

Cash assistance and self-sufficiency: Causal evidence on the AFDC/TANF, the EITC, and UBI

Marianne Bitler

UC Davis CPR and Department of Economics, NBER

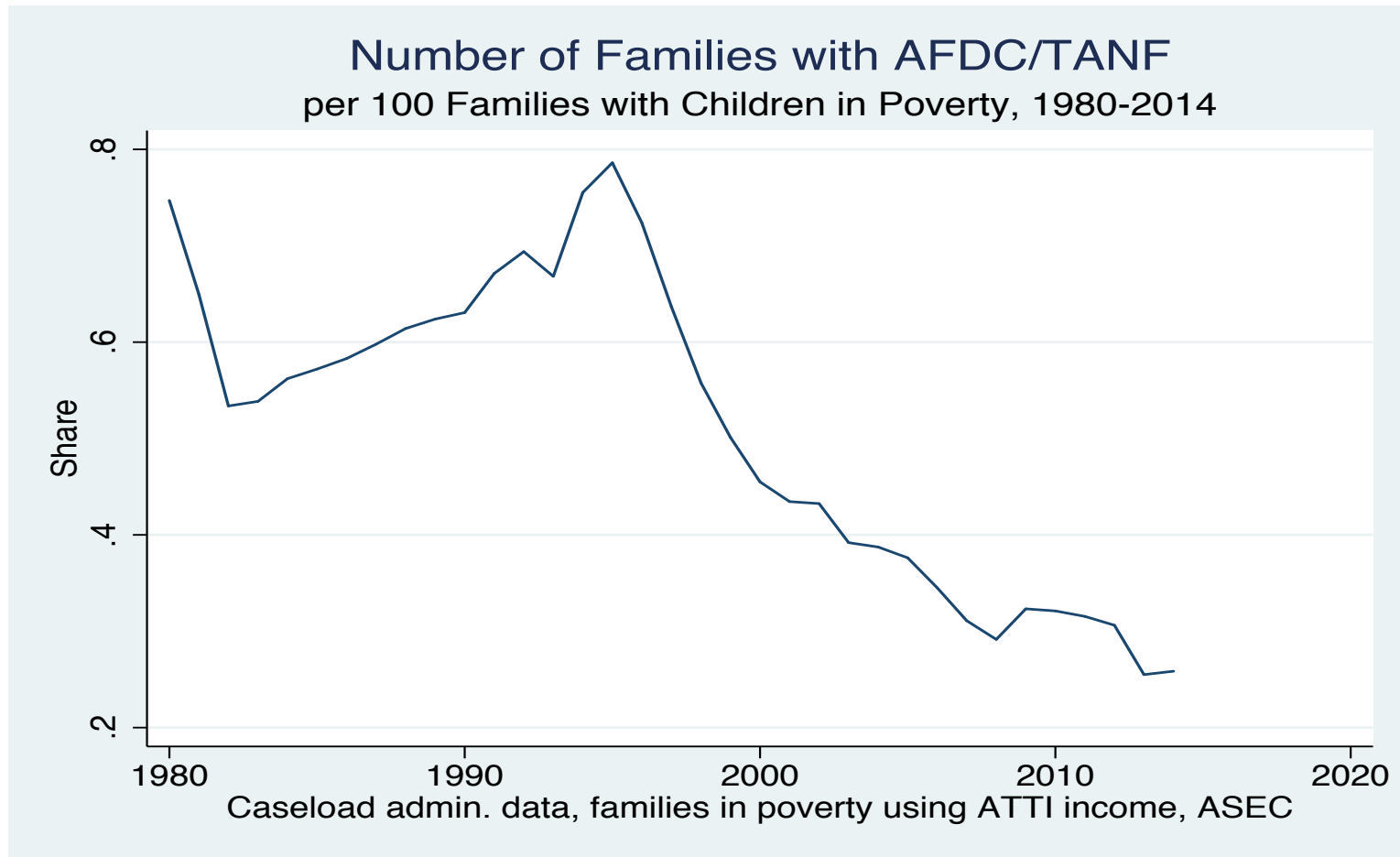
Big changes in cash assistance in last 20 years: Move from out-of-work to in-work benefits

- Large EITC expansions in mid 1990s, child tax credits in late 1990s
- Around the same time, AFDC changes to TANF, block granted, sanctions, state flexibility

