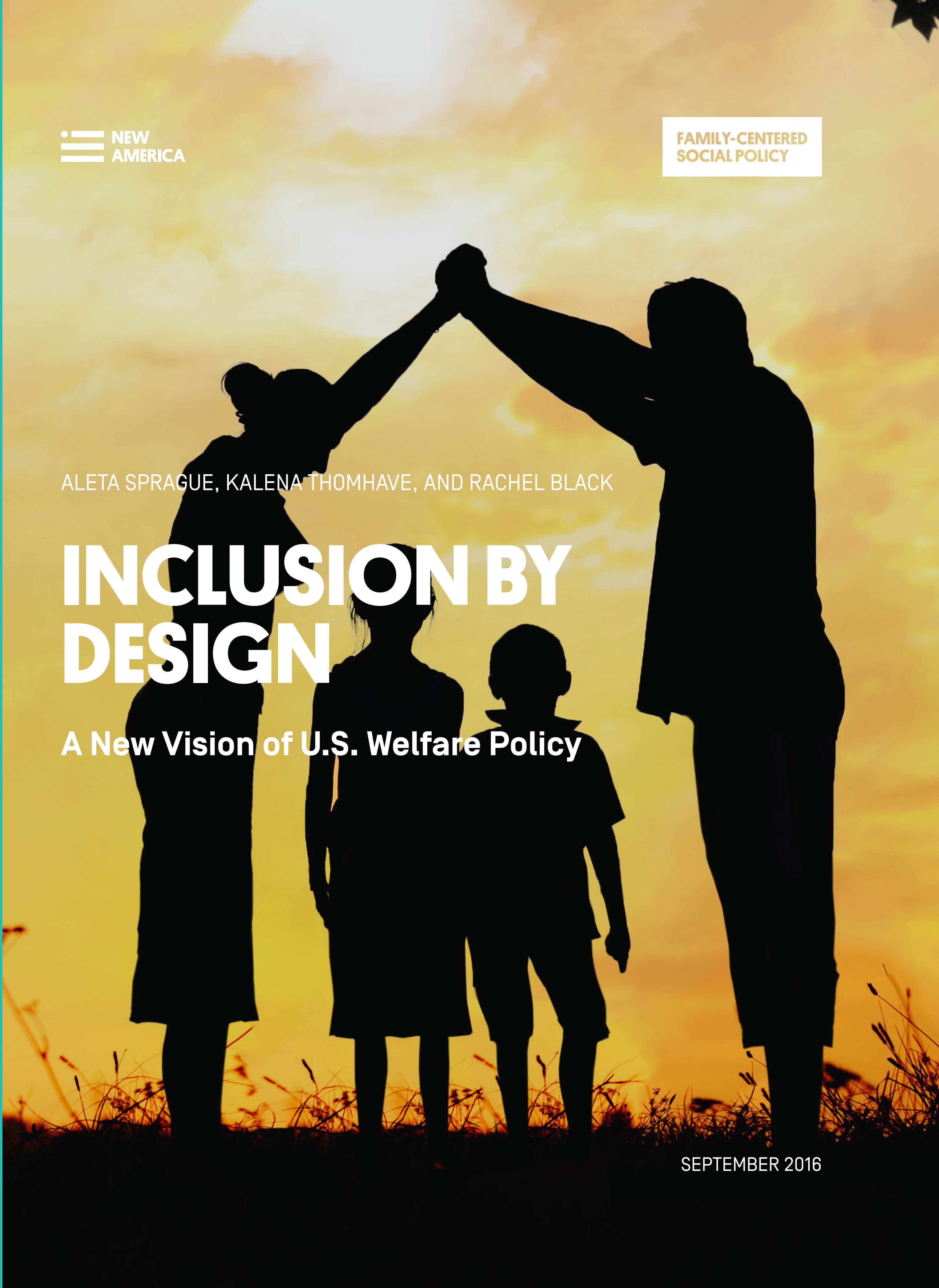

NEW AMERICA

FAMILY-CENTERED SOCIAL POLICY

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INCLUSION BY DESIGN

A New Vision of U.S. Welfare Policy

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About New America

New America is committed to renewing American politics, prosperity, and purpose in the Digital Age. We generate big ideas, bridge the gap between technology and policy, and curate broad public conversation. We combine the best of a policy research institute, technology laboratory, public forum, media platform, and a venture capital fund for ideas. We are a distinctive community of thinkers, writers, researchers, technologists, and community activists who believe deeply in the possibility of American renewal.

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About Family-Centered Social Policy

The Family-Centered Social Policy initiative is investigating the creation a more equitable, inclusive, and streamlined system of social policies by placing the families most underserved by our existing approach at the center of who policies are designed for and the process of how they are designed. The initiative is a collaborative effort, bringing together experts from various New America initiatives: Asset Building , Better Life Lab, Education Policy, Open Markets, and Open Technology Institute. The Family-Centered Social Policy Initiative is generously supported by the W.K. Kellogg Foundation, the Ford Foundation, and Annie E. Casey Foundation.

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INTRODUCTION

"One of the things that we need is more money. Welfare is a right and we have the right to adequate welfare. We have a right to [a] decent standard of living including enough money for adequate food, housing and clothing for our families. We have a right to be treated with dignity. We have a right to opportunities for good jobs, training and education. We have a right to fair hearings with legal help if we believe we have not been treated fairly."[1]

Nearly fifty years ago, thousands of welfare recipients organized rallies and protests in 57 cities across the country, urging reforms to the United States' anti-poverty programs. Beyond the demand that they had a right to the provision of their basic needs, their protests focused on the pervasive practices within the public assistance system that treated them as the "other," such as unannounced home inspections and police officers placed within the welfare office.[2] By claiming that all Americans, by nature of their social citizenship, should be able to secure adequate shelter, food, and clothing without sacrificing their dignity—and have a voice in the policy decisions that affected them—they were defending their right to be included.

Today, despite the "end of welfare as we know it" in 1996, exclusion remains a defining feature of the U.S. welfare system—and the platform of the National Welfare Rights Organization as a whole remains strikingly relevant. Participants in anti-poverty programs still often must submit to significant intrusions of privacy as a condition of receiving a paltry amount of assistance. Unannounced home visits persist in some parts of the country, while drug tests have become commonplace in many others. These practices in turn perpetuate a perception of safety net programs as rife with fraud and abuse, despite evidence to the contrary. As in the sixties, opposition to U.S. anti-

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poverty programs also remains deeply racialized, and policymakers strategically deploy coded racial rhetoric when proposing reforms to reduce benefits or tighten eligibility requirements. Meanwhile, the voices of people in poverty are rarely considered when policy decisions about these programs are made. As a result, stigma plays a more active role in shaping policy than the people affected by it.

The evidence of stigma manifested through exclusion is pervasive and exemplified by the many restrictions imposed on what benefits families receive, how they receive them, and how they are to be used. The level of cash assistance available to families in poverty to use at their own discretion has plummeted in recent decades in favor of more politically palatable in-kind benefits—goods or services restricted to specific uses, such as housing or food. Distrust and surveillance were codified in recent legislation that required states to prevent benefits from being accessed at strip clubs, casinos, or liquor stores, which resulted in some states disabling thousands of ATMs and others threatening benefits recipients with fraud charges if they withdrew cash at a prohibited location. Additionally, these benefits are commonly delivered through sub-par financial products without basic consumer protections and limited functionality, and recipients are frequently prohibited from saving even a modest emergency fund as a condition of eligibility. These practices have the immediate consequence of further limiting the value of an already limited amount of resources that families need to meet urgent needs, but also have the less obvious but more insidious effect of relegating poor families to poor financial products and directing families to engage in counterproductive financial behavior. In this way, the social exclusion that stigma breeds in welfare policy design also breeds financial exclusion.

Although the U.S. approach to poverty reduction continues to reflect many of the same shortcomings as policies of the past, new models and innovations are offering promising alternatives. In particular, a growing body of evidence suggests that more cash-based, flexible models of assistance do more to alleviate poverty and promote financial inclusion, while reducing the stigma attached to benefit receipt that has undermined the reach and effectiveness of the U.S. system. Furthermore, efforts both within the U.S. and in other parts of the world have shown that it is feasible to invite and successfully incorporate the input of people living in poverty in the design of anti-poverty initiatives.

