The War on Poverty and the safety net for families with children

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In his 1964 State of the Union address, President Lyndon B. Johnson made a statement that still seems remarkable today:

“This administration, here and now, declares unconditional war on poverty in American … It will not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won.” (Johnson, 1964a)

This chapter considers three of the major legacies of the War on Poverty’s efforts to strengthen the safety net for low-income families with children: 1) expanded food and nutrition programs, i.e. Food Stamps/Supplemental Nutrition Assistance Program (SNAP), school breakfast and lunch, and special supplemental feeding program for women, infants, and children (WIC); 2) extended cash assistance programs, i.e. Aid to Families with Dependent Children (AFDC)/Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI); and 3) new income support programs tied to employment or employment-related activities, in particular, the Earned Income Tax Credit (EITC) and child care subsidies.

For each of these programs, the chapter discusses: the context at the start of the War on Poverty and action taken during the War on Poverty; a brief overview of the subsequent legislative history and status, including trends in, and current levels of, expenditures and numbers of recipients; the adequacy of the program with regard to reach, level and type of benefits; and effectiveness at meeting stated program goals.

Because the War on Poverty aimed to not only reduce poverty and hardship but also to improve children's life chances, the chapter also reviews empirical evidence, where available, on how these programs affect child health and development. A large body of research documents that children from low-income families have poorer health and developmental outcomes than their more advantaged peers (e.g. Duncan & Brooks-Gunn, 1997). However, these differences in outcomes are not necessarily due to causal effects of income and may instead at least partly reflect the influence of other factors that are correlated with income (e.g. Mayer, 1997). So we cannot be certain whether and how much child outcomes could be improved by raising the incomes of low-income families. This chapter therefore places particular emphasis on studies that use rigorous methods to provide evidence on this question.

The safety net programs considered in this chapter have been plagued by several common concerns. As discussed in the chapter, Americans have always been keenly sensitive to the notion that welfare programs may act as a narcotic, inducing dependency and eroding incentives to get ahead. Unconditional cash (and near-cash) assistance programs have also been viewed as undermining work incentives and, if provided to unmarried families with children, creating incentives for out-of-wedlock child-bearing or family break-up (Murray, 1984). For much of the history of these programs,
these concerns have been amplified by the disproportionate representation of African-American families among the low-income population, leading to racialized attitudes toward welfare that have further eroded public support (Gilens, 1999). More recently, concerns about immigration have further eroded public support and led to sharp restrictions on immigrants’ eligibility for many of the safety net programs (Fix, Capps, and Kaushal, 2009). Finally, a common theme has been concern about the rising cost of these programs (even though the United States spends a substantially lower share of its gross domestic product on the safety net than do most other advanced industrialized countries; Waldfogel, 2008). Thus, this chapter also considers the success of the safety net programs in light of these concerns, as well as the extent to which these concerns have eroded support for the programs.

1. Food and nutrition programs

A major legacy of the War on Poverty is the introduction or expansion of food and nutrition programs. For the most part, these programs either did not exist prior to the War on Poverty or existed in only small-scale or pilot programs. The 1964 Food Stamp Act and the 1966 Child Nutrition Act are the key pieces of legislation here.

a. Food Stamps/SNAP

Food Stamps (now referred to as the Supplemental Nutrition Assistance Program or SNAP) provide help to low-income individuals and families to purchase food. The program is not limited to families with children but I focus on that population here.

Although programs that distributed surplus food commodities date back to the 1930s and 1940s, Food Stamps as we know them today did not exist until the War on Poverty. A pilot program of food coupons operated in about half the counties in the US but was discontinued in 1943. President John F. Kennedy reinstated the program, on a pilot basis, in 1961, but it operated in only 8 pilot areas (USDA, 2012a).

Johnson pledged in his 1964 State of the Union address to establish “a broader food stamp program” (Johnson, 1964a). The 1964 Food Stamp Act fulfilled this pledge by establishing the national Food Stamp Program. Food Stamps provide low-income individuals and families with benefits that they can use to purchase food. Originally, benefits were provided in the form of stamps or coupons, which families had to purchase. Subsequent legislation eliminated the purchase requirement, effective 1979. To reduce stigma and increase ease of use, states gradually shifted to providing benefits through electronic benefit transfer (EBT) cards. As of 2008, when the program was renamed SNAP, all benefits are provided by means of EBT (USDA, 2012b).

