2012).

Families facing multiple barriers to steady employment depend on connections to sustain themselves during their most vulnerable periods and to work towards a more stable household. They need connections to public and private services that can assist them, bridging them over the hardest times. They need the "tight" connections to an informal helping/support network that provides additional resources and social and emotional support. They need the "loose" connections to community and civic organizations that provide these resources and serve as links to jobs, education, and other opportunities. Without these links, families in poverty can easily sink into destitution, as we see in the experiences of those displaced and cut off from their home communities and more public services (Angel et al., 2012). It is likely that disconnected families without cash assistance and employment are missing at least some of these vital connections to the larger society.

*** More families are living in extreme poverty.**

In a recent report, Shaefer and Edin (2012) estimate that:

> "... as of the beginning of 2011, about 1.46 million U.S. households with about 2.8 million children were surviving on $2 or less in income per person per day in a given month. This constitutes almost 20 percent of all non- elderly households with children living in poverty. About 866,000 households appear to live in extreme poverty across a full calendar quarter. The prevalence of extreme poverty rose sharply between 1996 and 2011."

Such experiences of extreme poverty appear to leave families debilitated by their debt, by periods with untreated medical conditions, by their lack of stable housing, and by the unmet needs of children who have been missing services ranging from quality child care to regular medical care. For the disconnected, particularly those in extreme poverty, new medical conditions go untreated, medical care can be interrupted, relationships with helping networks become strained, and attention is focused on the immediacies of the next day's food and housing (Lein and Schexnayder, 2007; Seefeldt and Horowski, 2012).

*** The nature and working conditions of jobs for low-skilled or low-educated workers leaves the working poor particularly vulnerable.**

Research at the University of Chicago has examined the work structures in the hospitality and retail industries (Henly and Lambert, 2010). In addition to the low wages addressed earlier, they find that the variable hours, the demand by employers that employees hold a large number of hours open for possible call-in, and the need for work outside of the regular work day contribute to the difficulties of low-income working parents. Their hours worked and income varies, leaving them often short of money and unable to plan around expected income. The timing of their hours makes it difficult to plan for child

care. And the lack of benefits associated with these jobs leaves them without medical insurance, and with very little if any sick leave or vacation days to help them cope with family emergencies.

Unemployment and underemployment affect men as well, and the men who fathered children in low-income single-parent families are likely to be impoverished themselves. Research shows that mothers make difficult decisions about the dependence they can place on fathers in an irregular low-wage job market (Edin and Kefalas, 2005). Studies of low-income men indicate the ways in which they move downwards in job earnings and dependability.

*** Policies that work for families.**

While paid work is the core of family stability, it is enabled by work-supportive services:

-- Robust EITC is a critical support, given the inadequacy of wages for family support.
-- TANF remains a significant bridging program for those families in difficulties.
-- Access to child care and health insurance are keys to family stability.
-- Encouragement of "best practices in employment can help employed parents sustain their families while acting as responsible employees.

Alternate programs for parents physically or mentally unable to work:

-- Access to disability.
-- Access to partial supports such as supported work placements and longer term income and rehabilitative assistance.

Programs that encourage and reward father fiscal and logistical involvement:

-- Child support programs (particularly those that offer encouragement for father involvement).
-- Training and placement programs for men.

The growing literature testing models for these and other policies should be closely examined for evidence of effectiveness, and opportunities for program expansions to support low income families and children should be encouraged.

Thank you again for inviting me to testify today. I look forward to your questions.

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COMMUNICATION

Comments for the Record
United States Senate
Committee on Finance

Combating Poverty: Understanding New Challenges for Families
Tuesday, June 5, 2012, 10:00 AM

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Chairman Baucus and Ranking Member Hatch, thank you for the opportunity to submit comments on these issues. The Center for Fiscal Equity believes that many of the challenges faced by families are manufactured by government as part of welfare reform.

Sadly, the Center believes that welfare reform has worked exactly as intended in far too many cases and it is only recent reforms which have mitigated the harm done to marginally skilled families. The current law is in drastic need of reform, although we do not expect the current majority to propose those reforms which would actually improve the lives of our nation's economically marginal families.

The goal of using welfare reform to cut case loads and reduce budgets has led some states to cherry pick TANF participants, directing families in more need of assistance to the Social Security Disability program or other forms of assistance. This helps no one escape long term poverty. Further, lifetime benefit limits have pushed poorer women to use abortion services to preserve the economic health of their families. Poor women have been chosen to sacrifice their children for subsistence, just as ancient Israelites sacrificed their children to Baal for a good harvest. We can do better.