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This paper will explore the historical factors and racial stereotypes that have shaped U.S. welfare policy, evaluate alternative models piloted in the U.S. and other countries for lessons they can impart about creating a more inclusive and effective system in the U.S, and, finally, distill these lessons into recommendations for state and federal policy design.

HOW DID WE GET HERE? THE CONSTRUCTION OF STIGMA AND EXCLUSION IN THE U.S. WELFARE SYSTEM

In a global context, and particularly when compared against other high-income countries, the U.S. approach to poverty stands out. The U.S. welfare system is highly categorical, with a multitude of programs tailored to meet specific needs, such as food or home heating, or to accommodate different populations, such as children or the elderly. Programs targeting low-income families are characterized by sparse cash benefits and a heavy emphasis on work, as evidenced most clearly by the Temporary Assistance for Needy Families (TANF) program. TANF provides a small amount of cash assistance, with a median grant of around $429 per month for a family of three, to very low-income families with children;[3] in exchange, the head of the household must generally spend thirty hours or more in work or work activities per week, with sanctions imposed for non-compliance. Similarly, many states recently reinstated work requirements for able-bodied adults without dependents for the Supplemental Nutrition Assistance Program (SNAP/Food Stamps), while the Earned Income Tax Credit (EITC), by far the largest government cash transfer to low-income families, is inseparable from work.

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This unique set of policy choices reflects the longstanding distinction between the "deserving" versus "undeserving" poor in the U.S. approach to poverty. More specifically, the structure of the current welfare system, including the persistence of welfare stigma, derive from strategic political choices around the social construction of poverty when the social safety net was first established; racialized portrayals of poverty by the media and policymakers; and key legal decisions and policy reforms that undercut the potential of the welfare rights movement that briefly gained traction in the 1960s. These developments culminated in the most recent major welfare reform, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which further cemented the framing of poverty as exclusively a consequence of individual choices and circumstances rather than structural conditions, and relied on racial narratives about poverty for its popular support. This section will provide a brief overview of this history to illustrate how stigma became so inseparable from public assistance and to provide context for current policy features.

The New Deal

The origins of the modern American safety net lie in the New Deal, and in particular, the 1935 Social Security Act (SSA). Among other things, the SSA established Social Security, Medicare, Unemployment Insurance, and Aid to Dependent Children (ADC), a predecessor to AFDC and then TANF. Yet while the social insurance components of the New Deal are today uncontroversial, in the 1930s, their enactment required the development of a political narrative showing why such a large portion of the population deserved assistance. To depict those in need as blameless for their economic circumstances, policymakers invoked language commonly used for natural disasters; as Philip La Follette, the Wisconsin governor and a key force behind the New Deal, argued:

> "So far as the victims are concerned, it makes little difference to them whether they are homeless, cold, and hungry as a result of a physical trembling of the earth or whether they find themselves in that condition due to an economic earthquake which has deprived them of the opportunity of earning their daily bread. I cannot see fine, hairline distinctions which opponents of Federal assistance . . . draw with regard to those precedents."[4]

As La Follette's words suggest, the disaster narrative around the Depression became a "central element in the political mobilization of the New Deal," while providing a telling example of how the categories of "deserving" and "undeserving" expand and contract to serve different political ends.[5] Photos depicting the Depression, which often emphasized nursing mothers or children and appended sympathetic, explanatory captions to images of men, further reinforced this understanding.[6] Through this strategic framing, advocates for the New Deal were able to cultivate widespread support for an unprecedented expansion of both universal social insurance programs and poverty relief.

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Yet although the New Deal laid critical groundwork for future anti-poverty efforts in the U.S., many of its programs disproportionately excluded people of color, either through explicit policy choices or through discriminatory implementation. The SSA specifically excluded domestic work and agricultural labor from Social Security eligibility—industries that relied heavily on black men and women.[7] Likewise, a clause within the SSA that would have required ADC to provide "a reasonable subsistence compatible with health and decency" was removed at the behest of southern Congress members. The result was extremely low benefit levels for children in the southern states, such as $3.52 per month per child in Arkansas and $4 per month in South Carolina, contrasted to a national average of $13 in 1940.[8]

Turning to implementation, the SSA's establishment of a "two-tier" welfare system—with social insurance programs governed at the federal level and means-tested programs delegated to state and local agencies—contributed to significant racial discrimination. ADC gave states substantial discretion in determining eligibility for benefits, which resulted in the disproportionate exclusion of black families. In the South, states sometimes

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restricted access to benefits during harvesting seasons, to effectively coerce poor, black families into working in the fields at whatever wages were offered. By 1939, the ADC caseload was 80 percent white, despite the disproportionate burden of poverty on black families.[9]

The Great Migration and the War on Poverty

As black families began moving out of the South in greater numbers in the mid-20th century, welfare dynamics changed, and more black mothers began accessing ADC after migrating north. This precipitated increasing hostility toward the program, which welfare advocates tried to counter by emphasizing "families," and specifically white families, as the primary recipients of benefits.[10] With the Great Migration also came the expansion of work requirements beyond the South, despite the fact that ADC and the "mothers' pensions" that preceded it were originally envisioned as a way to enable widowed mothers to meet their basic needs *without* wage work.[11]

In seeking to galvanize support for the "War on Poverty," President Lyndon B. Johnson employed a similar strategy of emphasizing white poverty. The political rhetoric and imagery around the "War on Poverty" focused on the white, rural poor. However, in the years following the reform, as civil rights struggles intensified, the media's portrayal of poverty and its relationship to race dramatically shifted. In an analysis of all poverty coverage in the three leading news magazines—Time, Newsweek, and U.S. News and World Report—Gilens (2003) has documented the evolution in this imagery. In 1964, only 27 percent of the photos accompanying stories about poverty in these magazines featured black people; the following year, it rose to 49 percent, and reached 72 percent by 1967.[12] At the same time, the proportion of stories on poverty that also discussed "civil rights" or "riots" increased from zero to 38 percent. This shift contributed to the racialization of poverty and set the stage for critiques of the so-called "welfare mess" the following decade.[13]

The Welfare Rights Movement

In the late 1960s, the emerging welfare rights movement sought to change the narrative around public assistance, drawing on the civil rights movement's rhetoric about dignity, opportunity, and justice, and amplifying broader calls for economic rights as a critical complement to civil rights and a prerequisite for substantive equality. Members of the National Welfare Rights Organization, who numbered over 100,000 at its peak, "claimed decent income as a right," without tying it to wage work—a significant departure from the past.[14] Though the NWRO plan included work incentives so that those who did work would be better off than those who did not, it did not define social citizenship in terms of wage work, as prior movements had done, and also emphasized the work of caregiving.[15] A key tactic for bringing about this guaranteed minimum income was to overwhelm the welfare offices with qualified applicants, triggering a "bureaucratic and fiscal crisis" that would necessitate broader reforms to relieve poverty.[16] The movement also made extensive use of the AFDC rule requiring that recipients receive a "fair hearing" before their benefit claims were denied.

The welfare rights movement was in many ways revolutionary, and had some tangible successes. Yet the momentum was short-lived, and inhibited by a series of decisions by the U.S. Supreme Court in the following decade making clear that a rights-based approach to welfare would have little legal traction in the U.S.. First, in *Dandridge v. Williams,* the Supreme Court ruled that it did not violate the Equal Protection Clause for states to impose a cap on the level of AFDC benefits per household, regardless of family size or level of need.[17] A few years later, in *San Antonio v. Rodriguez,* a case upholding the financing of public schools through local property taxes, the Supreme Court clarified that wealth is not a "suspect class" under the Equal Protection Clause, meaning that discrimination against poor people is legally justifiable so long as there is a "legitimate state interest" at stake.[18] Although this case did not deal directly with welfare, it established a critical legal precedent that would weaken efforts to attack poverty's structural causes for decades to come. Then, in 1976, the Court held in *Mathews v. Eldridge* that a hearing was not required before the termination of disability benefits, sharply limiting the impact of a precedent from just a few years earlier, *Goldberg v. Kelly,* that affirmed procedural due process rights to public assistance.[19]

Moreover, the tactics of the welfare rights movement triggered a new wave of backlash against welfare recipients in the 1970s, especially as the national economy suffered a downturn.[20] In particular, the movement's advocacy for a guaranteed income that was not tied to work—an effort led by low-income black women—intensified racialized criticisms of the "undeserving" poor. At the same time, policymakers' support for a national minimum income, which had actually gained substantial support across party lines only years before, all but disappeared.