The number of Food Stamp recipients grew rapidly during the War on Poverty and the following years, as the program was phased in around the country. Participation grew
from ½ million in 1965 to 5 million in 1970 to 15 million in 1974 when the program reached all counties (USDA, 2012b). By 1994, participation had reached a record high level of 27.5 million recipients (Scholz, Moffitt, and Cowan, 2009). Participation fell sharply after the welfare reforms of 1996, which excluded most legal immigrants from receiving Food Stamps and also time limits for able bodied adults without dependent if they were not working. The drop in participation may also have reflected the misperception among low-income families that Food Stamp eligibility was tied to welfare eligibility (Scholz et al., 2009). Food Stamp/SNAP caseloads have risen since 2000, as later reforms reinstated eligibility for some legal immigrants, streamlined application procedures, and changed the rules to allow recipients to own a car (Scholz et al., 2009). The program experienced an especially steep increase in participation in the late 2000s during the Great Recession. By January 2011, 46.5 million Americans – 15% of the population – were receiving Food Stamps/SNAP (FRAC, 2012).

Food Stamps/SNAP play an important role in reducing poverty. This has not always been evident, because Food Stamps are a “near cash” benefit and are not taken into account in official measures of income or poverty (this problem has been recognized since the War on Poverty; see e.g. Lampman, 1973). But the role of Food Stamps/SNAP in reducing poverty is readily apparent with the new supplemental poverty measure (SPM), which does take into account near-cash benefits such as Food Stamps/SNAP. Census estimates using the SPM suggest that in 2010, the child poverty rate would have been 3 percentage points higher (21.2% instead of 18.2%) if Food Stamps/SNAP were not taken into account (Short, 2011). State-level estimates from Wisconsin (Chung et al., 2012) and city-level estimates from New York City (NYC CEO, 2012), using SPM-like measures, confirm the important role that Food Stamps/SNAP have played in reducing poverty during the Great Recession.

Food Stamps are intended to not just reduce poverty but also to reduce hunger and improve nutrition. Whether they achieve these latter goals depends on whether recipients use the benefits to purchase more food and better food (rather than just to offset the cost of food they would have bought in any case). Currie (2003, 2006), reviewing the evidence, concludes that Food Stamps do lead to reduced food insecurity and that they also improve nutrition as well as other aspects of child health and development.

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1 Given the onerous application process and stigma associated with applying, it is also likely that potential applicants found it less worthwhile to apply if they were going to the welfare office only to get Food Stamps (rather than welfare and Food Stamps). Conversely, when Medicaid eligibility was expanded, Food Stamp applications increased, because once parents were at the welfare office applying for Medicaid, it was worth also applying for Food Stamps (Currie, 2006).
Some of the most compelling evidence comes from studies of the War on Poverty Food Stamp expansions. Hoynes and Schanzenbach (2009), studying the roll-out of the Food Stamp program, show that as counties introduced Food Stamps, families reduced their out-of-pocket spending on food while increasing their overall food expenditures. However, they also find that the roll-out of Food Stamps somewhat reduced single mothers’ labor supply, as would be expected given that Food Stamps represent an income transfer and are not conditioned on work (Hoynes and Schanzenbach, 2012). Also taking advantage of the difference in the timing of the introduction of the program across counties, Almond and co-authors find that women living in counties with Food Stamp programs three months pre-birth delivered higher birthweight babies, with effects being particularly pronounced at the lower end of the birthweight spectrum (Almond, Hoynes, and Schanzenbach 2011).

Studies using data from more recent time periods also find evidence of benefits for child health and development. Using administrative data from Illinois, Lee and Mackey-Bilaver (2007) find in both ordinary least squares (OLS) and family fixed effects regression models that children whose families received Food Stamps (and/or WIC) were less likely to be victims of abuse or neglect and less likely to be diagnosed with anemia, failure-to-thrive, or nutritional deficiency. Taking advantage of longitudinal data from the Early Childhood Longitudinal Study-Kindergarten cohort (ELCS-K), Frongillo and co-authors (2006) find that children whose families moved onto Food Stamps between kindergarten and 3rd grade had slightly greater gains in reading and math over that period than those moving off Food Stamps over the period.