The work opportunities available to most TANF participants can easily be described as low wage work and, without significant resources in human development, are likely dead-end jobs. Such jobs often receive tax subsidies, such as the Earned Income Tax Credit and the payroll tax holiday. One must look askance at any programs which transfer the responsibility for providing adequate wages from the employer and the consumer to the taxpayer.

The Making Work Pay tax credit and the payroll tax holiday subsidize low wage labor where the preferred option would be a higher minimum wage, forcing employers and ultimately consumers to pay for the services they receive. Minimum wage laws are necessary because they level the playing field so that employers cannot initiate a "race to the bottom" by allowing workers to compete against each other to offer ever lower wages, often leaving families in the impossible position of having to bid well below what would otherwise be a reasonable standard of living in order to survive.

Increases to minimum wages and benefits, such as mandatory sick leave are, by far, the best incentive to get people to work. Mandatory sick leave would also help the prospects of health care reform, as parents would no longer be forced to resort to emergency room care because the doctor's office is closed during working hours, thus decreasing costs for all.

Another area that will help make work more attractive is income support for families. Such support addresses real market failure in the employment market. It is entirely appropriate to use tax benefits to assure that all families receive a decent wage, as again, reform has often meant cuts to the benefits in terms of food aid that many families rely upon, but which are woefully inadequate in order to provide an "incentive" to work. **What has happened instead is an incentive to starve, find charitable sources for food and seek family planning and abortion services.**

The United States Department of Agriculture estimates that it should cost $1,000 per month per child to provide a decent level of subsistence. The federal government could easily guarantee half of this amount using tax reform, with states providing the other half with coordinated tax benefits.

This credit would replace the earned income tax credit, the exemption for children, the current child tax credit, the mortgage interest deduction and the property tax deduction. This will lead employers to decrease base wages generally so that the average family with children and at an average income level would see no change in wage, while wages would go up for lower income families with more children and down for high income earners without children.

This shift in tax benefits is entirely paid for and it would not decrease the support provided in the tax code to the housing sector – although it would change the mix of support provided because the need for larger housing is the largest expense faced by growing families. Indeed, this reform will likely increase support for the housing sector, as there is some doubt in the community of tax analysts as to whether the home mortgage deduction impacted the purchase of housing, including second homes, by wealthier taxpayers.

One major obstacle in getting TANF recipients into the working world is the quality of skills they bring to the table. Indeed, a recent survey of the vocabulary of TANF recipients in public housing puts it below the level of the average seven year old. Not seventh grader, seven year old.

State based efforts to move TANF participants to a level of basic – or even advanced literacy – should be applauded. Indeed, provisions to not only provide remedial education to all who require it should be a mandatory part of TANF reform, not just in states that chose to.

Literacy training must also be provided to fathers if required. Indeed, to facilitate this, the restriction on benefits to intact families must be abolished. Furthermore, compensation for this training should be as rewarding as work, so participation should be compensated at the minimum wage.

In addition to the wage, participants should also receive the same Child Tax Credit as those who work, as well as the same level of health insurance, which could be offered to them as if they were employees of the education provider – thus ending the second class care they receive through the Medicaid program, as well as the need to pay benefits through large, yet underfunded, social welfare bureaucracies at the state level. Public housing should be replaced with residential training programs for both parents and children.

Program participants must be treated as adults. If they are, they can be expected to behave as such. All too often, the fiscal, welfare and immigration policy of the United States seems designed to provide a pool of low wage workers for the food service industry – from the field to the fast food counter. **While these jobs may provide some degree of upward mobility, at times they are akin to slavery**.

In the 21st Century, we can do better than that. If some products cannot be produced without what amounts to subsistence wages, than perhaps those products should not be produced at all, either at home or abroad. **It should not, indeed it must not, be the policy of the United States Government to shield consumers from paying decent wages to those who feed us.**

Establishing a decent level of income through paid remedial training, increased minimum wages and increased family support through an enhanced refundable child tax credit will also **reduce the need for poor families to resort to abortion services in the event of an unplanned pregnancy.**

Indeed, if state governments were to follow suit in increasing child tax benefits as part of coordinated tax reform, most family planning activities would be to increase, rather than prevent, pregnancy. It is my hope that this fact is not lost on the Pro-Life Community, who should score support for this plan as an essential vote in maintaining a perfect pro-life voter rating.

The Center for Fiscal Equity applauds any state which uses excess MOE credits to provide decent income and training to participants without requiring that they work in substandard jobs. We challenge those who support the current law to produce any success stories of workers who started in low wage jobs through TANF and have now entered the middle class. We expect that there are less such stories than the number of children aborted due to life-time benefit limits under this program.

Thank you again for the opportunity to present our comments. We are always available to members, staff and the general public to discuss these issues.

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