The End of "Welfare as We Know It"

By the early 1990s, with the welfare rights movement far in the rearview mirror, legislators were again amping up rhetoric about welfare reform, arguing that AFDC had come to foster widespread dependency. And once more, policymakers and reform advocates relied on racial stereotypes and racialized depictions of poverty to rouse support for reforms and create a sense of urgency. Building on President Ronald Reagan's "welfare queen" myth, policymakers in the 1990s drew associations in the popular imagination between welfare and black criminality, laziness, and irresponsibility. The strategic deployment of these stereotypes is affirmed by public opinion data. In 1992, only seven percent of Americans named welfare as an "important national problem;" over the next four years, this percentage jumped to 26.6 percent, even as perceptions of "poverty" as a problem hovered around seven percent or below.[21]

The result was PRWORA, which replaced AFDC with TANF. PRWORA did have some positive impacts—most notably, the expansion of refundable tax credits like the EITC. Yet its changes to cash assistance have been widely derided by anti-poverty groups and activists. PRWORA instituted strict work requirements for TANF, placed a five-year cap on lifetime eligibility, and turned the program into a block grant, thus weakening its ability to respond to

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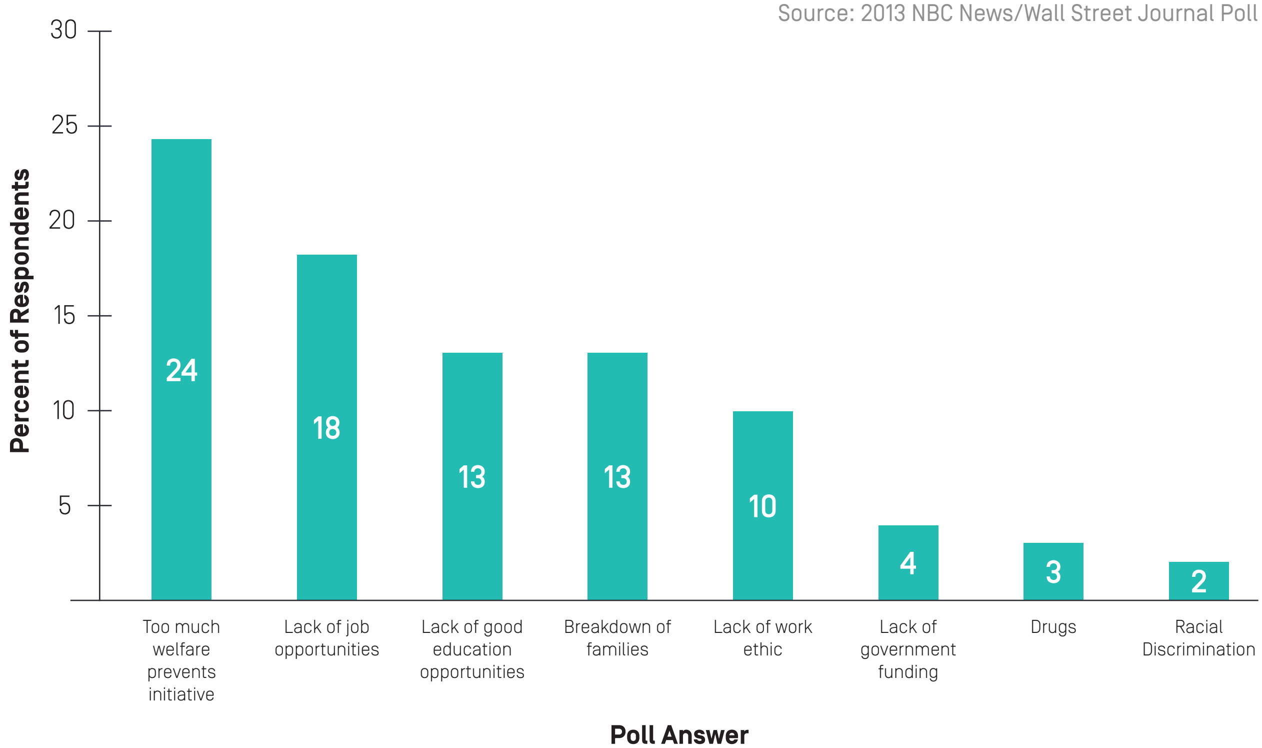
macroeconomic downturns like the Great Recession and formally ending its status as an "entitlement." In other words, welfare would no longer be guaranteed to all families that were eligible, instead becoming a discretionary form of assistance; while the courts had already pushed back against the conception of welfare as a social right, PRWORA offered the final blow. Between 1996 and 2014, the proportion of families in poverty receiving cash assistance dropped from 68 percent to 23 percent, even as deep poverty among families with children has increased.[22]

Further, despite President Bill Clinton's notorious claim that PRWORA would end "welfare as we know it," one key piece remains unchanged—welfare stigma. Despite the reforms tightening eligibility and imposing harsher sanctions, views about welfare and dependency stayed relatively constant before and after the law was passed. According to surveys, in 1989, 64 percent of Americans felt that "welfare benefits make poor people dependent and encourage them to stay poor;" 73 percent agreed with a comparable statement in 2003.[23] Likewise, even in the wake of the Great Recession, many Americans continue to attribute poverty to too much assistance for low-income households rather than too little, while discounting the impact of racism or its effects on public policy . In reality, due to its block grant structure, TANF responded very poorly to the recession and was unable to reach the vast majority of families that fell into poverty as a result of the crisis. However, as during the welfare reform era, perceptions about poverty that are divorced from reality continue to dictate the terms for policy design.

Figure 1 | Which of the following reasons do you think is most responsible for the continuing problem of poverty?

Source: 2013 NBC News/Wall Street Journal Poll



CURRENT U.S. POVERTY POLICY: STIGMA AND FINANCIAL MARGINALIZATION AS CAUSE AND CONSEQUENCE

The racialization of poverty in the U.S. throughout the 20th century continues to shape state and federal policy proposals in 2016. In the aggregate, these policy choices reveal that the design of anti-poverty programs in the U.S. too often derives from misinformation and deeply embedded biases than from an informed consideration of the experiences of people in poverty. As a result, policy design reflects an imagined welfare recipient, reduced to their presumed deficits, rather than taking as a starting point the universal dignity and value of all people in our society—an approach that would inevitably lead to more inclusive policy choices.

The perceptions of who a policy is for directly translates into how the policy is designed. Within welfare policy, the "who" is often understood as someone whose poor choices and behavior have led to their poverty. This perception gives rise to policies that, above all, seek to control behavior, and punish those who do not comply. As this section will illustrate, by designing around perceived stereotypes, this ideology creates real and harmful consequences for people the policy should be serving. This is clear in the way that benefits are structured and delivered, which minimizes the role of cash assistance and imposes stereotype-driven restrictions on its accessibility, rather than ensuring families can easily and affordably use their benefits to meet their specific needs. These policies, rooted in distrust of low-income people, create barriers to both social and financial inclusion, with material consequences for families' financial stability.

As defined for this paper, "financial inclusion" refers to the ability to participate fully in the economy through access to adequate cash resources and affordable credit; opportunities to save; and safe, affordable financial products that promote consumer flexibility and autonomy. The share of the population with a bank account is a straightforward, though incomplete, way to assess financial inclusion. According to the FDIC's national survey, 27.7 percent of Americans making below $15,000 were "unbanked" as of 2013, compared to 7.7 percent of the population overall, while 22.4 percent percent were "underbanked."[24] People of color are also disproportionately likely to be unbanked; 53.6 percent of black and 46.5 percent of Hispanic households are unbanked or underbanked, compared to 19.6 percent of white households.The most common reason respondents cited for not having a bank account was that "they did not feel they had enough money to keep in an account or to meet a minimum balance requirement," while the second most common was the "unpredictable fees."[25]

The result is reliance on high-cost credit and fringe financial services like check cashers, which provide few opportunities to save securely and contribute to the "high costs of poverty."[26] Over the course of a lifetime, unbanked families can easily pay up to $15,000 in fees to check cashers and fringe bankers.[27] Current poverty policies contribute to this phenomenon in several ways: by keeping low-income households "cash poor" through inadequate cash benefits; by imposing extremely low asset limits that discourage low-income families from saving and contribute to distrust in banks; and by defaulting households receiving assistance into sub-par financial products rather than connecting them with safe and sustainable accounts. [28]

Moreover, the stigma attached to public assistance in the United States serves as a subtle but pervasive barrier to financial inclusion by deterring access to assistance and providing the foundation for policies that contribute to further social and financial marginalization. As a result, addressing financial exclusion will not be sufficient without simultaneously addressing stigma. This section will explore some of the key stereotypes both driving and being reinforced by current welfare policy design, which build on the history explored in the previous section and impede a more inclusive and effective approach to poverty today.