Cash assistance for low-income families 20 + years after welfare reform

- Temporary Assistance to Needy Families is a fixed (nominal) block grant
- Time limited cash assistance (5 years for adults), work requirements, sanctions
- States have to track hourly work activities (huge additional administrative cost of work requirements)
- Little evidence in systematic review by Grogger, Karoly, & Klerman of large impacts of work requirements
- States have flexibility to use TANF funds for other purposes than cash, most states have repurposed much of these funds away from cash assistance
- Cash part of program is no longer counter-cyclical

TANF is reaching fewer families



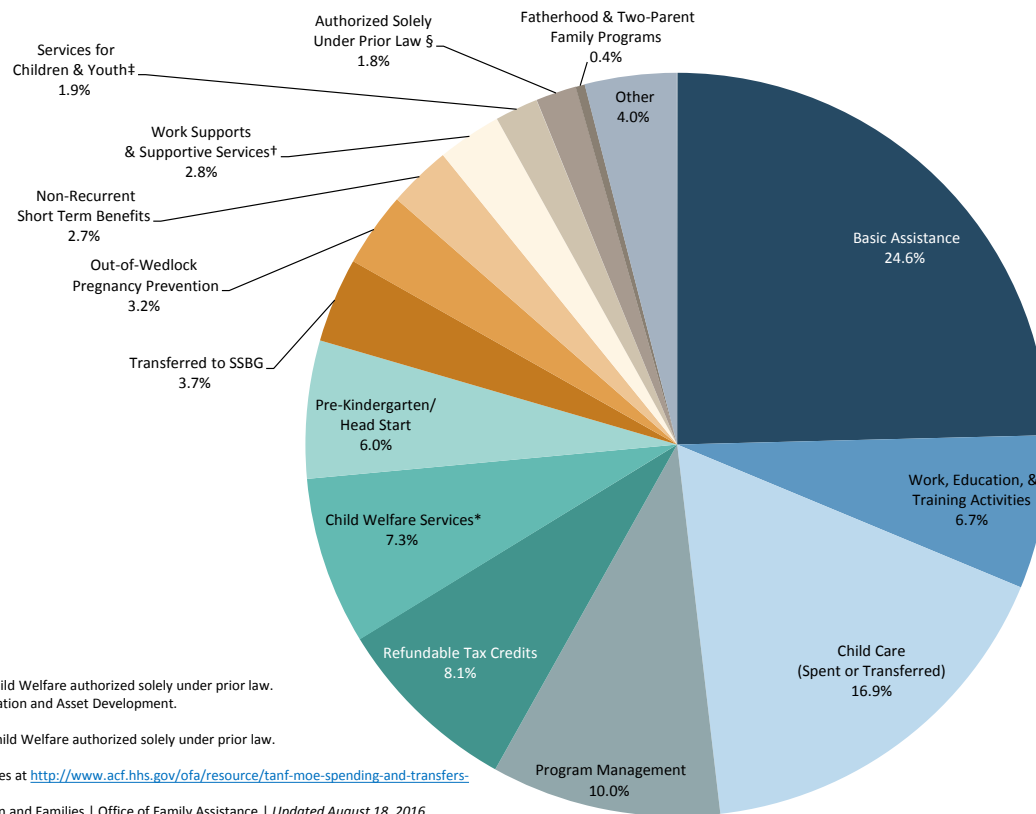
States are repurposing funds: Hard to constrain despite lots of effort in PRWRORA

- Original law tried to tie the hands of states in how they spent the money
- Expect when you change the relative price of state spending, should get the state spending less on what the Feds want with block grants