Overall, then, the Food Stamp program must be judged a success in meeting its original goals -- to reduce poverty, combat hunger, and improve nutrition and related outcomes for low-income children and families. But of course there is room for improvement. The program still does not reach all eligible families (as administrative barriers and stigma deter some recipients from enrolling in the program; Currie, 2006). It is also conceivable that the program might do more to promote good nutrition (the program as currently designed places very few limits on what recipients can buy with their benefits). Proposals to restrict recipient choice (by banning the purchase of soda, for example), however, are controversial (McGeehan, 2011). Critics have also argued that the program contributes to obesity, although research controlling for selection into the program does not find this to be the case (Kaushal, 2009). Nevertheless, it might be worth experimenting with reforms to provide the benefits on a more regular basis throughout the month as a way to see if this helps families better use the benefits to obtain a balanced diet.

b. School breakfast and lunch
The school breakfast and lunch programs provide free or reduced cost meals for low-income children in schools (and child care settings). As such, they offset food costs for families and may also have direct effects on children’s food security and nutrition.

School nutrition programs date back to the 1940s but were greatly expanded during the War on Poverty. A study of Selective Service rejectees had brought to the nation’s attention the problems of ill-health and malnutrition among low-income Americans and provided an impetus to address poor nutrition. The Economic Report of the President cited the Selective Service study in stating:

“Poverty is perpetuated by poor health, malnutrition, and chronic disabilities. New and expanded school health and school lunch programs will improve both health and education.” (Johnson, 1964c, p. 76)

The 1966 Child Nutrition Act increased funding for school lunch and introduced a small school breakfast program. The number of children participating in the school breakfast program grew from 450,000 in 1970 to 11.6 million in 2010, while the number participating in the school lunch program grew from 22 million to 32 million over the same period (USDA, 2012c, 2012d). By 2010, spending on the two programs totaled $13.7 billion ($2.9 billion for school breakfast, $10.8 billion for school lunch) (USDA, 2012c, 2012d).

The school nutrition programs play a small but significant role in reducing poverty. Census estimates using the supplemental poverty measure suggest that in 2010, the child poverty rate would have been 1 percentage point higher (19.0% instead of 18.2%) if school lunch were not taken into account (Short, 2011).

Although concerns have been raised about the quality of food served in school lunch and breakfast programs, the evidence suggests that the quality is as good or better than what children would eat in the absence of the programs (Currie, 2006). There is also evidence that the introduction of a school breakfast program raises children’s attendance and test scores (Meyers et al., 1989; Murphy et al., 1998; see also review in Currie, 2006). Nevertheless, there continues to be debate about the quality of school meals and whether school breakfast and lunch programs are improving child nutrition and well-being or instead are contributing to the alarming rise in child obesity (Rabin, 2011). This is an area where more research would be helpful.

c. WIC

The special supplemental nutrition program for women, infants, and children (WIC) provides vouchers that low-income pregnant women and women with infants and toddlers can use to purchase nutritious food. As such, WIC reduces food costs for families receiving it, although grant amounts are not large, and should also improve
nutrition, since participants can use the vouchers only for specific approved foods. It is important to note that WIC is not an entitlement, so if funding runs out, not all eligible families will receive it.

WIC has existed since 1969 but was formalized in 1972 through an amendment to the Child Nutrition Act. As such, it was a relatively late element of the War on Poverty.

As of 2011, 9 million women, infants, and children were participating in the WIC program, up from 88,000 in 1974, and expenditures totaled $7 billion (USDA, 2012e). The USDA (2011e) estimates that the program serves about 60% of eligible families with children.

Grant levels are modest and so the program has little impact on the child poverty rate even when using the supplemental poverty measure (Short, 2011). But the primary purpose of the program is to improve the health and nutrition of women, infants, and children, and there the program seems to be a resounding success.

A large number of studies have examined the effects of prenatal participation in WIC. Early studies found that WIC participation prenatally was associated with reductions in low birthweight, but such studies typically did not take into account selection into the program and how that might bias estimates of its effects (see review in Currie, 2003). More recent studies have used rigorous methods to control for selection into the WIC program and confirm that WIC is associated with higher birthweight (see e.g. Currie and Bitler, 2004; Kowaleski-Jones and Duncan, 2002). While there continues to be some debate as to whether the effects of WIC on birth outcomes are causal (see Joyce, Gibson, and Colman, 2005 and rebuttal by Currie and Bitler, 2005), I think the weight of the evidence suggests that participating in WIC prenatally does improve birthweight. Recent historical estimates, taking advantage of the roll-out of the implementation of WIC across countries, have buttressed the case for causal effects by showing that the implementation of WIC led to an increase in average birthweight and a decrease in low birthweight births (Hoynes, Page, and Stevens, 2011).

