

Testimony of Ron Haskins  
Brookings Institution and Annie E. Casey Foundation  
Before the Subcommittee on Human Resources  
Committee on Ways and Means  
U.S. House of Representatives  
Hearing on Challenges Facing Low-Income Individuals and Families  
February 11, 2015

Chairman Boustany, Ranking Member Doggett, and Members of the Subcommittee:

Thanks for inviting me to testify on the important topic of challenges facing low-income families. It is an honor to testify before the Human Resources Subcommittee. I applaud your purposes and hope that I can help the Subcommittee members understand our current circumstances regarding work, benefits, and poverty by single mothers a little better.

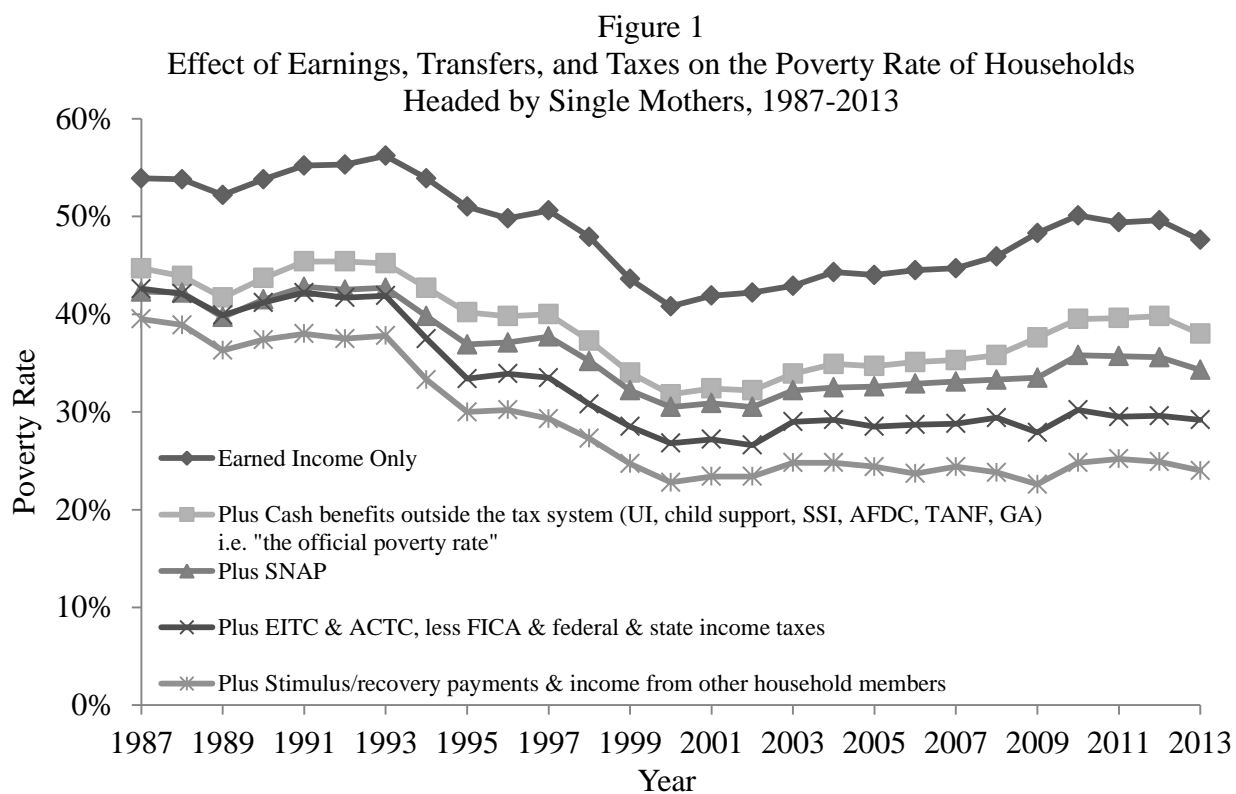
For well over a decade, my Brookings colleague Isabel Sawhill, a Democrat and former member of the Clinton administration, and I have been analyzing data and writing about the factors that influence both poverty rates and economic mobility.<sup>1</sup> We long ago concluded that education, work, and marriage are major keys to reducing poverty and increasing economic opportunity. We also emphasize the role of personal responsibility in all three of these vital components of building a path to the American Dream. But government programs to help low-income American parents escape poverty and build opportunity for themselves and their children are also important.

