

POLICY *focus*

RECIPES FOR RATIONAL GOVERNMENT

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Welfare Reform 2.0

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Introduction

The United States has spent billions of dollars on anti-poverty programs since their inception. While this investment has helped to reduce material hardship, too many Americans are trapped in a cycle of dependency. Our safety net programs urgently need reforms to help poor Americans live fully self-sufficient lives.

Today, steady job growth, falling unemployment, expanded worker benefits, and rising wages are driving better economic well-being and greater opportunity for all Americans. In fact, historically low unemployment means **6.6 million** jobs are currently open. Policymakers should strengthen self-sufficiency for welfare recipients through expanded work requirements.

Americans overwhelmingly support work requirements: A February 2018 **poll** found that 90 percent of all voters support requiring able-bodied Americans to work, gain training or volunteer at least part-time to receive welfare benefits. And **70 percent** of Americans support allowing states to impose work requirements on non-disabled adults as a condition for Medicaid.

Work is good for people: It increases financial security, economic mobility, health, and well-being. It also brings a sense of meaning and dignity. Importantly, work requirements help transition able-bodied people out of government programs, allowing those programs to focus on those who need a safety net most, like the elderly and disabled.

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Why Care

Material poverty has fallen over the past several decades, but so has self-sufficiency, especially among able-bodied, working-age Americans. Here's why it's important to reform anti-poverty programs to encourage work participation and reduce government dependence:

- **Growth of Anti-Poverty Programs:** Since their creation, social assistance programs have ballooned in size and have exceeded their original scope. Today, **one in five able-bodied**, working-age adults is receiving benefits but not employed. Reforming non-cash benefit programs to implement and better enforce work requirements will get millions of people to work and out of the cycle of poverty. This will also steward taxpayer dollars more responsibly.
 - **Encouraging Work:** Lawmakers should assess various anti-poverty programs and work to eliminate “benefit cliffs” or other punishments for hard work and increased earnings. Work requirements can also encourage self-sufficiency and economic mobility.
 - **Protecting the Most Vulnerable:** When anti-poverty programs are overcrowded, it is the most vulnerable populations that suffer most. Enforcing work requirements on able-bodied, working-age adults will free more resources to be used on groups that are truly unable to be self-sufficient like indigent children, pregnant women, the elderly and the disabled.
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Background

The Growth of Welfare Programs

The federal government provides people with low incomes or few assets cash payments or assistance in obtaining food, housing, health care, or education through about 10 major means-tested programs and credits. The largest of these programs that support able-bodied, working-age Americans are Medicaid, Supplemental Nutrition Assistance Program (SNAP), housing assistance, and Temporary Assistance for Needy Families (TANF).

From 1972 to 2011, spending on means-tested programs **grew significantly** due to increases in both enrollment and spending per participant. At times, temporary economic crises boosted participation in anti-poverty programs, but even after the economy recovered, participation did not fully recede.

Welfare reform is not new: Over 20 years ago this month, President Bill Clinton signed a bipartisan welfare reform bill into law that focused on block-granting major anti-poverty programs and instituting work requirements as a condition for enrollment. These reforms, while beneficial, did not go far enough.

Medicaid is the **biggest welfare program** in terms of funding (\$566 billion) and enrollment (71 million people). SNAP is the second largest program covering just over **44 million recipients** in 2016 at a cost of \$71 billion.

Spending on Medicaid and SNAP is out of control. Between 1960 and 2015, expenditures on **Medicaid** grew from a few billion to about \$550 billion. More recently, Medicaid spending spiked again, by 35 percent from 2008 to 2010, both because of enrollment growth and as a result of

a temporary increase in the federal matching rate (the federal government's share of Medicaid spending). U.S. spending on SNAP **skyrocketed** from \$250 million in 1969 to \$71 billion in 2016.

On the contrary, budgets for TANF and housing vouchers have held steady or moved in the other direction. The **\$30 billion** TANF program (formerly Aid to Families with Dependent Children or AFDC) provides cash aid to 3.9 million Americans. The U.S. spends **\$37 billion** on housing assistance programs, which serve fewer than 10 million people.

Unlike Medicaid and SNAP, TANF and housing assistance are constrained by the level of funding available. Medicaid and SNAP have open-ended budgets; they provide benefits to all who qualify.

This means that lawmakers should carefully assess who qualifies for these programs and how.

“When anti-poverty programs are overcrowded, it is the most vulnerable populations that suffer most.”

Particularly alarming is the increasing rate of enrollment in public assistance among able-bodied, working-age adults. In 1979, less than **one in ten** non-disabled working-age adults received benefits from one of the four major welfare programs. By 2016, this number had more than doubled to about **one in five** (19.4 percent). The majority of those benefits were non-cash benefits. An **estimated** 21 million able-bodied adults enrolled in food stamps, and nearly 62 percent do not work compared to just 8 percent who work full-time.

Given **evidence** of widespread underreporting of welfare benefits, these numbers may even be higher.

How Welfare Programs Create Disincentives to Work

Some Americans choose not to work because they think it is not economically beneficial for them—and sometimes sadly they are right. When enrollees reach a certain income threshold they may lose some non-cash benefits, creating a very high effective marginal tax rate for additional dollars earned beyond the threshold.

For example, Medicaid recipients can keep their full healthcare benefits provided their income remains at or below the maximum income threshold. Health care is so important that they will forgo work to retain those benefits, but when the benefits are not available work becomes attractive again. Researchers found in one **study** that gaining Medicaid coverage reduced employment by 5 percentage points. In 2007, when Medicaid recipients lost coverage in Tennessee, employment **increased** as those recipients went back to work.