The benefits of participating in WIC post-natally have been less studied. The fact that WIC provides coupons for formula has led to concerns that it may reduce breast-feeding. Recent program reforms have attempted to provide increased support for breast-feeding mothers, and Currie (2006) concludes that such efforts may be paying off, as at least one recent study finds that breast-feeding rates do not differ between WIC and non-WIC mothers (Chatterji and Brooks-Gunn, 2004). Currie (2006) also reviews evidence showing that WIC improves child nutrition and reduces anemia, leading to higher scores on early vocabulary tests.

d. Summary assessment
The War on Poverty’s food and nutrition programs have produced an impressive track record. Food Stamps reach large numbers of low-income families, reduce poverty and food insecurity, and probably also improve nutrition. At the other extreme, the smaller WIC program has less impact on poverty but a more direct effect on nutrition for the vulnerable populations it serves. The school lunch and breakfast programs sit somewhere in the middle – with intermediate-size effects on poverty and on nutrition. Although each of the programs could be improved, together they have contributed to reducing poverty and improving the life chances of poor children.

2. Cash assistance

Cash assistance programs for low-income families with children predated the War on Poverty, and expanding them was not a major focus of the War on Poverty. President Johnson was clear that he did not want to increase handouts. As he said at the time of the signing of the 1964 Economic Opportunity Act:

“We are not content to accept the endless growth of the relief rolls or welfare rolls. We want to offer the forgotten fifth of our people opportunity and not doles.” (Johnson, 1964b).

In a similar vein, the 1965 Economic Report of the President makes clear that although the country could simply transfer enough money to low-income families to eliminate income poverty, that was not the solution the administration preferred, because “this ‘solution’ would leave untouched most of the roots of poverty.” (Johnson, 1964c, p. 77). For this reason, the reforms introduced during the War on Poverty offered “a hand up, not a handout” (Davies, 1996, p. 39).

a. AFDC/TANF

Aid to Dependent Children (ADC) (later to become Aid to Families with Dependent Children, AFDC) was established as part of the Social Security legislation in 1935. Even at its inception, there were concerns that a cash welfare program might become a “narcotic” and induce long-term dependency. President Franklin Delano Roosevelt, in his 1935 State of the Union speech, issued a memorable warning:

“Continued dependence upon relief induces a spiritual and moral distintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.” (Roosevelt, 1935).

In spite of these concerns, Roosevelt and the New Deal reformers felt the introduction of mothers’ pensions was warranted to enable women who through no fault of their own found themselves without a male breadwinner to provide adequate support for their children without having to work in the labor market. The recipient that Roosevelt and the
New Deal reformers had in mind was a deserving widow (Skocpol, 1995). Over time, however, the profile of recipients changed. By the 1950s, the majority of recipients were no longer widows but rather women who had become single parents through divorce, desertion, or out-of-wedlock childbearing (Davies, 1996). And, the numbers on the program -- and the associated costs -- were growing at an alarming rate. By 1957, ADC had become the largest public assistance program, surpassing even the old age assistance program (Davies, 1996).

Against this background and in keeping with Johnson’s strong preference for opportunities rather than handouts, the War on Poverty did not increase the generosity or reach of the program (which by this time had been renamed Aid to Families with Dependent Children) (AFDC). Instead, Title V of the 1964 Economic Opportunity Act introduced a key work-oriented reform: setting up the Work Experience and Training Program to encourage welfare recipients to move into employment. Title V was a pilot program and served as the forerunner of the Social Security Amendments of 1967, which mandated that welfare departments establish work incentive (WIN) programs and that they provide needed supports, including child care. Title V, and the later WIN programs, were offered on a voluntary basis to single mothers on AFDC, but were mandatory for participants in the AFDC-unemployed parent program (which served a small number of two-parent families). As a result, about half of those enrolled in Title V programs were men (Stats, 1970). These early work incentive programs had many of the hallmarks of later work and training programs for welfare recipients, including individual employability plans, job counseling and placement, and help locating and paying for child care.