In today's hearing, the Subcommittee is taking testimony about marriage and work, two of these three keys to reducing poverty and increasing opportunity. Brad Wilcox from the University of Virginia will discuss the decline of married-couple families, the explosion of births outside marriage, and the consequent increase in the number of the nation's children being reared by single (and often never-married) mothers. The increase in the proportion of children in female-headed families contributes to substantial increases in poverty by virtue of the fact that poverty rates in female-headed families are four to five times as great as poverty rates in married-couple families.<sup>2</sup> If the share of the nation's children in female-headed families continues to increase as it has been doing for four decades, policies to reduce poverty will be fighting an uphill battle because the rising rates of single-parent families will exert strong upward pressure on the poverty rate.<sup>3</sup> But perhaps of even greater consequence, children reared in single-parent families are more likely to drop out of school, more likely to be arrested, less likely to go to college, more likely to be involved in a nonmarital birth, and more likely to be idle (not in school, not employed) than children from married-couple families.<sup>4</sup> In this way, a disproportionate number of children from single-parent families carry poverty into the next generation and thereby minimize intergenerational mobility.

So far public and nongovernmental programs have not been able to reverse falling marriage rates or rising nonmarital birth rates, but there is a lot we have done and can do to increase work rates, especially the work rates of low-income mothers. The goal of my testimony today is to explain the government policies that have been adopted in recent decades to increase work rates and subsidize earnings, which in turn have led to substantial declines in poverty.

I make two points and a small number of recommendations. The first point is that the employment of low-income single mothers has increased over the two decades, in large part because of work requirements in federal programs, especially Temporary Assistance for Needy Families (TANF). The recessions of 2001 and 2007-2009 caused the employment rate of single mothers to fall (as well as nearly every other demographic group), but after both recessions work rates began to rise again.

The second point is that the work-based safety net is an effective way to boost the income of working families with children that would be poor without the work supports. In my view, this combination of work requirements and work supports is the most successful approach the nation has yet developed to fight poverty in single-parent families with children. Here's the essence of the policy approach: first, encourage or cajole single mothers to work by establishing work requirements in federal welfare programs; second, subsidize the earnings of low-income workers, both to increase their work incentive and to help them escape poverty. The primary work-based safety-net programs are the Earned Income Tax Credit (EITC), the Additional Child Tax Credit, the Supplemental Nutrition Assistance Program (SNAP), child care, and Medicaid.



Note: Abbreviations are as follows: Unemployment Insurance (UI), Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), General Assistance (GA), Supplemental Nutrition Assistance (SNAP), Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and Federal Insurance Contributions Act (FICA).

Source: Thomas Gabe, Congressional Research Service, *Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2013*.

