

THE CASE FOR CASH

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INTRODUCTION

A limitation when developing solutions to social problems is the tendency to start with existing government programs and work incrementally to improve them rather than anchoring on bold goals and working backward to design solutions. Using the latter process encourages more expansive thinking to tap into the full body of existing and emerging evidence. When it comes to addressing child poverty—or poverty more broadly—*what if we started with a bold goal like a minimum level of income for all?*

CONTEXT

Whether children have the chance to thrive is linked to their families' opportunities to access adequate income, and that typically has led policymakers to focus on jobs, education, and training for parents as the solution to child poverty. However, evidence shows that parents with low incomes often face considerable obstacles to getting and keeping jobs that pay enough. These challenges include: limited formal education and work histories; caring for young children; lack of stable, affordable, high-quality child care; children with special needs; domestic violence; physical and mental health issues; trauma and toxic stress; and lack of stable housing. The more of these challenges parents face, the less likely they are to be employed.¹

The primary federal policy response intended to support parents with access to jobs over the past twenty-five years has been the Temporary Assistance for Needy Families (TANF) block grant. The evidence from programs that informed the development of TANF policy in the mid-1990s found that they increased *labor force attachment* but failed to increase *income* for families.² Today, only a small share of families with children experiencing poverty receive access to income support³ through TANF, and states spent only about 10 percent of TANF funding on work, education, and training in FY 2019. So, it is unsurprising that TANF has done little to sustainability reduce child poverty or increase social and economic mobility.

A CHANGING ECONOMY AND CHILD POVERTY

Much has changed since TANF was designed in the twentieth century, before the internet was widely used and before Google, the iPhone, LinkedIn, Uber, or Amazon existed. Availability of jobs with good wages, benefits, and advancement opportunities for people with less formal education has declined.⁴ Contract, temporary, on-call, and gig economy jobs have surged,⁵ and the workforce has fissured across employers by wages and education.⁶ The way people get jobs has shifted rapidly to online job search and recruitment tools, and the potential for displacement of jobs by automation and artificial intelligence has increased.⁷

In the midst of these changes, in 2019, 17 percent of all children were living in poverty. Despite declines since 2010, Black (30 percent) and Native American (30 percent) children were still about three times as likely as Asian and Pacific Islander⁸ (10 percent) and white (10 percent) children to be living in poverty. Hispanic and Latino (23 percent) children were more than twice as likely than Asian and Pacific Islander or white children to be living in poverty.⁹

ENTRENCHED STRUCTURAL RACISM AND GENDER INEQUITY

Prior to COVID-19, TANF and other safety net programs failed to address the structural issues that keep many families of color trapped in poverty. As just one example, for the past five decades, the Black unemployment rate almost always has been double the white unemployment rate,¹⁰ even in tight labor markets. Racial discrimination by employers¹¹ and occupational segregation by race and gender are factors.¹² Prior to the pandemic, only

20 percent of white men were working in low-wage jobs versus almost 40 percent of Black women and 46 percent of Hispanic women.¹³

The bottom line is that even in a “good” economy, lots of people were locked out of opportunity—and we always have needed ways to supplement or replace income from employment.

A GLOBAL PANDEMIC AND THE POLICY RESPONSE

Then came the pandemic, an economic crisis, and the federal policy response. The initial policy response in 2020 was not universal, but was designed to provide direct cash to the majority of people in the United States through two primary mechanisms: 1) Economic Impact Payments of up to \$1,200 per individual and an additional \$500 per child without regard to parental employment status; and 2) Pandemic Unemployment Assistance, which added \$600 per week in federal benefits to state unemployment benefits. These payments dramatically reduced poverty for as many as 13 million people in the early months of the pandemic.¹⁴ This evidence reinforced the importance and efficiency of direct cash in helping families both survive a crisis and thrive over the long term when they have the ability to save. Nearly 8 million people slipped into poverty when the cash assistance ended.¹⁵