Average spending on TANF/MOE

TANF and MOE Spending and Transfers by Activity, FY 2015: United States

Total Funds = \$31,688,988,321

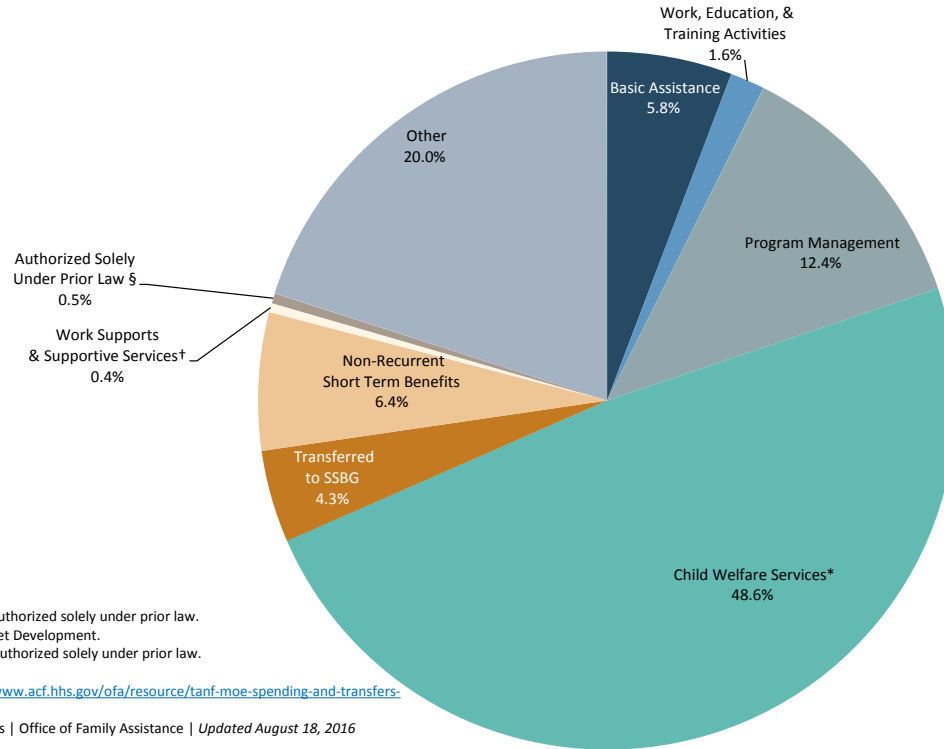


* Including Foster Care/Child Welfare authorized solely under prior law.
 † Including Financial Education and Asset Development.
 ‡ Including Home Visiting.
 § Excluding Foster Care/Child Welfare authorized solely under prior law.

See definitions of categories at <http://www.acf.hhs.gov/ofa/resource/tanf-moe-spending-and-transfers-2015-definitions>
 Administration for Children and Families | Office of Family Assistance | Updated August 18, 2016

TANF and MOE Spending and Transfers by Activity, FY 2015: Arizona

Total Funds = \$468,866,557



* Including Foster Care/Child Welfare authorized solely under prior law.

† Including Financial Education and Asset Development.

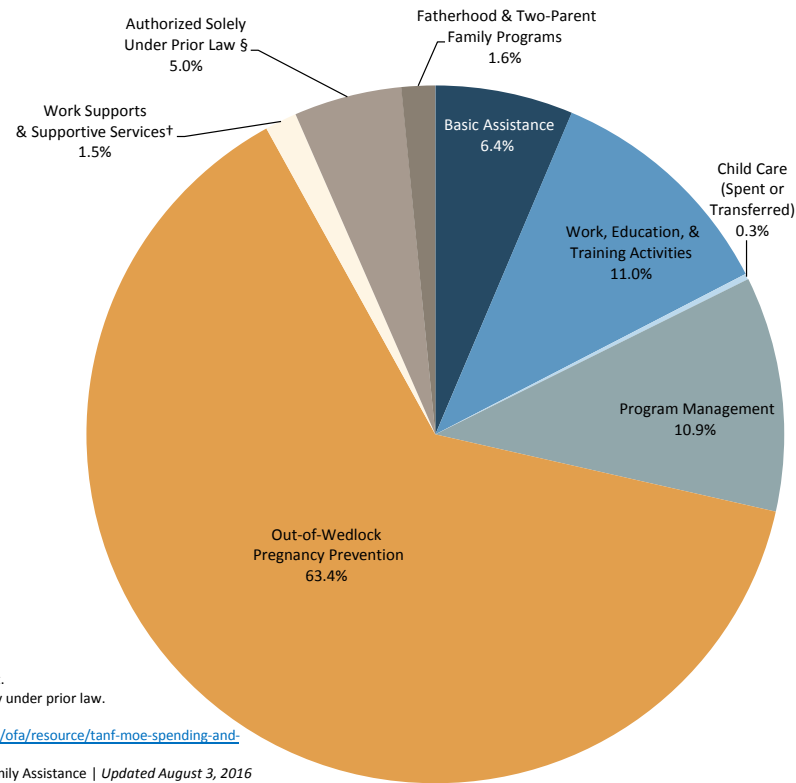
§ Excluding Foster Care/Child Welfare authorized solely under prior law.

See definitions of categories at <http://www.acf.hhs.gov/ofa/resource/tanf-moe-spending-and-transfers-2015-definitions>

Administration for Children and Families | Office of Family Assistance | Updated August 18, 2016

TANF and MOE Spending and Transfers by Activity, FY 2015: Arkansas

Total Funds = \$144,312,179



† Including Financial Education and Asset Development.