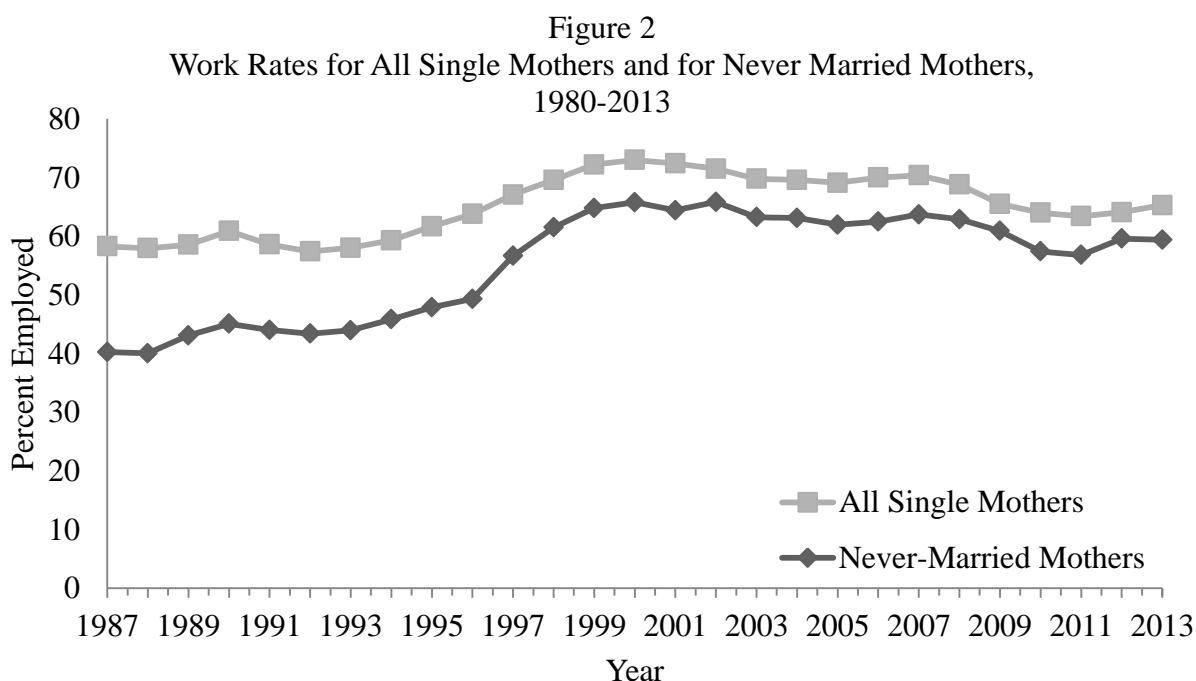
Figure 1, based on a very informative 2014 report from Thomas Gabe at the Congressional Research Service, shows the trends in poverty rates for female-headed families over the period 1987 to 2013 based first on earnings only (top line) and then after adding various

government work support benefits and subtracting taxes in stepwise fashion.<sup>5</sup> The poverty rate used here includes as income several sources that are not included in the official poverty rate. The major message from the figure is that both increases in work by single mothers and government transfer payments have greatly reduced annual poverty rates in working families since the late 1980s. In addition, the figure reveals a number of important lessons for those interested in fighting poverty. Here is a summary of data from the figures that clarifies these lessons:

Years	Poverty Rate Based on		Decline in Poverty (Percent)
	Earnings Only	Earnings plus Benefits Minus Taxes	
1987-93	54.3	41.7	-23.2
2000	40.8	26.8	-34.0
2010	50.1	30.2	-39.7
2013	47.6	29.2	-38.7

Note: The figures for 1987-93 are annual averages.

In the early period from 1987 to 1993, the average annual poverty rate among children and mothers in female-headed families based only on the mothers' earnings was very high – well over 50 percent in every year and averaging 54.3 percent. Then, especially following welfare reform in 1996, the poverty rate based on earnings plummeted for the next seven years, falling from the 54.3 percent average from 1987-1993 to 40.8 percent in 2000, the lowest it had ever been for female-headed families. Keeping in mind that this poverty rate is based on only the mothers' earnings, it seems certain that the substantial decline in poverty must have been caused by an increase in the number of working single mothers.



Source: Unpublished tabulations by the BLS of Current Population Survey data

Thus, not surprisingly, Census Bureau data show that employment by single mothers did rise over the period leading up to 2000. Between 1987 and 1993, the average percentage of single mothers who worked each year was 58.5 percent.<sup>6</sup> By contrast, averaged over the years between 1994 and 2000, the work rate by single mothers was 66.7 percent, a 14 percent increase compared to the previous period. The work rate increased every year over the period and in 2000, before the recession of 2001 hit, was 73.0 percent, 25 percent above the average of the 1987-1993 period.