TWENTY-FIRST-CENTURY EVIDENCE

The policy responses to the pandemic built on the evidence from guaranteed income programs and strengthened the case for providing direct cash to children and their families who would otherwise struggle to make ends meet. Guaranteed income exists at the state level in the form of the Alaska Permanent Fund, which provides a direct cash payment of \$1,000 to 2,000 to every person in the state annually. The evidence shows that it does not discourage full-time employment—and, in fact, increases part-time employment.¹⁶ Guaranteed income also has been tested in tribal communities. For example, the Eastern Band of Cherokee “casino dividend” provides eligible people approximately \$4,000 in unconditional cash payments. It does not reduce labor force participation and improves educational outcomes for children, with better attendance and more years of education completed.¹⁷

Guaranteed income has recently been tested via a randomized control trial at the municipal level through the Stockton Economic Empowerment Demonstration (SEED), which provided direct cash payments of \$500 per month over two years to residents living in low-income neighborhoods of Stockton, California. SEED's first-year findings revealed that people who received cash payments went from part-time to full-time employment at more than twice the rate of the control group, saw unemployment drop, and were better able to handle unexpected expenses and make payments on their debt. And, people who received cash payments were healthier, showing less depression and anxiety and enhanced well-being.¹⁸ The Stockton pilot has spurred and influenced many other local-level pilots around the country, several of which are being designed with principles that align with the Next Generation of Evidence Campaign.

THE NEXT GENERATION OF EVIDENCE

In stark contrast to the now dated evidence that informed the development of TANF and its complex rules and work participation rates, numerous efforts that embody Project Evident's principles of being practitioner-centric, embracing an R&D approach, and elevating voices of communities are building evidence across the country. Examples of efforts that align with each principle are outlined below.

Being Practitioner-Centric: THRIVE East of the River

THRIVE East of the River (THRIVE) provided emergency cash to nearly 600 households in Ward 8 of the District of Columbia. The collaboration among four community-based practitioner organizations (Bread for the City, Far Southeast Family Strengthening Collaborative, Martha's Table, and Building Bridges Across the River) was designed to address the disproportionate economic impact of the COVID-19 pandemic on the individuals and families they serve. The practitioners designed THRIVE and its evaluation in close partnership with the Urban Institute.

THRIVE sought to: 1) alleviate crisis by providing families with immediate access to cash, healthy food, and dry goods; 2) stabilize families by connecting them to the full range of government resources for which they were eligible, and 3) foster mobility by assisting families to secure a more resilient future. The program provided \$5,500 in direct cash to participants, with the option of either lump sum or monthly payments of \$1,100 for five

months. The first payments began in July 2020, and the program continued to recruit participants and provide payments through January 2022.¹⁹

In addition to working closely with the practitioner organizations to provide continuous data and reporting for program management, the Urban Institute engaged residents of Ward 8 as community-based researchers. A summary report on THRIVE outcomes and implementation found that participants most commonly used the cash payments for housing and food costs. Additional uses included transportation, debt reduction, and professional goals, such as investments in small businesses. After receiving payments, participants reported better mental health and lower rates of food insecurity compared to other people with low incomes.²⁰

Embracing an R&D Approach: UpTogether

An R&D approach involves a disciplined process for learning, testing, and improving to enable timely and relevant continuous evidence building. UpTogether, which serves families across the country, embodies such an approach. For twenty years, UpTogether has continuously collected outcome data demonstrating that families can increase economic and social mobility when self-determination and mutual support are fostered. Their strength-based approach includes *capital*, in the form of direct payments to families; and *choice*, in that families have agency to use the money as they see fit. Their UpTogether Community[®], an online platform, delivers cash to families via direct deposit or prepaid card and has features families can use to build and strengthen their social networks. UpTogether listens to families, learns from the actions families take to improve their lives, and uses that data to influence the ways philanthropy and government invest in communities.²¹

Building on their R&D approach, UpTogether is partnering with the Massachusetts Department of Transitional Assistance (DTA, the state's TANF agency) on an evaluation on the effects of social and financial capital on economic mobility and well-being. The two-year RCT includes families with income below 200 percent of poverty and/or who receive economic assistance through DTA. The study is tracking the impact of direct cash combined with social capital building.²²