The new work incentive programs did not address the long-standing problems of low, and inequitable, benefits within the AFDC program. In the wake of riots in Watts and other urban areas, and the uproar over the Moynihan report about the black family, key figures within the Johnson administration began to advocate for making income support programs more generous. A 1965 Inter-Agency Task Force on Public Assistance concluded that inadequate benefit levels were the major problem facing the AFDC program (Davies, 1996). In line with this view, Sargent Shriver (director of Johnson’s Office of Economic Opportunity) pressed Johnson in 1965 to introduce a Negative Income Tax (NIT), which would provide a guaranteed minimum income to poor families and give them the foundation to enable them to take part in the jobs and social programs of the War on Poverty (Davies, 1996).

The call for more generous and more equitable benefits and a guaranteed minimum income was picked up by the newly emergent welfare rights movement. Supported by academics Richard Cloward and Frances Fox Piven, welfare rights organizers greatly expanded take-up of the program, in particular by African-American families who in some states/localities had been excluded or subjected to differential treatment. Their
goal was to remedy the existing situation, in which half of eligible women were not participating in the program, and, by overwhelming the program, to build momentum to replace the welfare system with a system of guaranteed minimum incomes (Davies, 1996).

Recognizing the problem of inadequate benefits, Johnson’s proposed welfare reforms in 1967 included a measure to require states to provide benefits in line with their standard of need (Johnson also proposed a set of negative income tax experiments). But a more conservative Congress, reacting to rising caseloads and costs as well as continuing unrest in the cities, instead froze federal funding for welfare and imposed new work requirements in its 1967 amendments to the Social Security Act (Davies, 1996).

The idea of some form of guaranteed income for the poor continued to gain support. Indeed, Johnson’s successor, President Richard Nixon, in 1969 proposed a Family Assistance Plan that would have provided a minimum income to all low-income families, including the working poor. In spite of its inclusion of the working poor, the FAP raised concerns among conservatives about whether providing a minimum would erode work incentives. But remarkably, the plan was ultimately defeated in 1972 by liberals who argued that it was not generous enough, and that having no minimum income plan was better than enacting a flawed one.

What was the legacy of the War on Poverty in terms of the AFDC program? Certainly, caseloads and costs increased dramatically during this period. The number of recipients more than doubled from 1964 to 1970 (rising from 4.2 million to 9.7 million), and the costs of the program grew accordingly (Davies, 1996, p. 158 and 215). So too did concern about the program’s size and its effects on work incentives and family structure (see e.g. Chappell, 2010). It was also apparent that, in spite of its burgeoning costs, the program had not eliminated poverty or substantially raised living standards for the poor, because benefit levels continued to be low. For a time, it seemed that these concerns would lead to AFDC’s replacement with some form of minimum income, but with the defeat of Nixon’s FAP, this alternative faded from view. Instead, future reforms would take the AFDC program in a more work-oriented direction, responding to the backlash on the part of the working poor and middle-class, who resented seeing benefits go to those not working. This period also planted the seeds for other work-oriented benefit programs, including the Earned Income Tax Credit, which according to Davies (1996) was first proposed by former New York City welfare commissioner Mitchell Ginsberg in the wake of the FAP defeat.

Since the time of the War on Poverty, AFDC has continued to move in a more work-oriented direction. This shift included the passage of the Family Support Act of 1988 and culminated in the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. PRWORA converted the open-ended AFDC
program to the time-limited Temporary Assistance for Needy Families (TANF) program and further stiffened work requirements. Data on trends in expenditures on AFDC/TANF (in Scholz et al., 2009) show a steep decline post-1996 as welfare reform came into effect. By 1998, there were fewer people on AFDC/TANF than there had been in 1970 (Scholz et al., 2009). And, even during the Great Recession, participation in the program did not increase significantly (DeParle, 2012).