The work rates among never-married mothers, also shown in Figure 2, are even more pertinent to my concerns in this testimony. The subgroup of never-married mothers is more disadvantaged than the entire group of single mothers and much more likely to be on welfare. Yet the increase in their work rates after the mid-1990s was even sharper than the rise for all single mothers. The obvious conclusion from both groups is that more single mothers worked starting in the mid-1990s with the result that there was a major decline in poverty (based on only the mothers' earnings) among mothers and children living in female-headed families.

But the increased employment rate among single mothers is a double-edged sword. Following the recession of 2001, the work rate of the entire group of single mothers fell from 73 percent in 2000 to 69 percent in 2005. Then, just as the work rate began to recover, the Great Recession hit (officially, in December 2007) and work rates among single mothers fell sharply again from 70.4 in 2007 to 64.0 in 2010 before rising again and reaching 65.3 percent in 2013.

If work rates are driving poverty among single mothers, we would expect that the poverty rate based only on earnings would rise as work rates fell after both the recessions that began in 2001 and 2007. As Figure 1 shows, that is exactly what happened. From the all-time low rate for female-headed families of 40.8 percent in 2000 when the work rate peaked, poverty increased every year between 2001 and 2004 before leveling off. Then as employment fell once more after the beginning of the Great Recession in 2007, poverty increased again and rose again between 2007 and 2010. But as more mothers went back to work following the Great Recession, the poverty rate fell again between 2010 and 2013 from 50.1 percent to 47.6 percent.

This pattern of falling work rates and increasing poverty rates followed by rising work rates and falling poverty rates shows that work rates are one key – arguably the most important key – to reducing poverty among female-headed families.

Now consider how the work-based safety net impacted the poverty rate based on earnings only. The bottom line is that the work-based safety net greatly reduces the poverty rate among low-income working mothers and their children in both good times and bad. The traditional view of government benefits is that they reduce the incentive to work because as earnings increase, benefits fall.<sup>7</sup> Perhaps so, but as benefits are added to earnings throughout the period from the late-1980s to 2013, the average poverty rate fell with the addition of each tier of benefits. The poverty rate based only on mothers' earnings averaged over the 1987-1993 period, when mothers' work rates were still low, was 54.3 percent. Government transfer programs – including cash welfare, SNAP, the EITC/ACTC, and other benefits – drove the poverty rate down to 41.7 percent,<sup>8</sup> a reduction of about 23 percent. But when the work rate was much higher in 2000, the poverty rate based on earnings was only 40.8 percent, 25 percent lower than the comparable rate

in the 1987-1993 period. After the package of work-based benefits, the 2000 poverty rate fell to 26.8 percent, a decline of a whopping 34 percent. It is worth emphasizing here that in the earlier period when work rates were lower, government benefits reduced the poverty rate by only 23 percent. Yet when work rates were higher in 2000 and the poverty rate based on earnings was lower, government benefits nonetheless reduced this already low poverty rate even more than they had in the earlier period of low employment, 34 percent vs. 23.2 percent.

Now turn to 2010. Keep in mind that in 2010 the effects of the recession on reducing work rates and increasing poverty rates were still in play. Yet the combination of relatively high work rates in 2010 (relative to the 1987 to 1993 period) kept poverty lower than during the earlier period and the impact of government programs in percentage terms was nearly twice as great (a reduction of around 40 percent vs. 23 percent in the earlier period). So the work-based safety net produced lower poverty even when employment declined during recessions, in large part because the work rates of single mothers remained higher even during recessions than they were during the non-recessionary period before the mid-1990s.

Finally, the figures for 2013 show that female heads are back to increasing their work rates, just as they did during both the hot economy of the middle and late 1990s and following the 2001 recession. As a result, the poverty rate based only on the mothers' earnings has already declined from 50.1 percent to 47.6 percent in three years. Meanwhile, government programs remain effective in reducing poverty for these mothers and their children, causing a decline in poverty of 38.7 percent to 29.2 percentage points in 2013. If work rates by mothers continue to increase, there is every reason to believe that poverty among female-headed families will once again return to the lowest rate ever (26.8 percent) achieved in 2000.

