# Non-Financial Instruments in Welfare Policy

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### Outline of Talk

- What we know and don't know about non-financial instruments in welfare policy
  - Definition
  - Types
  - Prevalence
  - Evidence
  - Research Needs
- Most of the evidence is U.S. based, though point to some U.K. findings



## Key Takeaway

- The evidence to date suggests non-financial instruments that restrict program access have a larger effect of reducing program participation than increasing work
- Many disadvantaged populations are worse off
  - Lower net incomes (e.g. Bitler, Gelbach, and Hoynes 2006; Bollinger, Gonzalez, and Ziliak 2009; Frogner, Moffitt and Ribar 2009)
  - Lower welfare (e.g. Chan 2013; Low, Meghir, Pistaferri, Voena 2018)



## Eligibility for Welfare Programs

- Eligibility for welfare transfers generally requires having limited incomes, and often, limited assets (e.g. liquid and vehicle wealth)
- Many programs also place non-financial restrictions on eligibility, and possibly amount and duration
- These nonpecuniary restrictions result in conditional cash (in-kind) transfers
- CCTs are often attributed to programs in developing countries, but earliest I'm aware of is the Settlement and Removal Act of 1662 under Charles II



Why Utilize Non-Financial Instruments?

- Improve target efficiency to reduce program costs
- Reduce moral hazard to improve self-sufficiency
- Well developed theoretical literature
  - See papers by Akerlof (1978); Nichols and Zeckhauser (1982); Parsons (1996); Besley and Coate (1992); Moffitt (2006); Pavoni and Violante (2007); Pavoni, Setty, and Violante (2016)
- Case against such instruments include administrative burden, opportunities to game the system on part of administrator and recipient



## Types of Non-Financial Instruments

- Work requirements
  - Job search/job readiness
  - Minimum hours threshold
- Time limits
  - Duration of benefit receipt
  - Exemption from work
- Sanctions
  - Partial/full benefit reduction
  - Case closure



## Types of Non-Financial Instruments

- Disability
  - Typically expected to prevent or limit gainful activity (school for children, work for adults)
- Recertification/redetermination
  - Periodic review of income and assets, presence of children, presence of disability
- Immigration status
  - Program may limit eligibility to citizens, refugees, and legal immigrants with minimum years since arrival



## Types of Non-Financial Instruments

- Residency
  - Benefits may not be transferable across jurisdictions
- Biometric
  - Facial recognition
  - Fingerprinting
  - Drug Testing
- Children
  - Presence and/or age composition
  - Immunizations
  - School attendance
  - GPA



### Prevalence in Current US and UK Programs

Work Requirements	Time Limits	Sanctions	Disability	Recertification
EITC	TANF	TANF	SSDI	EITC
CTC		Housing Vouchers	SSI	СТС
TANF				TANF
SNAP			UC	SNAP
Medicaid				SSI
				Medicaid
				Housing Vouchers
Universal Credit (UC)				
				UC



#### Prevalence in Current US and UK Programs

Immigration Status	Residency	Biometric	Children
TANF	TANF	TANF	TANF
SNAP	SNAP	SNAP*	
Medicaid	Medicaid	Medicaid*	
Housing Vouchers			UC
	UC	*expired or	
UC		uncertain	



## Evidence

- Most of the empirical research comes from non-experimental evaluations of programs, the lion's share of which is reduced form
- Literature mostly focused on program participation, employment, earnings, income
- Much smaller evidence base on other domains such as marriage, fertility, health, consumption, saving, human capital
- Many studies only model the bundle of policies, not contributions of individual policies



#### Recent Surveys

- TANF: Ziliak (2016); Chan and Moffitt (2018)
- SNAP: Hoynes and Schanzenbach (2016)
- EITC: Nichols and Rothstein (2016)
- SSI: Duggan, Kearney, and Rennane (2016)
- Medicaid: Buchmueller, Ham, and Shore-Sheppard (2016)
- Housing: Collinson, Ellen, and Ludwig (2016)



#### Work requirements result in lower program participation

#### • TANF

- Ziliak et al. (2000); Moffitt (2003); Fang and Keane (2004)
- Fang and Keane attribute 57% (13ppt) of the 23 ppt decline to work requirements
- SNAP
  - Ziliak et al. (2003); Ribar et al. (2010); Harris (Forthcoming); Gray et al. (2020)
  - 20% in Ribar; 9.5% (1.7 ppt.) in Harris; 50% in Gray
- Medicaid
  - Sommers et al. (2020)
  - 9.6%