Drug Use and Criminality

As of March 2016, fifteen states had enacted legislation to establish drug testing or screening of welfare applicants.[29] These policies stem from a perception that people in poverty, and in particular welfare recipients and people of color, are more likely to use illegal drugs, despite little evidence supporting this claim.[30] The reliance on stereotypes rather than evidence when designing these policies has also proven wasteful and inefficient . Florida enacted a law in 2011 that called for drug testing of all welfare recipients, which was put on hold later that year and struck down as unconstitutional in 2014.[31] But for the few months the law was in effect (from July to October 2011), 108 out of 4046 individuals tested positive—a rate of 2.6 percent (lower than the national average of 9.8 percent). Many states now tie drug testing to caseworker suspicion of drug use. In Oklahoma in 2015, 1,328 recipients were determined to have a reasonable suspicion of drug use and were tested for drugs; 138 tested positive. The 2015 cost of the program was $230,944.[32]

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Furthermore, the recent trend of drug-testing is not the only way that poverty policy creates an association between poverty and drug use. PRWORA instituted a lifetime ban on TANF and SNAP benefits for people convicted of felony drug crimes; no other crimes are included in this ban. States are given the option to either opt-out or modify this law, but three-quarters of states enforce the ban at some level. Because of the racial disparities in the enforcement of the "War on Drugs," people of color, particularly black women, have been most affected by this policy, which continues to punish people after they have completed their sentence and exacerbates the numerous other economic barriers to reintegrating into society after incarceration.[33]

These policies also illustrate the troublingly close relationship between the War on Drugs and rising mass incarceration and the development of anti-poverty policy. As anti-poverty programs increasingly rely on surveillance and sanctions, they strengthen an association in the public imagination between poverty and criminality. In so doing, these policies further stigmatize the receipt of public assistance rather than strengthening these programs' capacity to respond to critical needs.

Laziness and Irresponsibility

As previously noted, U.S. welfare policy has a strong orientation toward employment. TANF requires states to ensure that at least 50 percent of families participate in work or "work activities" (job search, job searching training, work programs) at least 30 hours per week, and that 90 percent of two-parent families participate in work activities at least 35 hours per week.[34] Households that do not meet these requirements can face sanctions including the partial or full reduction of benefits, temporarily or permanently. SNAP requires able-bodied adults without dependents to work at least 20 hours per week to continue receiving food assistance for longer than three months in a 36-month period.[35]

The centrality of these work requirements to poverty policy reinforces one of the most common misperceptions about poverty's causes: that poor people simply do not want to work. Yet research shows that many recipients of public assistance do work, and those who are not working would prefer to be working.[36] Further, the TANF recipients most likely to be sanctioned for not meeting work requirements are commonly those facing the greatest barriers to work, including poor physical and mental health, limited education and learning disabilities, and domestic violence.[37] This suggests that inability to work, rather than unwillingness, is often the cause of non-compliance. In addition, TANF recipients who leave welfare due to sanctions for not meeting work requirements face high levels of food insecurity, homelessness, utility shut-offs, and child hospitalization, and are more likely than other TANF leavers to return to the program in the future.[38] Finally, alongside extremely low cash benefit levels, these requirements compel benefits recipients to accept any work available, regardless of wages, schedules, or job stability. In this way, current poverty policies have the effect of disempowering the low-wage workforce more broadly.

Moreover, these requirements rarely lead to sustainable employment in jobs that pay a living wage. Some states employ the "workfare" model to allocate assistance, through which benefits are "earned" through work or volunteer service, often at the level of the minimum wage per each hour worked or volunteered. This model is based on the idea of "reciprocity": workfare participants are seen as contributing to society in exchange for their benefits, while developing skills and experience that could help them gain employment in the future. Yet research on workfare has shown that it does not increase the likelihood that a participant will later get a job, and may actually impede the development of "job readiness" by diverting time from activities like education, training, and job search.[39] By contrast, when actual jobs are made available to TANF recipients, individuals and communities benefit; after the recession, the TANF Emergency Contingency Fund created subsidized jobs for over a quarter of a million low-income Americans.[40]

A second example of how welfare policy prescribes false identities—which are often heavily racialized—is the "family cap," a TANF state policy option that prohibits families from receiving higher benefit levels if a new baby is born while the household is receiving assistance.The idea of the "welfare queen" is deeply implicated here, illustrating how political rhetoric can have far-reaching consequences. The family cap is premised on the idea that women, and in particular poor women of color, have children solely for the purpose of receiving a marginally larger TANF grant, despite a complete lack of evidence supporting this claim.

In 2016, California eliminated its longstanding family cap after a decades-long campaign by advocates.[41] However, fifteen states still maintain these policies, which ultimately punish children for the sake of maintaining a particular narrative about race, gender, and poverty. In a California study, mothers whose benefits had been "capped" "reported higher levels of hardship and distress, higher levels of housing and food insecurity, were more likely to struggle with paying for transportation and utilities and had a significantly harder time providing diapers and clothing for their children."[42] These outcomes directly contradict the purposes of TANF and provide a particularly troubling example of the consequences of policymaking via stereotype.

Fraud and Abuse

The stereotypes examined above, among others, result in design choices that presume that recipients of public assistance are prone to fraud and abuse. These choices establish three mechanisms for financial exclusion: 1) barriers to financial resources; 2) restrictions on how families receive these resources; and 3) restrictions on how families use these resources.

The barriers to resources begin before families even qualify for benefits, through formal and informal administrative processes that deter and exclude eligible households. For example, while means-testing in general necessitates some level of eligibility verification, public assistance programs commonly require applicants to fill out numerous forms and visit multiple offices, navigating a complex bureaucracy for a small level of assistance. A Government Accountability Office report found that, in 2001, an individual would need to fill out six to eight applications and visit six offices in order to apply for benefits from the largest 11 public assistance programs.[43] Since many low-income people have inadequate access to transportation and limited flexibility for taking time off work, visiting an office in person, never mind multiple offices, can be difficult if not impossible. Additionally, complex applications compound the increased cognitive load of stress and anxiety that low-income families commonly experience.[44] For example, asset limits in programs like TANF, beyond discouraging even minimal savings, often require applicants to provide extensive documentation ranging from bank statements to car titles to funeral agreements just to prove how little they have.[45]

Closely related to these hurdles is the concept of "bureaucratic disentitlement," a phrase coined by political scientist Michael Lipsky to describe "fiscal and programmatic retrenchment" that occurs through "obscure and routine actions of public authorities," such as the decisions of individual caseworkers.[46] Programmatic evaluation typically includes measures of caseloads and costs, but it cannot include such small incidents as "low-level,

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marginal decisions or nondecisions of low visibility that nonetheless have sustained implications for the relationship of poor people to the state." Bureaucratic disentitlement occurs when welfare recipients are hurt not directly by a policy itself, but instead by formal and informal aspects of its administration, which may delay or deter access to needed benefits. According to some researchers, this type of "administrative exclusion" may have operated as a "hidden instrument for advancing caseload decline" following welfare reform.[47]

The most straightforward barrier, however, is the U.S. system's heavy emphasis on vouchers and in-kind benefits rather than cash. Beyond reaching two-thirds fewer families than before welfare reform, cash benefits have markedly dropped in value. In most states, TANF grants are worth at least 20 percent less than they were in 1996, adjusting for inflation.[48] For a family of three, TANF benefit levels are below half of the poverty line in all 50 states and DC; in 16 states, they are below 20 percent of the poverty line.[49] In practical terms, this means less than $3 per day available in cash for a mother and her two children.