This analysis shows that the federal safety net has been redesigned over many years to, as President Clinton put it so tersely, "make work pay." The most important change was the creation of the EITC program in 1975 and its expansion, almost always on a bipartisan basis, on several occasions since. The EITC provides working families that include children with nearly \$60 billion each year, mostly in one-time cash payments. The expansion of the ACTC in the Bush 2001 tax reforms, along with its subsequent expansions, were also important and now provide working families that include children with around \$30 billion each year. In addition, child care subsidies have been expanded on numerous occasions; the SNAP has been modified to make it easier for working families to claim the benefit; the Medicaid program was modified and extended (in part by creating the State Child Health Insurance Program) to cover almost all children under 200 percent of poverty; and a number of other improvements have been made in the work-based safety net at both the federal and state levels.

An important feature of the work-based safety net approach to fighting poverty deserves special attention. This approach combines policies favored by both Democrats and Republicans. Republicans fought hard in 1995 and 1996 to create strong work requirements in the Temporary Assistance for Needy Families (TANF) program and seem more enthusiastic about work requirements than Democrats. Democrats, on the other hand, like means-tested benefits and are generally enthusiastic about the work-based safety net and the generous benefits it provides for working low-income families. In short, the successful approach to reducing poverty that relies on

both individual effort and public benefits provides something for people of all political persuasions.

Now I turn to a few modest recommendations. The first goal of policy to encourage work by low-income single mothers should be to maintain the strong work requirements in the TANF program and to extend strong work requirements to other programs. Authorized by legislation enacted as part of last year's farm bill, up to ten states are about to begin experimenting with work programs in SNAP. Each state demonstration must have a rigorous evaluation. Requiring well-evaluated demonstrations as a first step in expanding work requirements to new programs is a good way to proceed. Beginning with demonstrations will allow adventurous states to develop the policy provisions, administrative procedures, and staff training regimens needed to effectively and efficiently build work requirements into their SNAP program. In addition, state demonstrations are a good way to discover unanticipated problems and impacts of work requirements. If Congress carefully monitors the SNAP work requirements and conducts extensive hearings, we will learn a lot about implementing a strong SNAP work requirement from the state demonstrations that may convince Congress to implement SNAP work requirements on a larger scale.

An important recommendation for members of the tax-writing Ways and Means Committee is to make the Additional Child Tax Credit permanent. The ACTC, an important part of the work-based safety net, now provides a refundable credit based on earnings of over \$3,000 dollars. If the \$3,000 provision is not extended or made permanent by 2017, the credit calculation will revert to the amount of income over about \$15,000 and low-income working families with children will lose billions of dollars and a substantial amount of work incentive. In a time when the nation is concerned about income inequality, the ACTC is one policy that both encourages work and attacks inequality directly by boosting the income of low-income workers.

Few if any policies produce all benefits and no costs. Thus, another policy recommendation emerges from the obvious fact that not all single mothers work (Figure 2). The nation's work-based safety net provides much less help to non-working mothers. In fact, a number of researchers have reported that mothers who do not work or do not work consistently are worse off under the post-welfare reform safety net because people qualify for the generous benefits from the work-based safety net only by working. Under the old Aid to Families with Dependent Children program, which TANF replaced, mothers could stay on welfare for many years and face minimal if any work requirements. But under TANF, most mothers must work or prepare for work or have their benefits cut or terminated. In addition, there is a 5-year (or even less in some states) limit on benefits. Many mothers have had their benefits cut or ended under both these provisions. It follows that some poor mothers and their children have neither cash welfare benefits nor earnings.

