

**What Did the 1990s Welfare Reform Accomplish?**

**By Rebecca Blank**

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This paper by Rebecca Blank provides a wide ranging overview of the economic implications of welfare reform policies of the 1990s. The paper is a must read for any graduate student interested in welfare reform, or more generally, for any scholar interested in these issues. It is typical of a paper by Blank in its concise, insightful and focused discussion of the important issues. It reflects the author's unusual ability to combine expertise on the details of the policies, a critique of the different econometric methodologies, and the big picture evaluation of what happened and why.

I present my comments in two parts. First, I provide an overview of the main points in the paper. I largely share Becky's main conclusions and note the points where I read things differently. Second, I discuss the important unanswered questions in the literature.

Table 1 summarizes the paper's main theme. Blank presents trends over the 1980s and 1990s in key economic and demographic outcomes such as: welfare caseloads, employment, earnings, income and poverty of less skilled women with children, and birth rates. With this backdrop of tremendous change, Blank describes the many policy changes that occurred during this time period. Of course, one change includes welfare reform. But other policy changes also important for the welfare population include: expansions to the EITC, public health insurance, child care subsidies, and the minimum wage. Perhaps even more important is the very strong labor market that led to increases in real wages and deep reductions in unemployment rates for less skilled workers. The important observation, then, is that each of these policy and labor market changes is predicted to increase employment and reduce welfare use. Consequently, one can not simply examine descriptive trends in, say, employment rates of single women with children and make conclusions about the success of welfare reform. Understanding the impact of welfare reform requires the use of an appropriate research design.

Before summarizing the results from the literature, the paper contrasts three empirical

approaches taken in the literature: welfare leaver studies, national nonexperimental studies, and randomized experiments in particular states. The paper then goes on to provide a review of the empirical literature with a focus on assessing the relative importance of welfare reform, other policies and the economy. The empirical work on welfare caseloads is probably the most developed. There Blank concludes that welfare reform played a relatively minor role in the dramatic reduction in welfare caseloadsB it may have led to accelerations in declines but declines were already under way before reform. The discussion on the increases in women=s employment and family income is more descriptive and Blank is less inclined to make conclusions about the relative importance of welfare reform, other policy changes, and the labor market.

The results in Table 2 are particularly interesting. There, Blank explores how the changes in employment, earnings, welfare participation, poverty and income vary across women with different education levels, different ages of children, and across different race and ethnicities. These data show that the increases in employment, decreases in welfare, and increases income are widespread across the population of single mothers. This is interesting for several reasonsB perhaps most importantly to point out that more disadvantaged groups also experienced these gains. However, it does not help us in our quest to assess the importance of welfare reform. In fact, the uniformity in the changes across groups may be suggestive evidence that welfare can not be the main explanatory factor. After all, welfare participation rates vary widely across these groups yet the observed changes were very similar across groups.

In what areas do we need more analysis? In the remainder of this comment, I will discuss areas for future research both echoing Blank=s suggestions, as well as adding some of my own. Certainly a first order question is providing more evidence on the relative importance of welfare reform, other

policies and labor market changes. The launching point here is that our economic models do not explain much of the observed variation in the economic outcomes. Why? Blank suggests two possibilities to pursue. First, perhaps there are important interaction effects between policy changes and the economy. That is, maybe the 1990s were the >perfect storm= of low income incentives that led to changes that individual program changes can not capture. Second, perhaps there was a change in behavioral parameters or elasticities our models are not capturing.

Speaking from personal experience as someone working in the empirical literature on welfare reform, I can not give a seminar without many people Awhich policies matter?@ This is an area we know relatively little about. However, I am a bit pessimistic about our ability to learn. Why? First, there are many dimensions in which welfare programs changed, and perhaps we do not have the degrees of freedom to examine them. There are fifty states and fifty programsB hard to work with that. Then I hear from people like Kathryn Edin that it is not what policies are implemented, but how they implemented that really matters. This is an important observation, but a somewhat discouraging one.

One relatively unexplored area, is the importance of changes in family income beyond women=s earnings and public assistance. How is the behavior of absent or co-residing adult men affected by reform? Are there other public programs playing a role?

Lastly, one area where further work is needed is on the impact of welfare reform across the income distribution. When the TANF legislation was being debated, many observers argued that this reform would lead to reductions in income for single women with children. Yet the research shows that income increased. What was wrong with the logic behind the earlier predictions? It turns out nothing. The key is that the welfare reform literature has focused on estimating mean impacts on the full population, or on demographic groups such as those examined by Blank in Table 2. In a recent paper

with my co-authors Marianne Bitler and Jonah Gelbach, we examine the impacts of welfare reform across the distribution by using random assignment data from Connecticut's Jobs First waiver. We use data from Jobs First because it contains the strictest time limit and most generous earnings disregard in the country. We find that there is a great deal of heterogeneity in the impact of welfare reform. In particular, we find that Jobs First had no impact on the bottom of the earnings distribution, it increased earnings in the middle of the distribution, and before time limits took effect it reduced earnings at the top of the distribution. Further, our results suggest the possibility that welfare reform reduced income for a nontrivial share of the income distribution after time limits take effect. And, to connect back to the earlier literature, we find that our findings could not have been revealed using mean impact analysis on subgroups. The intra-group variation generally exceeds the inter-group variation in mean impacts. This work represents a starting point for thinking about examining the impacts of this policy across the distribution. More work remains.

In sum, I very much enjoyed reading this paper, thinking about the questions that still need answers, and for the opportunity to connect to the rich literature in the areas of welfare, income, and poverty.

## References

Bitler, Marianne, Jonah Gelbach, and Hilary Hoynes. A What Mean Impacts Miss: Distributional Effects of Welfare Reform Experiments, @ NBER Working Paper 10121, November 2003.

Table 1  
The BIG Picture: What happened in the 1990s?

<i>Observed Changes</i>	<i>Explanatory Factors</i>
<p>Welfare caseload declines            Employment/Earnings increases            Income increases            Birth Rate leveling off</p>	<p>Welfare Reform</p> <p>Strong Economy</p> <p>Changes to other public assistance programs:            B Child care benefits            B Public health insurance (Medicaid, CHIP)            B Food Stamps</p> <p>Other policy changes:            B EITC Expansion            B Minimum Wage Increases</p>