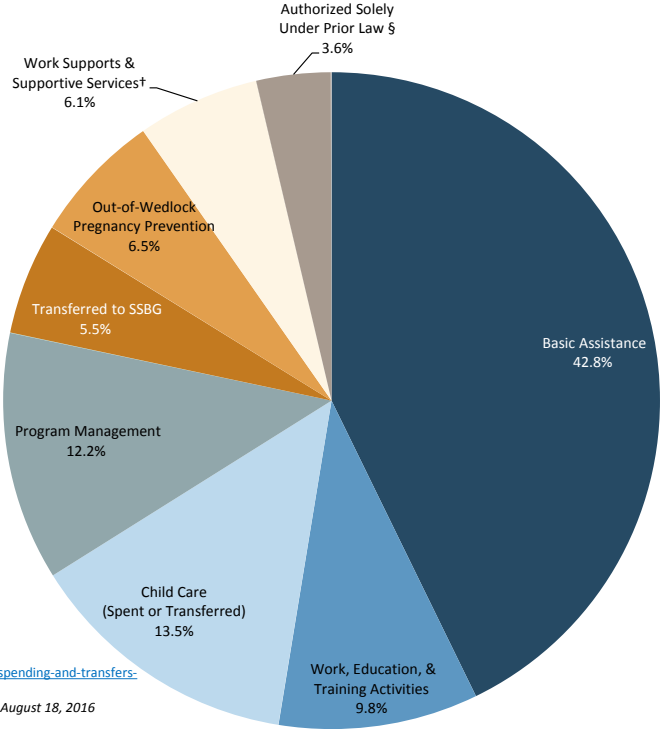
§ Excluding Foster Care/Child Welfare authorized solely under prior law.

See definitions of categories at <http://www.acf.hhs.gov/ofa/resource/tanf-moe-spending-and-transfers-2015-definitions>.

Administration for Children and Families | Office of Family Assistance | Updated August 3, 2016

TANF and MOE Spending and Transfers by Activity, FY 2015: California

Total Funds = \$6,638,290,041

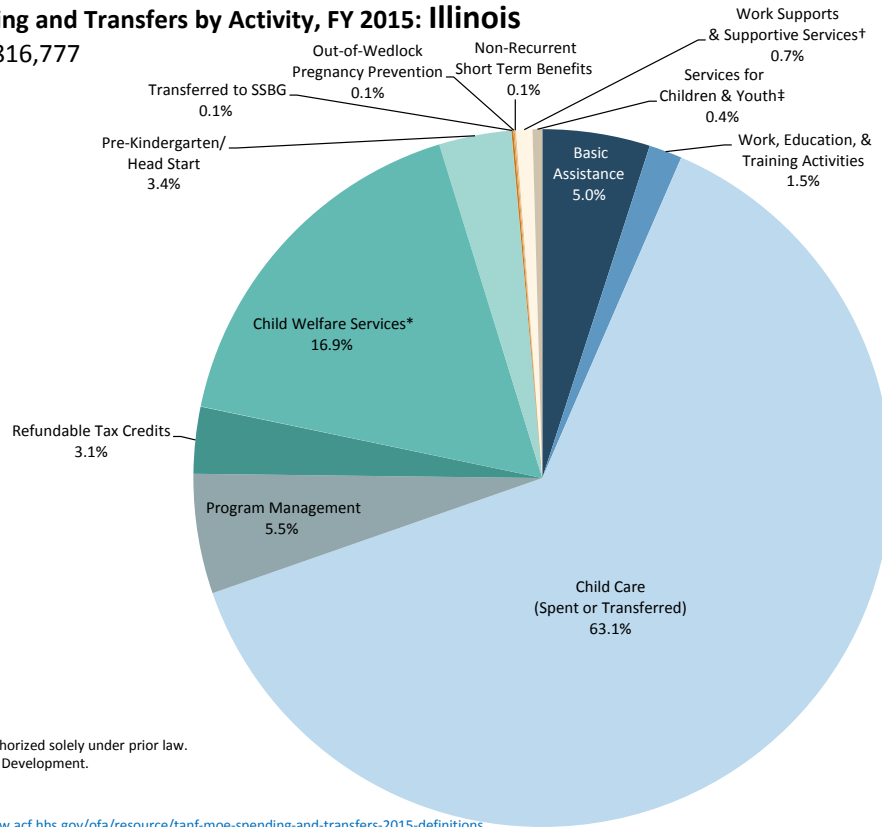


† Including Financial Education and Asset Development.
 § Excluding Foster Care/Child Welfare authorized solely under prior law.