In the SNAP program we see that food benefits can significantly reduce adult employment. A **2012 study** of the rollout of food stamp program in the 1960s and 1970s estimated that those benefits reduced employment by 27 percentage points and reduced the number of working female heads of households by over 50 percent.

Housing assistance also reduces employment. Rents are based upon 30 percent of adjusted income, so that 30 cents of every additional dollar earned by participants goes to increased rent. Housing assistance gets phased out entirely beyond a certain income level. A **2012 study**

on the Chicago vouchers program found that the assistance reduced labor force participation of working-age, able-bodied Americans by 4 percentage points and earnings by \$325, while increasing TANF participation by 2 percentage points.

Welfare programs should be reformed to encourage work without creating “benefit cliffs” or otherwise punishing enrollees for working harder or earning more.

Strengthening Work Requirements

The welfare reforms of the 1990s were successful in reducing poverty, reducing child poverty, shrinking welfare caseloads, and boosting employment among single mothers. According to Census **data**, the poverty rate fell from 13.8 percent in 1995 to 11.7 percent in 2001 and child poverty fell from 20.8 percent to 16.3 percent during the same period. TANF caseloads plummeted by 53 percent from 4.3 million in 1996 to 2 million in 2002. From 1996 to 2000, **employment** among single mothers increased dramatically, while welfare participation among mothers who never married were cut in half from nearly 50 percent to just above 20 percent.

Following the recent recession, gains in poverty alleviation **eroded** and poverty levels returned to pre-welfare reform levels. Today, the Trump Administration is taking steps to address this. President Trump signed an executive order on economic mobility that focuses on increasing opportunities for those in need by strengthening current work requirements and targeting tax dollars to those who truly need aid.

Today, Medicaid has no federal work requirement. However, states can terminate Medicaid eligibility for certain individuals who fail to comply with other benefit programs such as TANF and Title XIX of the Social Security Act. The Trump Administration also issued new guidance on the Medicaid program earlier this year, which allows states to impose community engagement and work requirements to receive benefits. So far only, only a few states have pursued work requirements.

Over half (**53 percent**) of non-disabled working-age adults did not work any hours while receiving Medicaid. Imposing 20 or 30 hour per work work requirements on Medicaid recipients would bring this program in line with general requirements for TANF and SNAP, affecting a large majority of recipients.

SNAP imposes an 80-hour per month work requirement for non-disabled working-age adults under the age of 50 without dependent children. Those under 60 with children under age six must accept any job offers received. States may seek geographic waivers from these requirements when local unemployment rates are higher than 10 percent or the national average, but waivers aren’t available to non-disabled adults with dependent children.

Policymakers should reform SNAP to end geographic waivers from work requirements and time limits on benefits. At minimum, they should close loopholes that states exploit to continue

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offering food stamp benefits indefinitely. States will sometimes manipulate data and use gerrymandered areas to portray false high unemployment levels to obtain SNAP waivers.

Recipients of housing assistance face no specific work requirements, although non-disabled working-age adults who are not working or enrolled in a self-sufficiency program are required to participate in 8 hours per month of community engagement or other activities. New work requirements are being tested in a few dozen housing authorities, and so far the **results** demonstrate that work requirements increase employment among recipients, but they don't necessarily increase hours worked. Interestingly, 80 percent of housing assistance participants support work requirements. This idea merits broader evaluation. As noted, work requirements are being tested in a few dozen housing authorities with positive results, but it may be premature to make this a nationwide policy.

According to White House **estimates**, imposing work requirements on working-age, non-disabled adult recipients without children would affect 5.8 million on Medicaid (10 percent), 6.8 million of SNAP recipients (14 percent), and 1.7 million housing (17 percent).

TANF has the most wide-ranging work requirements. Generally, all non-disabled working-age adults are potentially subject to work requirements, with the exception of single parents with infants and several other exceptions.

Protecting the Most Vulnerable Populations

When welfare programs are overloaded with able-bodied people, resources are limited for those who need it most.

For example, between 2008 and 2016, Medicaid enrollment spiked by 24 million people to over 71 million while federal and state spending on Medicaid nearly doubled to \$570 billion. In 2014, the Affordable Care Act (ACA) also allowed states to expand Medicaid eligibility to able-bodied Americans earning near the poverty line because of the recession. Because the federal government covered nearly all of their costs, the ACA incentivized states to enroll as many people as possible while insurers who were contracted by states were incentivized to spend more on ACA-Medicaid patients to the neglect of pre-ACA Medicaid enrollees.



Achievements of welfare reforms in the 1990s:

- Poverty rate fell from 13.8 percent to 11.7 percent
- Child poverty fell from 20.8 percent to 16.3 percent
- TANF caseloads fell from 4.3 million to 2 million
- Welfare participation among unmarried mothers cut in half.

The result was horror stories of rationed care for sicker Medicaid patients such as a disabled child being left brain-dead in diapers because his care was denied. Vulnerable children and adults deserve better than rationed care, which is the inevitable result of overburdened government programs.

Conclusion

Conditioning public assistance with work requirements is a reasonable way to help those in need move into independence. Washington should target non-cash programs, particularly Medicaid and food stamps, with reforms that impose and enforce work requirements for working-age, able Americans.

What You Can Do

Get Informed

Learn more about welfare reform. Visit:

- [Independent Women's Forum](#)
- [Foundation for Government Accountability](#)
- [Heritage Foundation](#)

Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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