Further, even for the little cash assistance available, recently enacted federal and state laws impose significant restrictions on access that draw heavily on the stereotypes informing other TANF policies. Specifically, Section 4004 of the Middle Class Tax Relief and Job Creation Act of 2012 requires states to prevent TANF recipients from using EBT cards in liquor stores, casinos, and strip clubs, despite minimal evidence benefits were used in these establishments.[50] In California alone, this policy resulted in a significant use of staff resources to deactivate over 6500 ATMs across the state, including in rural and tribal areas where the nearest ATM may simply be in a prohibited location.[51]

What's more, states seem to have interpreted these restrictions as license to impose even more stringent limitations on TANF access. Many states have broadened the list of prohibited locations beyond the three that are federally mandated. In Arizona, policymakers discontinued the direct deposit option for TANF recipients, operating under the misguided assumption that the federal law required them to do so. As a result, households that could have formerly accessed their TANF assistance through their own bank accounts now have no choice but to use the state-issued EBT card, which charges a fee for every ATM withdrawal.[52] In Kansas, the legislature enacted a proposal in 2015 that would restrict TANF recipients to withdrawing only $25 a day, which would be subject to a $1 transaction fee and any additional ATM surcharge.[53] And in early 2016 in Arkansas, the legislature passed a bill that would eliminate cash access entirely; TANF recipients would only be able to use their assistance to pay directly for a short list of necessities.[54]

Ultimately, federal officials put a stop to both Arkansas' and Kansas' proposals, citing a lesser known provision of Section 4004 that obliges states to ensure TANF recipients have "adequate access to their cash assistance." Nonetheless, these state proposals provide an example of the extreme disconnect between the decisions legislatures are making about poverty programs and the lived experiences of people participating in those programs, as well as the prioritization of control over support.

Altogether, the policy choices described in this section both derive from and further shape popular perceptions about poverty and its causes.The restrictions on access and choice affirm the idea that poverty results from a series of bad personal decisions, rather than systemic inequalities and roadblocks. The imposition of drug tests strengthens the mental association between poverty and criminality, while the family caps sustain the myth of the welfare queen. The heavy emphasis on work requirements implies that families receiving assistance will not work unless coerced. The result is a system that marginalizes the very families it ought to empower, while reinforcing broader understandings of economic inequality that downplay the impact of policies and structural conditions.

WHAT WORKS? POLICY CHOICES TO REDUCE STIGMA AND PROMOTE FINANCIAL INCLUSION

While a long history of political maneuvering has cultivated public support for the current structure of the safety net, that doesn't mean it's working. This experiment has failed. Even PRWORA's supporters and chief architects concede that TANF has not been the success they had hoped for. A more evidence-based, human-centered approach to poverty, which is responsive rather than prescriptive, will be essential for decoupling public assistance and stigma and developing a social safety net that truly supports the full participation of all Americans in society and the economy.

This section examines alternative policy choices that have the potential to both reduce stigma and advance the financial inclusion of low-income households. While the Asset Building Program at New America has previously explored ways to leverage TANF to promote financial inclusion, this paper looks beyond existing programs to reimagine how the government's approach to poverty could create a more inclusive economy and shed harmful stereotypes.[55] In many ways, TANF's design defaults to exclusion: the block grant structure means only a limited number of families can receive assistance; the state discretion over funds means that TANF money can be diverted to numerous other purposes rather than being given directly to families; and the needless red tape and intrusive eligibility requirements have the effect of excluding many others. Consequently, achieving a design that supports social and financial inclusion will require a fully new approach.

Examples from other parts of the world, as well as certain U.S. experiences, can shed light on the feasibility and effectiveness of alternative policy approaches. In this section, we survey the evidence supporting four specific design choices with the potential to improve the accessibility and effectiveness of safety net programs while boosting social and financial inclusion. As summarized in the table below, these particular design elements were selected based on their potential to improve the accessibility and flexibility of benefits to meet families' specific needs; to reduce needless administrative costs and ensure more money goes directly to families; and to reduce the stigma attached to benefit receipt by broadening access to assistance and utilizing delivery platforms that promote financial inclusion. In addition to drawing on case studies from around the world, this section assesses approaches and mechanisms for applying effective strategies to U.S. policy design.

Table 1 | Benefits of Various Policy Choices

Design Element	Benefits for Reducing Stigma	Benefits for Financial Inclusion	Global Examples
Cash-based	• Enables recipients to make best choices about how to use their assistance, rather than making those choices for them	• Greater access to cash (greatest barrier to bank account ownership in U.S.) • Greater autonomy over purchases; does not distort consumer preferences	• Action Against Hunger (Uganda) • Cash for Relief Programme (Ethiopia) • Family Rewards, Opportunity NYC (New York)
Unconditional	• Does not frame poverty as the result of personal failings • Less monitoring of recipients	• Greater access to cash • Lower administrative costs without conditions means more money for families	• Give Directly (Kenya) • Sustainable Transformation of Youth (Liberia)
Distributed to Bank/Credit Union Account	• Allows families to access benefits through mainstream financial services rather than separate, less flexible system	• Greater autonomy over funds • Ability to avoid fees and fringe services • Opportunity to bank the unbanked	• Oportunidades (Mexico) • MNREGA (India) • NemKonto (Denmark)
Universal	• Eliminates stigma by making receipt of assistance part of social citizenship • Can be delivered through tax system rather than welfare office	• Greater access to cash • Can progressively structure to target benefits for lowest-income households • Can be structured to promote opportunities to save	• Eastern Band of Cherokee Indians (U.S.) • Alaska Permanent Fund (U.S.) • Mincome (Canada) • Child allowances (Europe)

Cash-based

While most high-income countries provide both cash and in-kind benefits to families, the level of cash assistance available in the U.S. is quite low, and dwindling in comparison to even modest in-kind benefits. In 1968, in-kind benefits comprised 60 percent of the social safety net in the U.S.; by 2012, `it was 85 percent.[56] Even within TANF, only around a quarter of funds go directly to families in the form of cash assistance, compared to 60 percent in 1998.[57]

Countries In other parts of the world, however, are trending in the opposite direction and demonstrating positive effects. For example, in Ethiopia, the decision to distribute cash grants following widespread crop failure, rather than food aid alone, "allowed individuals and communities to begin making a series of decisions, giving them the power to prioritise needs for their families and presenting them with a creative way to receive relief assistance with dignity."[58] In Uganda, the distribution of cash rather than food vouchers by the NGO Action Against Hunger provided recipients with the "freedom to spend aid money on what is best for them, rather than having to accept what the implementing organisation or donor thinks is best for them."[59] Beneficiaries spent the bulk of their money investing in livestock, a long-term productive asset, while over half of the money spent on short-term needs went to food, followed by medical bills, school fees, household items, and debt repayment. These findings are consistent with the experiences of many other low- and middle-income countries, where cash transfers have been effective vehicles for reducing poverty, improving children's education outcomes, and increasing savings and productive investments.[60]

While experiences in developing countries may not be directly transferable to the U.S. context, evidence suggests there are similar dynamics in play. Since welfare reform, cash deprivation has risen: between 1993 and 2013, the percentage of American households receiving SNAP/food stamps but having no cash income more than doubled, while poverty scholars Kathryn Edin and Luke Shaefer have reported that over 1.5 million households in the U.S. are surviving on less than two dollars in cash per day as a direct consequence of welfare reform.[61] SNAP has been one of the U.S.'s most effective and responsive anti-poverty programs, but benefits cannot be used for essential items like diapers, toilet paper, or other basic household goods. Meanwhile, many cases of SNAP "fraud" involve the exchange of SNAP benefits for a lower level of cash, signaling that households have critical needs that SNAP cannot meet and making attempts to meet this need a criminal act.[62] As a result, many economists also support a greater role for cash assistance over in-kind benefits, citing the potential of the latter to distort consumers' preferences rather than enabling them to buy the "basket of goods" of greatest value and utility for their particular household.[63]

> **A substantially greater role for cash assistance, even if does not fully supplant in-kind transfers, would likely promote low-income households' autonomy while improving the efficiency of programs designed to reduce poverty by increasing the utility of these resources.**

The barriers, however, are political. According to a 2007 analysis by economists Janet Currie and Firouz Gahvari, the key driver behind policymakers' preferences for in-kind benefits is, put simply, paternalism.[64] This holds true both within the U.S. and elsewhere, though racism also has a particularly powerful impact within the U.S., where "race is the single most important predictor of support for welfare."[65] Regardless, a substantially greater role for cash assistance, even if does not fully supplant in-kind transfers, would likely promote low-income households' autonomy while improving the efficiency of programs designed to reduce poverty by increasing the utility of these resources.