See definitions of categories at <http://www.acf.hhs.gov/ofa/resource/tanf-moe-spending-and-transfers-2015-definitions>
 Administration for Children and Families | Office of Family Assistance | Updated August 18, 2016

TANF and MOE Spending and Transfers by Activity, FY 2015: Illinois

Total Funds = \$1,374,816,777



* Including Foster Care/Child Welfare authorized solely under prior law.

† Including Financial Education and Asset Development.

‡ Including Home Visiting.

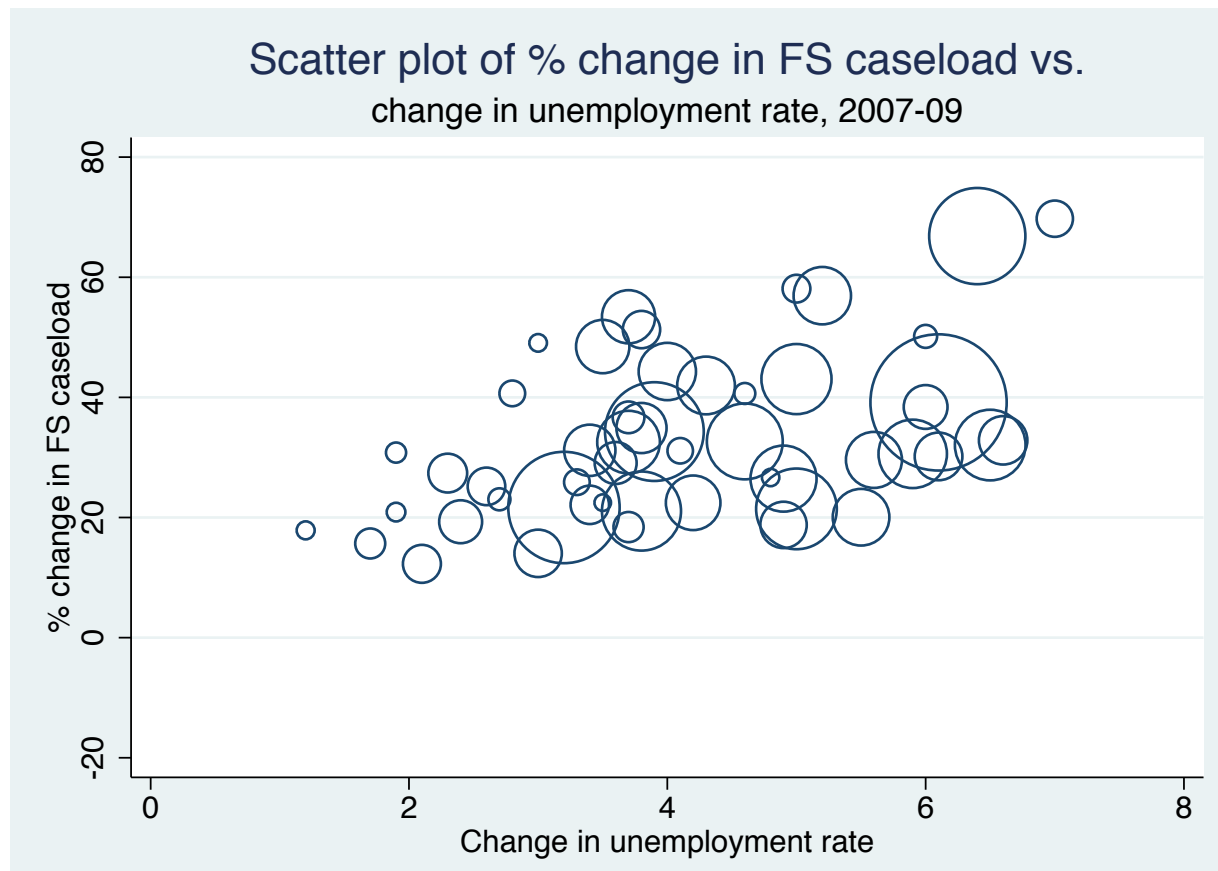
See definitions of categories at <http://www.acf.hhs.gov/ofa/resource/tanf-moe-spending-and-transfers-2015-definitions>.