It is difficult to assess how effective AFDC and its successor TANF have been in reducing poverty. While few families have been moved out of poverty altogether through AFDC/TANF because benefits levels typically have been well below the poverty line, certainly the availability of cash assistance through AFDC/TANF has helped reduce the depth of poverty for low-income families and has also helped to reduce material hardship (Scholz et al. 2009). However, critics have argued that AFDC’s provision of unconditional assistance for single-mother families fostered dependency and encouraged the formation of single-parent families (see e.g. Murray, 1984). The evidence on AFDC’s effects on family structure suggests that AFDC probably did discourage marriage and encourage out-of-wedlock childbearing, but such effects were small (Moffitt, 1998). Nevertheless, it was concerns about family structure, as well as rising caseloads and costs, that led to the replacement of AFDC with TANF in the 1990s.

It is also difficult to evaluate the effects of AFDC, and its successor TANF, on child outcomes. Johnson and others involved in the War on Poverty were concerned about the harmful effects for children of growing up on welfare and not having the role model of a parent working in the labor market (Davies, 1996; Gillette, 2010). But careful econometric studies tend to find no significant effects of welfare participation on children’s health and development (see review in Currie, 1995, 1997). At the same time, there is a host of evidence that children are harmed by growing up in financially insecure and poor households (see review in Magnuson and Votruba-Drzal, 2009). So, it seems unlikely that income support from AFDC or TANF has done children more harm than good.

b. SSI

The Supplemental Security Income (SSI) program was established in 1972, in the aftermath of the War on Poverty. SSI provides income support to low-income families with children if a child or an adult has a disability that qualifies for coverage.2 In contrast with AFDC/TANF, the SSI program provides uniform benefits nationwide with benefit

2 SSI also covers disabled adults and elderly but I focus only on families with children here.
levels set by the federal government. Benefit amounts are higher than AFDC/TANF and are raised regularly in line with inflation (as Social Security benefits are). And unlike in the current TANF program, there are no work requirements or time limits associated with SSI receipt. For these reasons, SSI is an important part of the safety net for families eligible to receive it.

SSI expenditures rose about 50% from 1972 to 1990, but then rose a further 55% from 1990 to 1994, due to growth in the caseload following a Supreme Court decision that changed the child mental health eligibility criteria (bringing them in line with the adult mental health eligibility criteria); after 1994, spending grew only modestly (Scholz et al., 2009). In 2012, there were 8 million SSI recipients (of whom 1.3 million were children) (SSA, 2012), up from about 4 million in 1972 (Scholz et al., 2009). Program expenditures totaled $4.5 billion in 2012 (SSA, 2012).

SSI has a larger effect than AFDC/TANF on reducing the depth of poverty for those receiving it because benefit levels are higher (Scholz et al., 2009). SSI also moves some families out of poverty. Duggan and Kearney (2007) analyze families over time in the Survey of Income and Program Participation and find that a child becoming eligible for SSI reduces the risk of the family being in poverty by 11 percentage points. However, little research exists on the effects of SSI receipt on child health and development. This would be a useful area for future research.

c. Summary assessment

The War on Poverty did have lasting effects on the AFDC program, although not always in the way that was intended. Johnson’s insistence on focusing his reforms on promoting work and providing a hand up, rather than a handout, has been borne out in the subsequent evolution of the program into a more work-oriented and temporary form of assistance. But Johnson did not intend for the program to expand in size or controversy in the way it did. And Johnson would not have foreseen, or intended, that the program would lose its ability to serve as a safety net in the event of economic downturns. As critics of PRWORA pointed out when the welfare reforms were enacted and as we have seen in the Great Recession, TANF and the associated work-based safety net provide a minimally adequate form of support for most low-income families with children when the economy is strong – although their anti-poverty effectiveness would be stronger if minimum wages provided a higher floor for the low-paid workforce - but they do not provide adequate support in a recession. Nor do they address the needs of low-income families where parents are not able to work in the competitive labor market but do not have disabilities sufficient to qualify for SSI. Such families would have received at least some minimal support under the old AFDC program, but are left “disconnected” from both welfare and work under the tougher TANF program (Blank, 2007; Haskins, 2001; Pavetti, 2001).
3. Income support programs tied to employment

As discussed above, the idea of providing incentives for low-income families to work dates from the War on Poverty, and work-related income support programs have assumed a much more important role in the ensuing years and particularly since the welfare reforms of the 1990s. The largest such program now is the EITC. Child care subsidies have also become increasingly important.

a. EITC

The Earned Income Tax Credit (EITC), established in 1975, is now the single largest income support program for low-income families with children. The EITC provides families who have sufficient earnings in the prior year with a refundable tax credit. It is an unusual part of the safety net in that it is administered through the tax system and it is paid out once a year (in the spring, after tax returns are filed).

