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THE ECONOMIC IMPACT OF POLICY INCENTIVES IN ELIMINATING BAD HABITS: MANDATORY DRUG TESTING FOR TANF RECIPIENTS

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Mentor: Tat Chan

Mandatory drug testing for TANF recipients has proved to be a contentious policy in state legislatures across the country for the past several years. TANF exists to provide “temporary financial assistance to low income families” and recipients are expected to gain employment and achieve self-sufficiency. Legislators arguing in support of mandatory drug testing laws contend that the implementation of such testing will provide an incentive to limit drug use, thereby creating conditions conducive for gaining employment. This study examines whether or not mandatory drug testing laws promote the purpose of TANF, that is, does mandatory drug testing of TANF recipients incentivize reduced drug use and increased employment?

Using two-stage least squares regressions, this research examines employment data from the Bureau of Labor Statistics and drug use data from SAMHSA to determine whether mandatory drug testing laws reduce drug use and unemployment. When analyzing state-wide employment data, the study indicates that mandatory drug testing did not have a significant impact on state unemployment or drug use, no matter the type of drug. However, when analyzing employment in low-income industries, the study found that marijuana use decreased due to mandatory drug testing. Despite the decrease in marijuana use, employment in low-income industries also decreased due to the presence of the law. These findings indicate that the law is effective in reducing marijuana use but may come at the cost of decreasing employment. For all other drugs, the law did not have an impact on drug use or employment for low-income industries. These results contribute to a body of research which lawmakers can use to assess the costs and benefits of mandatory drug testing as well as the effectiveness of policy incentives on decreasing drug use and increasing employment.