Administration for Children and Families | Office of Family Assistance | Updated August 3, 2016

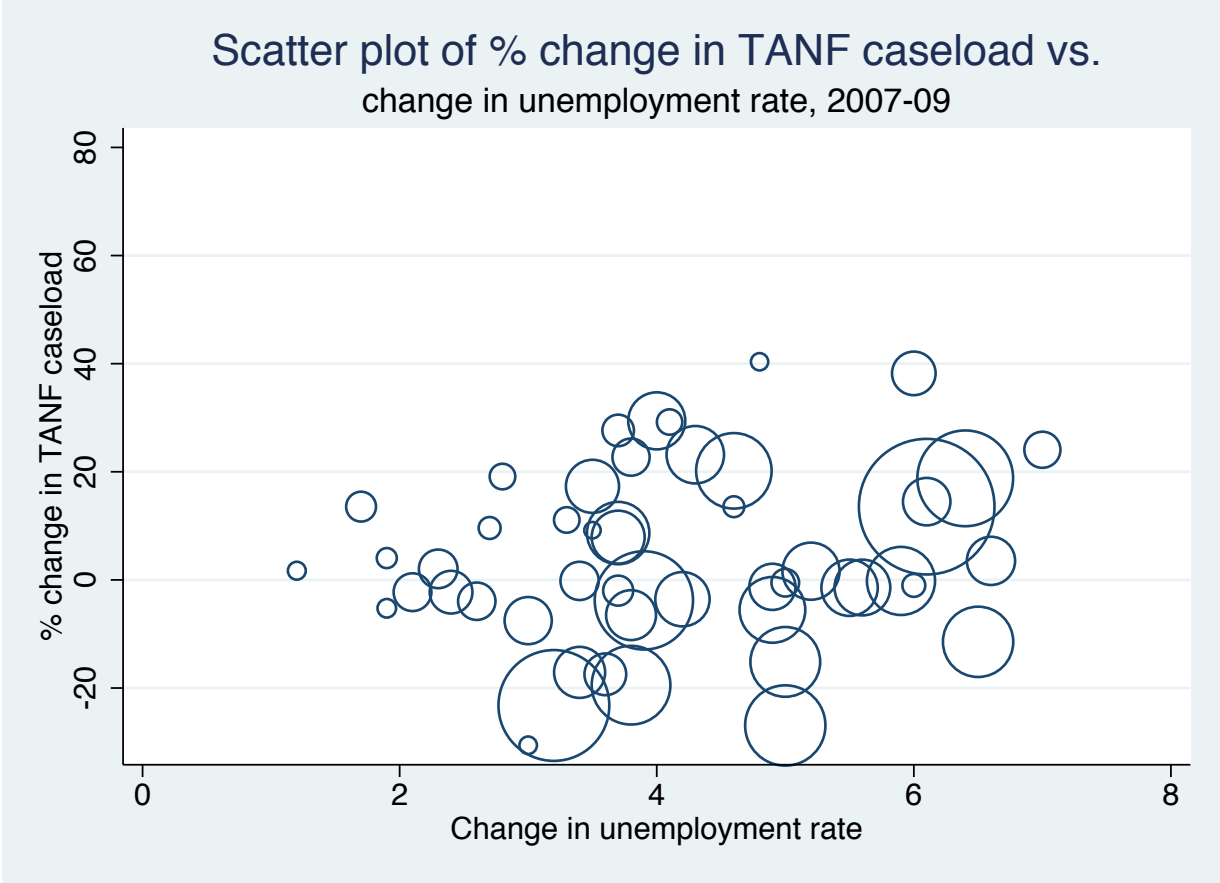
Block grant is not countercyclical

- Tested in Great Recession