As mentioned earlier, the EITC was introduced shortly after the War on Poverty in response to concerns that the working poor were not being supported to the same extent as the non-working poor. It was expanded several times after 1975, with the most far-reaching reforms occurring in conjunction with the work-oriented welfare reforms of the 1990s. Originally serving 6 million recipients in 1975, the program provided tax credits to 26 million recipients in 2011, at a cost of nearly $60 billion (IRS, 2012).

The primary goal of the EITC is to promote work among low-income parents and it is certainly effective in doing so, particularly for single parents (the effects on married parents are more ambiguous, since the program also provides some disincentive to marriage as well as incentives for second earners to reduce labor supply) (see e.g. Dickert, Houser, and Scholz, 1995; Eissa and Hoynes, 2004; Eissa and Liebman, 1996; Hotz and Scholz, 2003, 2006; Keane and Moffitt, 1998; Meyer and Rosenbaum, 2001).

The EITC plays an important role in reducing poverty among working families (Neumark and Wascher, 2001; Scholz, 1994). Recent Census estimates using the supplemental poverty measure suggest that in 2010, the child poverty rate would have been 4 percentage points higher (22.4% instead of 18.2%) if EITC were not taken into account (Short, 2011).

There is an emerging literature on the effects of the EITC on other child and family outcomes. Evans and Garthwaite (2010) examine the effects of the 1993 EITC expansion on maternal health and mental health (taking advantage of the fact that benefits increased sharply for families with 2 or more children, but not for families with only 1 child). They find that increased EITC benefits are associated with fewer bad mental health days, and a greater likelihood of being in excellent or very good health; higher benefits are also linked to a lower number of risky biomarkers (in particular,
those associated with inflammation). Baker (2008) finds that the same EITC reforms also raised average infant birthweight. Taking advantage of variation in state EITC programs, Strully, Rehkopf, and Xuan (2010) also find that higher EITC payments are linked to higher birthweights. Hoynes, Miller, and Simon (2011), examining the effects of variation in both federal and state EITC programs, provide further evidence that higher EITC benefits are associated with reduced likelihood of low birthweight and higher average birthweights. Dahl and Lochner (in press) find that income gains associated with higher EITCs are in turn associated with higher student test scores.3

b. Child care subsidies

The Child Care and Development Fund (CCDF) and predecessor child care programs provide subsidies to offset child care costs for low-income families with children where parents are working or in work-related activities. The first provisions for helping welfare recipients with child care costs date from the 1964 Economic Opportunity Act. Those provisions laid the groundwork for the introduction of transitional child care (for women leaving welfare for work) in the Family Support Act of 1988, which in turn set the stage for today’s child care subsidy policies for low-income workers.4

Funding for child care subsidies increased sharply following the 1996 welfare reforms, more than doubling in real terms from 1996 to 2000 (Scholz et al., 2009), but has been fairly flat since then. Subsidies do not reach all eligible low-income working families; indeed, estimates suggest that they reach only about 15% of eligible families (). The FY 2011 budget for CCDF was $5 billion (U.S. DHHS, 2012). In 2009 (the most recent year for which data are available), 1.6 million children received subsidized child care through CCDF (an additional 0.9 million received subsidies through TANF child care funds and the smaller Social Services Block Grant) (U.S. DHHS, 2012).

Child care subsidies reduce poverty in two ways: first, by providing an incentive for parents to move into work and stay in work; and second, by offsetting the cost of child

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3 These positive results are consistent with earlier evidence from the Negative Income Tax (NIT) experiments. While results varied by site and population group, most estimates point to positive impacts of the NIT on child health and educational outcomes (see review in Currie, 1997).

4 Provisions to provide tax deductions or credits for employees with child care costs date back even further, to the 1950s. Further legislation was enacted in the 1970s, and the Dependent Care Assistance Plan (DCAP) was introduced in the 1980s. However, these provisions primarily benefit middle- and upper-income families so I do not discuss them here. I also do not discuss publicly supported preschool programs for low-income children such as Head Start (covered in another chapter in the volume).
care and boosting family income. There is extensive evidence on the first point, showing that low-income women’s labor supply is quite responsive to child care costs and subsidies (see e.g. Bainbridge, Meyers, and Waldfogel, 2003). With regard to the second point, about half of child care subsidy recipients have incomes below the poverty line (U.S. DHHS, 2012). Subsidies should reduce the depth of poverty in those families, while keeping other families (with incomes above the poverty line) from falling into poverty. But further research detailing the magnitude of the anti-poverty effects of child care subsidies would be useful.