Such mothers are often referred to by researchers and advocates as "disconnected," because they are disconnected from work and therefore, in most cases, from receiving benefits from the TANF program as well.<sup>9</sup> Census Bureau data show that deep poverty, defined as poverty below half the poverty level (roughly \$9,400 a year for a family of three in 2013), increased by about 20 percent, from 5.3 percent in 1995 (the year before welfare reform was enacted) to 6.3 percent in 2013, under the official measure of poverty.<sup>10</sup> We should acknowledge

this problem and try to figure out ways to help these disconnected mothers and their children. One idea would be to provide a source of funding for states to develop programs to help these mothers such as the Project Match program in Chicago that moved troubled mothers toward employment in incremental steps.<sup>11</sup> These programs will in all likelihood emphasize both job preparation with services such as treatment for depression or substance abuse.

The strategy of doing everything possible to increase the work rates of single mothers and then supplementing their earnings is the most successful strategy the nation has developed for reducing poverty among disadvantaged children. I see no reason why this approach cannot be expanded and become even more effective in increasing work rates, reducing poverty rates, and bringing more disadvantaged adults and their children into the mainstream of the American economy.

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<sup>1</sup> Ron Haskins and Isabel Sawhill, *Work and Marriage: The Way to End Poverty and Welfare* (Washington: Brookings Institution, 2003); Haskins and Sawhill, *Creating an Opportunity Society* (Washington: Brookings Institution Press, 2009)

<sup>2</sup> Ron Haskins, “The Family is Here to Stay,” *Future of Children* 25, no. 2 (forthcoming); Kaye Hymowitz, Jason S. Carroll, W. Bradford Wilcox, and Kelleen Kaye, *Knot Yet: The Benefits and Costs of Delayed Marriage in America* (Charlottesville, VA: The National Marriage Project at the University of Virginia, The National Campaign to Prevent Teen and Unplanned Pregnancy, and The Relate Institute, 2013). For an explanation of the central role of family structure in the continuing black-white income gap, see Deirdra Bloome, “Racial Inequality Trends and the Intergenerational Persistence of Income and Family Structure,” *American Sociological Review* 79 (December 2014): 1196-1225.

<sup>3</sup> Maria Cancian and Ron Haskins, “Changes in Family Composition: Implications for Income, Poverty, and Public Policy,” *ANNALS of the American Academy of Political and Social Science* 654 (2014): 31-47.

<sup>4</sup> Sara McLanahan, Laura Tach, and Daniel Schneider, “The Causal Effect of Father Absence,” *Annual Review of Sociology* 29 (2013): 399-427.

<sup>5</sup> Figures were adapted from Thomas Gabe, *Welfare, Work, and Poverty Status of Female-Headed Families with Children* (R41917), (Washington: Congressional Research Service, November 21, 2014), especially Figure 13, p. 33.

<sup>6</sup> *Ibid.*, Table C-11, pp. 88-89.

<sup>7</sup> Congressional Budget Office, “Effective Marginal Tax Rates for Low- and Moderate-Income Workers” (Author, November 2012).

<sup>8</sup> Poverty rates in this section that take benefits into account are not the official federal poverty rate. They are based on the official poverty threshold (the amount of income that divides the poor and nonpoor) but add benefits that are mostly not included in calculating the official poverty rate.

<sup>9</sup> Pamela Loprest and Karin Martinson, *Supporting Work for Low-Income People with Significant Challenges* (New Safety Net Paper 5) (Washington: Urban Institute, July 2008); Heather Sandstrom, Sandra Huerta, Pamela Loprest, and Kristin Seefeldt, *Understanding the Dynamics of Disconnection from Employment and Assistance* (Washington: Urban Institute, May 2014).

<sup>10</sup> U.S. Census Bureau, Historical Tables, Table 22, at <http://www.census.gov/hhes/www/poverty/data/historical/people.html>

<sup>11</sup> See “Project Match” at <http://pmatch.org/>; unfortunately, Project Match closed its doors in 2013, but its program is still relevant to helping very disadvantaged mothers move toward independence.

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