SNAP Responded to Changes from 2007-2009 in State Unemployment Rates



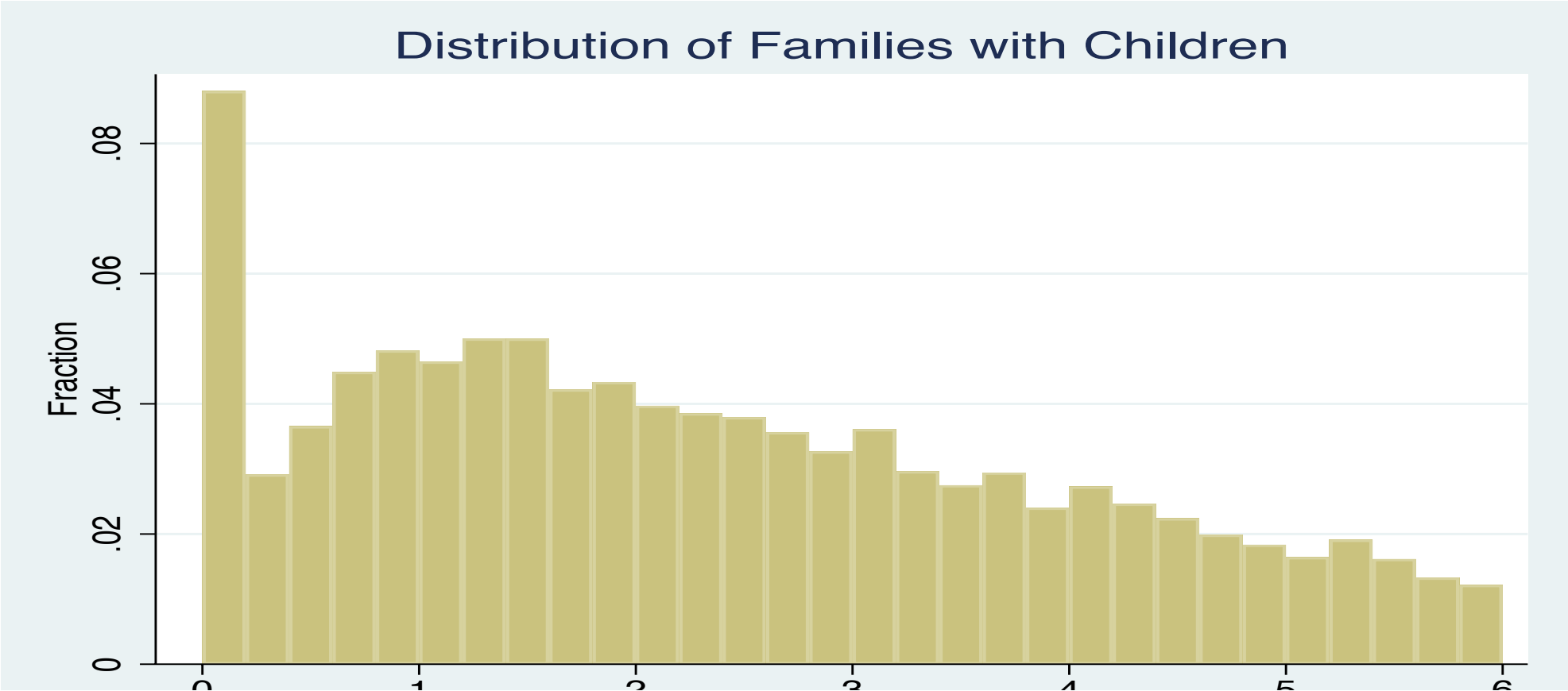
TANF Did Not Respond to Changes from 2007-2009 in State Unemployment Rates