An emerging literature has begun to examine the effects of child care subsidies on child health and development. In contrast to a large body of research showing the benefits to children of high-quality child care and early education programs (see e.g. review in Ruhm and Waldfogel, in press), the studies of child care subsidies tend to find either negative or neutral effects on child health and development (see e.g. Herbst and Tekin, 2010a, 2010b, 2011; Johnson et al., 2011). These results likely reflect the poor quality of care that subsidized children are using (since typically subsidy programs do not place stringent limits on the type of care that families may use and since the highest quality providers may not be willing to participate in the subsidy program given low payment rates). This is an area where further research is needed.

c. Summary assessment

The EITC has become an extremely important part of the safety net for low-income families with children. It plays a critical role in promoting work and making work pay, reduces poverty, and also leads to improved health and mental health for low-income mothers as well as improved health and development for children. Nevertheless, there may be room to improve the EITC. The greatest question about its effectiveness derives from its unique design – with benefits awarded once a year at tax time. While this enables families to use it to make large purchases, the evidence also suggests that many families use at least a portion of their EITC to pay off debt or back bills (O’Connor, Ross Phillips, and Smeeding, 2000; Gao, Kaushal, and Waldfogel, 2009). It might be worth some experimentation with different methods of administering the EITC to see whether delivering the benefit on a more regular basis might yield better outcomes for children and families. Another shortcoming of the EITC is that it is primarily limited to custodial parents and thus does not provide support to non-custodial parents (typically fathers). Extending the program to non-custodial parents would be equitable and would help promote father involvement as well as the payment of child support (see e.g. Mincy et al., 2011).

Child care subsidies also have become a more important part of the social safety net. But they remain limited because, unlike the EITC, they are not an entitlement and thus not all eligible families are able to receive them. There are also issues with regard to the
extent to which the care being subsidized is contributing to children’s health and development, because families may use subsidies for many different types of care and not just high quality preschool programs. If child care subsidies are going to fulfill their mission of supporting work for eligible families – and promote child health and development – clearly they will have to be funded at a much higher level than they are at present. There is also a need for a broader set of work-family policies to help working parents take care of their family responsibilities while maintaining their position in the labor market (Waldfogel, 2006, 2009).

Conclusions

The most enduring legacy of the War on Poverty’s reforms to the nation’s safety net derives from its expansion of food and nutrition programs for low-income families with children. In comparison to the cash welfare programs, these programs have proven fairly resilient to political pressures and backlash. And they have achieved a solid track record in terms of reducing poverty and food insecurity, improving nutrition, and yielding other benefits for child health and development.

The legacy of the War on Poverty in terms of the major cash welfare programs is more complex. Johnson’s concerns about long-run welfare dependency and sky-rocketing welfare costs have continued to this day and have seen the ADC/AFDC program transformed into the time-limited and work-oriented TANF program. TANF, and the associated work-based safety net including the EITC and child care subsidies, provide a minimally adequate system of support in good times and for those able to work, but are woefully inadequate in recessions and for parents who are not able to work. But, on a more positive note, the SSI program has proved to be a relatively robust source of support for the most vulnerable families, those with disabled children or parents. Moving those families from the more precarious and variable welfare programs onto a federally guaranteed and uniform program has been a great boon to those eligible.

A year into the War on Poverty, Johnson and his key administrators were already discussing the need for some form of guaranteed minimum income for low-income families with children. This theme was picked up by Johnson’s successor, Nixon, but did not come to fruition. Fifty years later, we have come closer to that vision with the Child Tax Credit (CTC), which provides families with children a small income supplement. However, the CTC is not fully refundable and thus the lowest income families do not receive any benefit from it (Harris, 2012). If amended to be fully refundable, the CTC would provide the income floor that Johnson and others came to see was an essential element of the nation’s safety net. I can therefore think of no better way to celebrate the 50th anniversary of the War on Poverty than by making the CTC fully refundable, to ensure that the safety net reaches all the nation’s poor families with children.
References