Unconditional

Within the realm of cash assistance, the question of whether benefits should be unconditional or linked to some type of desirable behavior—e.g. school attendance or doctor's appointments—has been the subject of significant debate. In recent years, conditional cash transfer programs (CCTs) have come to predominate, particularly within Latin America. The most well-known is Mexico's *Oportunidades*, recently rebranded *Prospera*, which provides cash payments to families for meeting conditions such as regular school attendance and health clinic visits.

However, while Oportunidades and similar efforts have been successful in improving children's health and education outcomes,[66] policymakers and development practitioners have increasingly come to question whether the conditions are necessary for achieving the programs' objectives, particularly given the high administrative costs conditionality can impose. Further, given CCTs' often long-term focus on human capital development, their ability to alleviate short-term poverty or be responsive to economic downturns may be limited. Moreover, from a stigma lens, the conditionalities rely on the presumption that without a financial incentive, low-income families would not prioritize their children's education and health. This framing places the burden solely on families and discounts the role of structural conditions, such as the distance to schools, as barriers to human capital development. For example, in a study of six conditional cash transfer programs across Latin America, researchers from the U.N. Food and Agriculture Organization (FAO) concluded that:

> "While conditionality may be justified exclusively on political economy grounds as a way to obtain public support for poverty alleviation, there is little evidence that CCTs are a more cost-effective way of improving human capital outcomes and reducing inequities relative to supply side interventions."[67]

Similar concerns and critiques have arisen in the U.S, where former New York City Mayor Michael Bloomberg initiated the first CCT in a high-income country in 2007. The initiative, Opportunity NYC, was based on the Oportunidades model and allowed families participating in its "Family Rewards" program to receive payments ranging from $20 to $600 each for actions and results related to education, health, and work. Between 2007 and 2010, families earned on average $8,700 in rewards.[68] According to an evaluation by non-profit research group MDRC, Family Rewards succeeded in reducing short-term poverty through its cash transfers, but "for the majority of families, the program had no positive effects or produced only small improvements" in human capital.[69] In some cases, this was because recipient families were already engaging in the incentivized practice; for example, according to the MDRC evaluation, "it turned out that a higher proportion of families than the program's designers had expected were already receiving health insurance coverage and practicing preventive health care," rendering the incentives tied to these activities ineffective.[70]

Nevertheless, simply due to its emphasis on cash benefits, Family Rewards did have some positive impacts on financial inclusion. Families were not restricted in how they could use their cash transfers, meaning they had the full flexibility of cash, and could choose to save or spend as they wished. Program parents were 18 percent more likely than the control group to report having a bank account after the program ended, and 8 percent more likely to have savings.[71]

> **Given that there is not clear evidence that conditional assistance substantially outperforms unconditional assistance, from a stigma and inclusion standpoint, the latter has important advantages.**

Further, research suggests that when low-income families are given cash without restrictions, they are often better able to meet their specific needs. After the GiveDirectly one-off cash transfer project in Kenya, where households were transferred approximately $404 to $1,520 (equivalent to approximately $12,000 in US purchasing power), researchers found that households had invested their transfers in their families' well-being, and 14 months later were still spending more on nutrition, education, and health than those who had not received the transfer. Households were also able to purchase goods or services that would provide long-term benefits, such as a metal roof or productive livestock, while cash savings doubled for transfer recipients.[72] Similarly, in Liberia, unconditional cash transfers to "high-risk" young men were used primarily on consumption and rent, business investments, paying down debt, and contributing to savings.[73]

Overall, while the imposition of conditions on cash aid may be politically strategic, this strategy also implicitly endorses the idea that poverty results from individual failings or lack of effort rather than structural barriers. Given that there is not clear evidence that conditional assistance substantially outperforms unconditional assistance, from a stigma and inclusion standpoint, the latter has important advantages.

Distributed to Bank or Credit Union Account

A third consideration for cash assistance is the method of disbursement. In the U.S., the default method for distributing TANF in most states is an Electronic Benefit Transfer (EBT) card. While the EBT card has generally been an improvement over paper checks, compared to direct deposit to a recipient's own bank account, it can subject users to needless fees, restrictions on ATM access, limited functionality, and inadequate consumer protections.[74] In 2012 alone, EBT cardholders in California lost over $19 million in benefits to ATM fees and surcharges. [75]

Several other countries have shown that it's feasible to connect benefit recipients with low-cost bank accounts and have benefits directly deposited to those accounts. These efforts support the financial inclusion and long-term economic engagement of low-income families by connecting them to safe, affordable financial products they can continue to use even after moving off of assistance. Moreover, this approach mitigates the stigma attached to benefit receipt by integrating beneficiaries into mainstream financial institutions, rather than relegating them to a separate and less flexible system.

For example, in most Western European countries and many Latin American and African countries, benefits are received through the recipient's bank account. In Denmark, for instance, all public benefits are administered into an "Easy Account" (NemKonto).[76] An Easy Account is simply a normal bank account, from any financial institution, that is designated as the account where one receives benefits.

Notably, these approaches are also feasible in areas where fewer low-income households have historically had access to a bank account. As of January 2012, all six million Oportunidades recipients received their benefits in Mexico's National Bank for Savings and Financial Services (BANSEFI) saving accounts. Initially, the lack of banking infrastructure in rural areas meant that only 15 percent of recipients were actually able to use their accounts.[77] However, in partnership with BANSEFI, Oportunidades rolled out a new financial inclusion plan in August 2015, which included financial education opportunities alongside savings accounts, as well as digital access to funds.[78]

Likewise, in India, the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), which provides 90 days of subsidized employment per year to citizens in rural communities, has distributed its wages exclusively through banks and post offices since 2009. The Reserve Bank of India offers "no frills" accounts, with no minimum balance requirement and minimal fees, to all MNREGA participants.[79] The program has had a particularly powerful impact on the financial inclusion of women. Among households with women participating in MNREGA, only 9 percent of married women between 15 and 49 reported having a bank

In 2012 alone, EBT cardholders in California lost over $19 million in benefits to ATM fees and surcharges.

account in 2004-2005, compared to 49 percent in 2011-2012.[80]

> **Given that it already distributes cash assistance to millions of households that are disproportionately likely to be unbanked, the public assistance system has potential to serve as a critical entry point for financial inclusion.**

Importantly, these efforts show that it is possible for a government anti-poverty program to both disburse benefits through direct deposit to a bank account and to connect the unbanked with safe and affordable accounts. While the reasons so many low-income Americans are unbanked are complex, one factor is the lack of accessible financial products. Given that it already distributes cash assistance to millions of households that are disproportionately likely to be unbanked, the public assistance system has potential to serve as a critical entry point for financial inclusion, as the experiences of Mexico and India suggest.

In the U.S., states should deliver benefits in a way that prioritizes the convenience, security, and autonomy of low-income families. For TANF and other types of cash assistance, direct deposit to the recipient's personal bank or credit union account should be an option that recipients can easily elect both at the initial application phase and at recertification.[81]

Further, electronic payment cards and other government-issued financial products used to disburse assistance should be covered by all the same consumer protections as private bank accounts. Benefits deposited onto these cards should also be clearly protected from garnishment by creditors to ensure that low-income consumers feel confident in maintaining their benefits in financial institutions. In addition, current restrictions on ATM access should be removed.