## Work requirements result in higher employment

- TANF
  - Grogger (2003); Fang and Keane (2004); Bitler, Hoynes, and Gelbach (2006); Chan (2013); Kline and Tartari (2016)
  - FK attribute 17% (1.9 ppt) of the 11.3 ppt increase in employment to work requirements
- SNAP
  - Harris (Forthcoming); Gray et al (2020)
  - Harris finds 1.8% (1.3 ppt) increase in employment—for every 100 leaving SNAP, 75 found work
- EITC/WFTC
  - Blundell et al. (2000); Meyer and Rosenbaum (2001); Grogger (2003); Chan (2013)
  - 2-5 ppt increase
- Notes on Tax Credits
  - Eissa and Hoynes (2004) and Blundell et al (2016) find negative employment effects among married mothers
  - Chetty et al. (2013) find positive labor supply effects at intensive margin phase-in range



## Time limits result in lower program participation

- TANF
  - Ziliak et al. (2000); Grogger (2003); Fang and Keane (2004); Swann (2005); Mazzolari (2007); Ribar, Edelhoch, and Liu (2008); Chan (2013); Low, Meghir, Pistaferri, and Voena (2018)
  - 11% (2.5 ppt) in FK, 45% (5 ppt) in Low et al (2018)



#### Time limits result in higher employment

- TANF
  - Grogger (2003); Fang and Keane (2004); Swann (2005); Bitler, Hoynes, and Gelbach (2006); Chan (2013); Kline and Tartari (2016); Low, Meghir, Pistaferri, and Voena (2018)
  - Effect sizes range from 0.3 2.7 ppt., and tend to be double when including forward-looking behavior



#### Summary of Work Requirements and Time Limits

• As the two most prominent policies, and most heavily studied, a recurring finding is that when time limits and work requirements are imposed the number of people exiting the program exceed the number entering work



## Evidence on other policies and outcomes

Time Limits	Sanctions	Disability	Recertification
Low et al. (2018)	Chan (2013) finds	Deshpande (2018)	Kabbani and Wilde
find IANF time	that work	finds that age 18	(2003), Ribar et al.
limits result in	requirement	medical	(2008), Gray (2018)
lower divorce,	sanctions increased	redetermination in	find tremendous
and higher	labor supply	SSI increases	churn in SNAP
marriage, but on		employment, but	associated with
net reduce	Fording et al (2007)	lose 2/3rds of pre-	recertification.
welfare	find large racial gap	work income	Leaving money on
	in sanctioning		the table



## Evidence on other policies and outcomes

Immigration Status	Residency	Biometric	Children
<ul> <li>Ham et al. (2009) find immigrants displaced out of Medicaid</li> <li>Bitler and Hoynes (2013) find TANF lower by 2-3 ppt.</li> <li>East (2018) finds small negative employment in SNAP re-eligibility</li> </ul>	Mixed evidence on whether people move for higher benefits (Borjas 1999; Gelbach 2004; McKinnish 2007; Kennan and Walker 2010)	Corman et al. (2013) found illicit drug use among women fell with welfare reform, but no evidence on drug testing per se Ziliak (2015) found fingerprinting in SNAP reduced participation by 0.7 ppt.	Deardon et al. (2007) found EMA increased school retention 6.7 ppt over 2 years. Riccio and Miller (2017) find very mixed effects from Opportunity NYC on school attainment



#### **Research Gaps and Opportunities**

- Across all programs and domains there is a shortage of structural model research, severely hindering our ability to guide policy
- Work requirements, or expansions of current policies, have been proposed in Medicaid, SNAP, and Housing. Current evidence base relies too heavily on TANF for predicting likely outcomes
- Evidence base, whether reduced form or structural, is limited on other domains such as consumption, saving, labor supply over time, family structure, child well being in the short and long-run
  - Blundell et al. (2016), Low et al. (2018) are recent exceptions using structural models



### **Research Gaps and Opportunities**

- Most research examines programs in isolation, but many households combine benefits across multiple programs, and can potentially substitute intra- and inter-temporally. More work is needed along these lines
  - Chan (2013) is a good example from structural research
- A challenge facing much of the literature is identifying components of welfare policies, especially when the data are from annual survey data. Points to a need to access more administrative data, ideally linked to surveys, to improve identification of high frequency movements on and off programs and the heterogeneity therein



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