Elevating the Voices of Communities: Magnolia Mother's Trust

Communities must have the power to shape and participate in the evidence-building process of practitioners and the field. Springboard to Opportunities, which serves Black mothers living in subsidized housing communities

in Jackson, Mississippi, embodies this philosophy, which it describes as “radically resident driven.” As part of co-designing a program with mothers striving for social and economic mobility, the staff conducts regular focus groups with residents. A key insight from one of these focus groups was that families had very little, if any, access to discretionary cash, which led to both economic and emotional stress. The voices of the mothers made clear that, as they tried to create a better life for their children (for example, returning to school for more education and training), income volatility interfered with their goals.²³

Based on the women’s insights, in the fall of 2018, Springboard to Opportunities launched the Magnolia Mother’s Trust, with a pilot cohort of twenty Black mothers who received \$1,000 unconditional direct cash payments for twelve months. A larger study of a second cohort of 110 women began in March 2020, and a third cohort launched in 2021. Results from the second cohort, which started as the nation began to shut down due to the COVID-19 pandemic, found that, in contrast to the comparison group, recipients were less likely to report debt from emergency financing, more likely to have children performing at or above grade level, more likely to seek professional help for chronic illness and sickness, and able to budget more for food and household costs, resulting in lowered food insecurity and better access to basic needs.²⁴ The evaluation findings from the third cohort of 95 mothers were released in August 2022 and revealed that among participants, 98 percent felt somewhat or extremely supported to meet their family’s needs, 79 percent felt more hopeful about their future, 82 percent felt more hopeful about their children’s futures, and 70 percent felt capable of caring for their own emotional, physical, and mental health needs.²⁵

In addition to the quantitative data, narrative change that elevates community voices is a key aspect of the program. Springboard to Opportunities has created a Storytelling Lab to support participants to share their stories with a wider audience, including oral stories geared for podcasts, storytelling events, town halls, and policy conferences; as well as written stories for publication as Op-Eds.

WHERE DO WE GO FROM HERE?

The outcomes of the 2020 federal direct cash measures in response to the pandemic and the evidence of the effectiveness of direct cash payments from state, tribal, and municipal programs over the past several years, along with

other bodies of evidence about the effectiveness of tax credits²⁶ and child allowances,²⁷ helped lay the groundwork for the March 2021 American Rescue Plan. The American Rescue Plan contained several direct cash components, including Recovery Rebate payments of up to \$1,400 and expanded, advance refundable child tax credit (CTC) payments of up to \$3,600 for children under six and \$3,000 for children six to seventeen. Columbia University found that the monthly CTC payments (\$250 to \$300 per month per child) kept 3.7 million children out of poverty in December 2021 and reduced monthly child poverty by nearly 30 percent.²⁸ Evidence of the impact of these direct cash payments on poverty over the past year should inform longer-term policy development, such as the possibility of creating a permanent child allowance, as well as other forms of recurring direct cash payments to populations facing financial hardship.

NOTES

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5. Lawrence F. Katz and Alan B. Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995–2015,” Working Paper 22667, 2016, Cambridge, MA: National Bureau of Economic Research.

6. David Weil, *The Fissured Workplace* (Cambridge, MA: Harvard University Press, 2014).

7. David H. Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” *Journal of Economic Perspectives* 29 (2015), pp. 3–30.

8. Poverty among Asian and Pacific Islander children varies widely among racial and ethnic groups. For example, in 2016, among Asian subgroups, the percentage of children living in poverty ranged from 6 to 37 percent. The percentages of children living in poverty were higher in some subgroups, ranging from 15 percent for Vietnamese children to 37 percent for Bangladeshi children. The percentages of Cambodian, Chinese, Korean, Laotian, Nepalese, and Thai children living in poverty were not measurably different from the overall Asian percentage. The percentages of Asian Indian, Filipino, and Japanese children living in poverty (6 percent each) were lower than the overall Asian percentage. National Center for Education Statistics, “Status and Trends in the Education of Racial and Ethnic Groups,” February 2019, https://nces.ed.gov/programs/raceindicators/indicator_rads.asp.

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