Finally, to address the issue of inadequate access to safe and affordable accounts, the U.S. should consider a postal banking model, where basic banking services are available at post office locations.[82] Because those in low-income communities often do not have reasonable access to a bank or credit union, many low-income people have limited opportunities to use mainstream financial services simply based on where they live. Postal banking could offer a public option that would increase access to bank accounts, as USPS has the physical infrastructure to offer financial products in low-income communities; 60 percent of post office locations are in "banking deserts," or areas that lack a brick-and-mortar financial institution.[83] Further, through economies of scale, USPS could offer financial services at a low cost.[84]

Universal

Finally, a clear way to decouple benefits from stigma is to make them much more widely accessible—even universal. While the debate about universal versus targeted benefits is longstanding, past and ongoing small-scale initiatives provide some insights about the potential of universality for reducing stigma and poverty simultaneously through an approach that promotes both social and financial inclusion.

Several examples actually come from the United States. For example, since 1996, the Eastern Band of Cherokee Indians, based in North Carolina, has been distributing half the profits from a tribe-owned casino, divided evenly, to each tribal member every six months.[85] Profits in the early years of this program were about $500 per person, per year, but today reach approximately $10,000. The program has had a demonstrated impact on poverty, as well as children's health outcomes. Before the transfers began, the poverty rate within the tribal community was 60 percent; by 2001, it had declined by half, falling to under 25 percent.[86] In addition, the program has facilitated financial inclusion and asset-building by youth. For children in the tribe,

Alternatively, the CTC could be supplemented or replaced by a universal child allowance, following the successful model of many other high-income countries.

disbursements from the fund are kept in a trust that they can access at age 18—essentially, a universal, unrestricted children's savings account.[87] To ensure that the youth are equipped to effectively manage their savings once they are accessible, the tribe has instituted financial education classes for young people that address issues such as the impact of a trust payout on college financial aid eligibility.[88]

What's more, while the cash distribution program among the Eastern Band of Cherokee has been studied more extensively, similar programs are in place across approximately seventy Native American tribes. The universality of benefits within these communities means that household incomes go up, while children have the opportunity to save beginning from birth. Moreover, all recipients of the benefits are understood as "shareholders in the tribal estate," eliminating stigma and framing the transfer as a benefit of social citizenship.[89]

Similarly, in Alaska, all residents, including children, receive a yearly divided from the Alaska Permanent Fund, which was established by constitutional amendment in 1976 to invest revenue derived from the state's natural resources.[90] Dividends average around $1,000-$2,000 yearly, delivered by check or direct deposit, essentially creating a small-scale universal basic income. Over the two decades following the amendment, while incomes of the top 20 percent grew rapidly across 38 states, Alaska became the only state to experience marked income growth among the *bottom* 20 percent. The universality of the dividend as well as its status as taxable income may lend to this leveling effect.[91] The positive changes have been particularly significant for Native Americans, thus boosting social inclusion and equity; between 1980 and 1990, the Native American poverty rate fell 6 percentage points, from 25 percent to 19 percent.[92] Further, similar to the tribal distributions discussed above, the Alaska benefit is seen as "a distribution of a portion of the earnings of a publicly owned natural resource to the 'owners'—the citizens of the state," fully decoupling the benefit from welfare stigma.[93]

Further, many Alaskans save a portion of their dividend. In 1994, an informal survey of dividend recipients found that 75 percent planned to save at least half.[94] Residents can also elect to automatically allocate a portion of their dividend to a 529 college savings plan, which are currently utilized by only three percent of the U.S. population, most of whom are middle- to upper-income families. From 1991 to 2009, almost 20,000 Alaskans saved half their dividend in a 529 college savings account.[95] This example reveals the potential of universal benefits to support both social and financial inclusion by broadening access to financial products and savings opportunities typically accessed only by the wealthy.

In Canada, one noteworthy initiative was Mincome, a pilot project conducted in Dauphin, Manitoba from 1974 to 1979.[96] Though there were multiple basic income experiments in North America throughout the 1970s, Mincome (a play on "minimum income") was the only targeted universal program, which essentially functioned as a negative income tax. All recipients received a base income of 60 percent of Statistics Canada's low-income cut-off, and then 50 cents was subtracted from this amount for every dollar earned. The average payment for an individual was $3,386, or $16,094 in today's Canadian dollars, which was distributed as a tax refund. Though Mincome was discontinued when a new Conservative government elected not to renew its funding, during the short time the program existed, it yielded benefits for recipients' health.[97] Further, the negative effects of Mincome on recipients' labor market participation were minimal, countering claims that a universal benefit would create a strong disincentive to work.[98]

Finally, beyond a universal basic income, one approach to extend benefits universally in a more targeted way is through a universal child benefit. As of 2012, at least eleven European countries offered a universal cash benefit to parents, ranging from $1179 per year for two children in France to $8750 for two children in Luxembourg.[99] In Canada, families receive $6400 for each child under six and $5400 for children ages 6-17, with benefits gradually phased out as families' incomes rise, up to a maximum of $180,000.[100] Evidence shows these types of interventions are effective at reducing poverty. In a recent study of 26 European countries' child allowances, researchers determined that the best performing countries were those with a system of targeting within universalism.[101]

As these examples show, a clear mechanism for extending benefits universally is the tax system. In the U.S., the tax code already facilitates the largest cash transfer to low-income families through the Earned Income Tax Credit. Working families with children are generally eligible for the EITC with incomes between $39,000 to $53,300, as are workers without children with incomes below $14,800 ($20,300 for a married couple).[102] While the EITC's benefits for childless workers are quite modest compared to workers with children, the credit still provided a critical wage supplement to approximately 27 million households in 2013.

Further, the stigma that is tied to other welfare programs is virtually nonexistent with the EITC; the benefit is hidden in the tax refund, which can be delivered directly to recipients' bank accounts. Some have suggested expanding the EITC and making it a "negative tax" similar to the Mincome example, meaning that people earning below a certain threshold would receive a supplement from the government rather than paying income taxes. However, one downside of the EITC as a platform is that it would only reach households engaged in formal employment, and thus would do little to reach individuals who are largely excluded from the current public assistance system. Currently, only 35 percent of families below the poverty line are eligible for the credit.[103] Childless adults under 25 are left entirely out of the program, though there is bipartisan support for expanding the program to include these workers.[104]

A second tax approach would be to expand the Child Tax Credit, which currently provides families with a maximum of $1000 per year, per child. However, like the EITC, the CTC is conditional on work, though it phases in at a much lower income threshold ($3000) and phases out at a much higher one ($150,000). Alternatively, the CTC could be supplemented or replaced by a universal child allowance, following the successful model of many other high-income countries. According to a recent report by the Century Foundation, enacting a universal child allowance of $2500 for all children six and under would lift 3.2 million children out of poverty in the U.S., while extending the allowance through age 17 would bring an additional 2.3 million children above the poverty line.[105] Likewise, a $4000 child allowance would bring 4.1 million above the poverty line if restricted to children under six, and 8.1 million if extended to all children ages 0-17. Similarly, the Center for American Progress has proposed a universal child tax credit that would provide $1,500 per child under age three, delivered via monthly installments of $125 rather than once yearly to facilitate ongoing expenses, without any work or earnings requirements.[106]

Ultimately, a universal basic income (UBI) would be the most comprehensive approach. Recently, the UBI has experienced a resurgence in attention from academics and policymakers. From both a stigma and poverty alleviation perspective, the benefits of a UBI are clear—it would reach all people, regardless of children or employment status, and could be structured progressively so that households most in need get a higher benefit. While many questions remain about how precisely to structure and fund a UBI, it merits further consideration given its transformative potential and historic bipartisan appeal.

ENGAGING FAMILIES IN POVERTY IN POLICY DESIGN

The War on Poverty showed potential for ushering in a new era of participatory poverty policymaking, particularly with its calls for the "maximum feasible participation" of people affected by poverty in the design and implementation of its programs.[107] This engagement was understood as both a way to ensure anti-poverty programs were more effective and responsive, and a way to build the political power of people in poverty. To operationalize this approach, the government funded the creation of community action agencies (CAAs), which would be locally administered bodies undertaking efforts to reduce poverty "with the maximum feasible participation of residents of the areas and members of the groups served."[108] By 1968, over 1600 CAAs were in place across the country.