Earned Income Tax Credit: In-Work Assistance

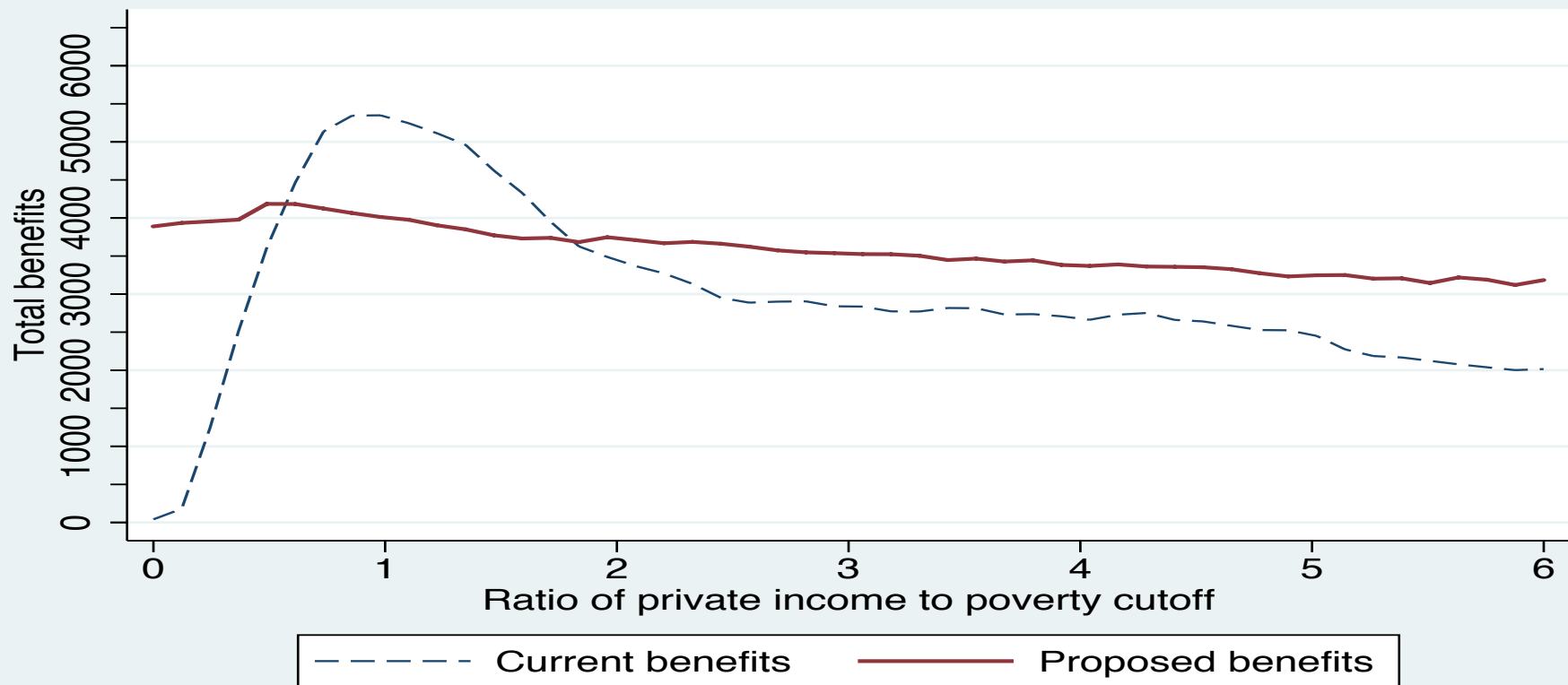
- EITC and work/earnings/income
 - Lots of evidence that the EITC induces single mothers to work, some evidence that it leads to lower hours for those on the phase-out (e.g., Eissa & Liebman, Hoynes & Eissa)
 - Lots of transfers to low-income working families (Hoynes & Patel)
- EITC countercyclical? No
 - Evidence worst-off fall out off the program when bad times hit, countercyclical for married/skilled families (Bitler, Hoynes, & Kuka)
- EITC and kids
 - Evidence that the EITC improves test scores (Dahl & Lochner; Lundstrom; Chetty et al.; Bastian & Michelmore), education for children (Bastian & Michelmore) and health at birth (e.g., Hoynes, Miller, & Simon)
 - Only effects at birth control for fact that program also changes maternal work

Distribution of families by ratio of private income to FPL: Some are left out (Bar at bottom)



Recent tax benefits (EITC, CTC, Exemptions) compared to proposed universal child benefit

Distribution of Benefits: All Families with Children



Families with children, including non-citizen children

Universal Basic Income

- Lots of policy attention to this concept, pilots by Stockton, Y-combinator, Finland, Ontario (NIT)
- Hoynes & Rothstein (2018) great summary of what we know/what to expect from a true UBI (unconditional cash transfer); note a NIT is different
- Very expensive if enough to cover basic living costs (\$,12000 per adult=3 trillion)
- Short-run evidence on labor supply, hours from other settings: At the bottom, a 12K UBI would lead to a 2-3% decline in hours, with a phaseout adding some LS declines

UBI

- Long-run effects may be positive (evidence from rollout of the War on Poverty)
 - Positive effects on self sufficiency for disadvantaged women and metabolic syndrome for disadvantaged men and women if exposed to FSP in early life (Hoynes, Schanzenbach, & Almond); positive effects on earnings using administrative data for women exposed in early life (Bitler & Figinski)
 - No effects from SIME/DIME test of NIT-not UBI (Price & Song)
- Medium-term evidence from Alaska Permanent Fund (synthetic controls, Jones & Marinescu) and payments to the Eastern Band of Cherokee (DDD, several papers by Akee et al.)
 - Smaller transfers than UBI (1-2 K for AK, 4 K for the EBC)
 - AK and EBC: No effect on depressing employment
 - EBC: For children, more educational attainment, less crime, improvements in emotional and behavioral disorders; one mechanism is parenting