> **At the international level, participatory approaches are increasingly informing development efforts. Among the most well-known mechanisms is the "participatory poverty assessment" (PPA), generally defined as "an instrument for including poor people's views in the analysis of poverty and the formulation of strategies to reduce it through public policy."**

However, initial legislative requirements that the CAAs' projects include "rigorous planning, evaluation, and demonstration components" were dropped from the final bill, as was the requirement that result-oriented research be incorporated into program design. Further, as a result of these changes, the federal agency charged with coordinating all of these efforts, the Office of Economic Opportunity, had little capacity to systematically engage with the CAAs and coordinate data on effective approaches and best practices. Finally, different visions about power, decision-making, and representation, against the backdrop of the civil rights and welfare rights movements, complicated the CAAs' role and created barriers to their effectiveness.[109] In 1974, the Nixon administration abolished the Office of Economic Opportunity, effectively bringing this experiment to an end. Today, while there are some notable non-profit-led efforts to incorporate lived experiences of poverty within policymaking in the U.S., without government commitment, these efforts face significant barriers to impact.

At the international level, participatory approaches are increasingly informing development efforts. Among the most well-known mechanisms is the "participatory poverty assessment" (PPA), generally defined as "an instrument for including poor people's views in the analysis of poverty and the formulation of strategies to reduce it through public policy. "[110] While PPAs take many forms, they often involve partnering with people from low-income communities to undertake interviews and focus groups to better understand experiences of poverty and key concerns for the design of new strategies. Working with key stakeholders to identify the thematic focus of the PPA and creating opportunities for long-term engagement with participants have been identified as important elements for ensuring the assessment's success.

For example, in Vietnam, four different NGOs undertook PPAs in 1999, which collectively sought input from over 1000 households.[111] To ensure the PPAs would have impact, the NGOs worked collaboratively with a Poverty Working Group consisting of representatives from six government agencies. The NGOs also timed their assessments to coincide with the collection and analysis of national household survey data, which provided a quantitative complement to the interview and focus group findings. The result was a joint report issued by both the NGOs and the government Poverty Working Group, which provided a basis for drafting a comprehensive government plan for poverty reduction. This represented a significant departure from the past, when qualitative findings from interviews with low-income people were dismissed as "non-scientific." Securing the commitment of government stakeholders from the beginning made a critical difference for ensuring the assessments had impact on policy.[112]

As this example shows, seeking and incorporating the input of people in poverty when designing anti-poverty initiatives is both feasible and beneficial. However, for these efforts to be successful, they generally require rigorous planning and long-term government engagement and buy-in—elements that were not fully established in previous efforts in the U.S.

> **This represented a significant departure from the past, when qualitative findings from interviews with low-income people were dismissed as "non-scientific." Securing the commitment of government stakeholders from the beginning made a critical difference for ensuring the assessments had impact on policy.**

Nevertheless, this should be a priority for the future. Drawing on lived experiences of people in poverty can not only lead to more effective policy design, but can also disrupt stereotypes about low-income people and shift the narrative about the causes of poverty. This approach can also facilitate the identification of certain policies' unintended negative impacts or predict inefficiencies. For example, focus groups with TANF recipients in California revealed how asset tests are contributing to financial exclusion, as participants are under the impression that their accounts are being monitored and even a few hundred dollars in the bank could disqualify them.[113] This method also could have prevented the designers of Opportunity NYC from incentivizing a behavior that was widely in practice among its participants. These insights are critical to identify in order to design effective and efficient policy.

DISCUSSION AND CONCLUSION

The U.S. welfare state has long been criticized for establishing a “two-tier” system of benefits. The top tier consists of federal, social insurance programs such as Social Security and Unemployment Insurance, which are generally easier to access, provide higher benefit levels, and are free from stigma. The bottom tier includes the state-administered, means-tested programs like TANF, which are often underfunded, require applicants to submit to onerous and intrusive eligibility processes, and give states substantial discretion in allocating funding and determining eligibility requirements. Similarly, for higher-income families, support for policy goals such as higher education, homeownership, and childcare are commonly delivered through tax credits, while lower income households primarily receive support for these goals in the form of child care subsidies, housing vouchers, and Pell grants; by contrast to support embedded in the tax code, these benefits are discretionary and frequently suffer from underfunding, which reduces eligibility and benefit levels.

This structure has direct implications for the political and public support for government benefits, as well as families’ outcomes. For example, prior to welfare reform, the delivery of support to wealthier households through the tax code “made it appear that AFDC was unique in offering public support to able-bodied parents,” a misperception that fueled attacks on the program.[114]

By contrast, benefits administered through the tax code typically enjoy greater political protections and funding stability due to the “submerged” nature of tax expenditures.[115] This bifurcated structure also directly contributes to welfare stigma. Although most Americans receive some sort of government benefit or assistance, the greater visibility of aid programs like TANF and SNAP compared to benefits delivered to higher-income households through the tax code obscures this reality.[116] This selective visibility serves to marginalize families accessing means-tested assistance, when the reality is that receiving government benefits is a mainstream experience.

The practical impact is different outcomes for families in different income brackets. Whereas delivering benefits through the tax code defaults households into receiving the benefit, the complex application processes and stigma attached to benefits designed for lower-income households defaults them into non-participation. As one example, in 2015, 90 percent of eligible families in the top income quintile received the Child and Dependant Care Tax Credit, worth, on average, $550.[117] In contrast, only 1-in-6 children from low-income families eligible for assistance under the Child Care and Development Block Grant receives it.[118]

Even when it comes to benefits that are exclusively delivered as direct transfers rather than tax credits, the two-tier welfare phenomenon is increasingly reflected in the way benefits are disbursed, with consequences for both social and financial inclusion. While TANF recipients face ever tightening restrictions on when, where, and how they can access their cash assistance, policymakers have taken steps to ensure that higher-income populations have full access and control over their own government benefits.

For example, to mark "Financial Capability Month" in April 2016, the Department of the Treasury unveiled a new smartphone app for Social Security beneficiaries receiving their benefits on the Direct Express card, a government-issued, Mastercard-branded debit card. While "the vast majority of recipients choos[e] direct deposit to an existing bank or credit union account," Direct Express provides and electronic payment option for the 5.5 million unbanked Social Security recipients.[119] With the app, these recipients can check their Direct Express balance, find free ATMs, view their transaction history, and even earn rewards for participating in the app's financial literacy activities. The press release announcing the app proclaimed that Direct Express users "may never need to call customer service again" thanks to all these capability-enhancing features.[120] Meanwhile, for TANF, recipients commonly must pay a fee just to check their balance, while the number of EBT-accessible ATMs has significantly diminished over the past few years as a result of new state and federal laws.

Likewise, for unemployment benefits, the Department of Labor has recommended "payment of benefits by direct deposit rather than debit cards for individuals with bank accounts," and urged states to "offer the opportunity to elect direct deposit as soon as possible during the claims process."[121] By contrast, for TANF, recipients are typically defaulted into sub-par financial products that have limited capabilities and consumer protections, and some states do not even offer a direct deposit option even when households already have a bank or credit union account. Altogether, these policy choices push low-income households further to the financial margins, reinforce harmful stereotypes about people in poverty, and squander an opportunity to advance social and financial inclusion for some of the most marginalized families.

The good news is that our experience designing "top tier" government benefit programs to prioritize accessibility and ease of use means we've already identified some of the key elements of an inclusion-driven approach. We know that cash benefits generally support the greatest consumer autonomy and flexibility. We know that delivering benefits through the tax code increases uptake, eliminates stigma, and reduces administrative complexity. We know that allowing assistance recipients to access their benefits through their own bank or credit union, or connecting them with financial products designed to meet their needs, are important ways to increase financial capability and inclusion.

The challenge lies in implementing these understandings. Many of the ideas presented in this paper are not new. Nearly five decades ago, the welfare rights movement identified key inadequacies of the United States' approach to poverty that remain pertinent today, and proposed solutions aimed at both reducing poverty and reducing the stigma linked to public assistance. Since then, our understanding of poverty's causes and effects has evolved, and we've had the opportunity to learn from other countries' approaches to ensuring a minimum standard of living for all. Yet current anti-poverty programs still provide inadequate benefits and maintain many of the same stigmatizing features as those from prior eras, which perpetuates a flawed narrative about poverty, undermines these programs' effectiveness, and creates barriers to full social and economic inclusion. Well into the 21st century, a new approach is needed.

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