



Statement before the House Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Development
On “Strengthening Access and Accountability to Work in Welfare Programs”

Employment Requirements in Benefit Programs Needed to Reduce Poverty

Robert Doar

Morgridge Fellow in Poverty Studies, American Enterprise Institute

March 15, 2018

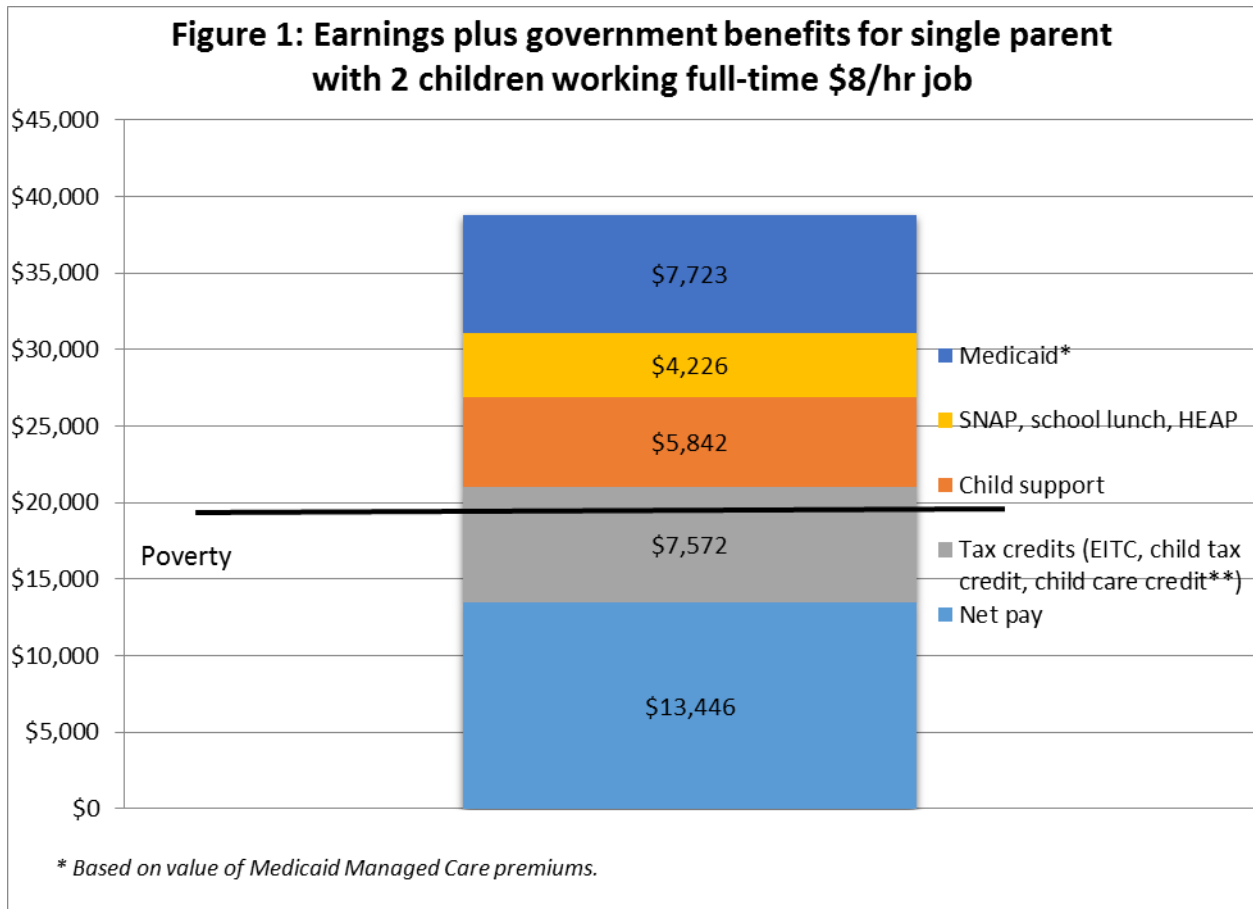
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Chairman Guthrie, Ranking Member Davis, and members of the committee: Thank you for the opportunity to testify today on how to best encourage work and increase earnings for beneficiaries of our nation's safety net programs.

My testimony today is informed by more than 18 years of working in state and local social services agencies in New York state and New York City. It is also informed by the evidence base associated with our safety net programs, the populations that participate in them, and the current condition of our labor market. My remarks reflect three key points:

- (1) Our country's social safety net reduces poverty, but it is most effective when families combine earnings with support
- (2) Too many families receiving government benefits are not working at all, and
- (3) An expectation of work across safety net programs needs more emphasis, which includes but is not limited to, implementing work requirements in our safety net programs.

As I mentioned, much of my career has been spent working to provide benefits directly to low-income residents. The most important lesson I learned is that our system is designed to help people escape poverty by combining income from earnings with assistance from government. When earnings are leveraged with public benefits, even a low-wage job offers a path out of poverty for families in which the adults are not disabled. A single parent with two children who works full-time for \$8 per hour can receive \$25,000 per year in government benefits when you consider SNAP, tax credits, child support and Medicaid, bringing their total income above the poverty line.



Work is important from an income perspective, but it also contributes to a sense of self-worth and confidence, as well having the effect of strengthening social and communal ties. But for too many, work is absent and no earnings exist.

For these reasons, I believe that our public policies need to prioritize families who are receiving aid but not working. I am not referring to the elderly or the disabled. I *am* referring to working-age people receiving benefits who are not working but likely could be. And contrary to what some believe, the problem of limited or no work among recipients is real and large and needs to be addressed.

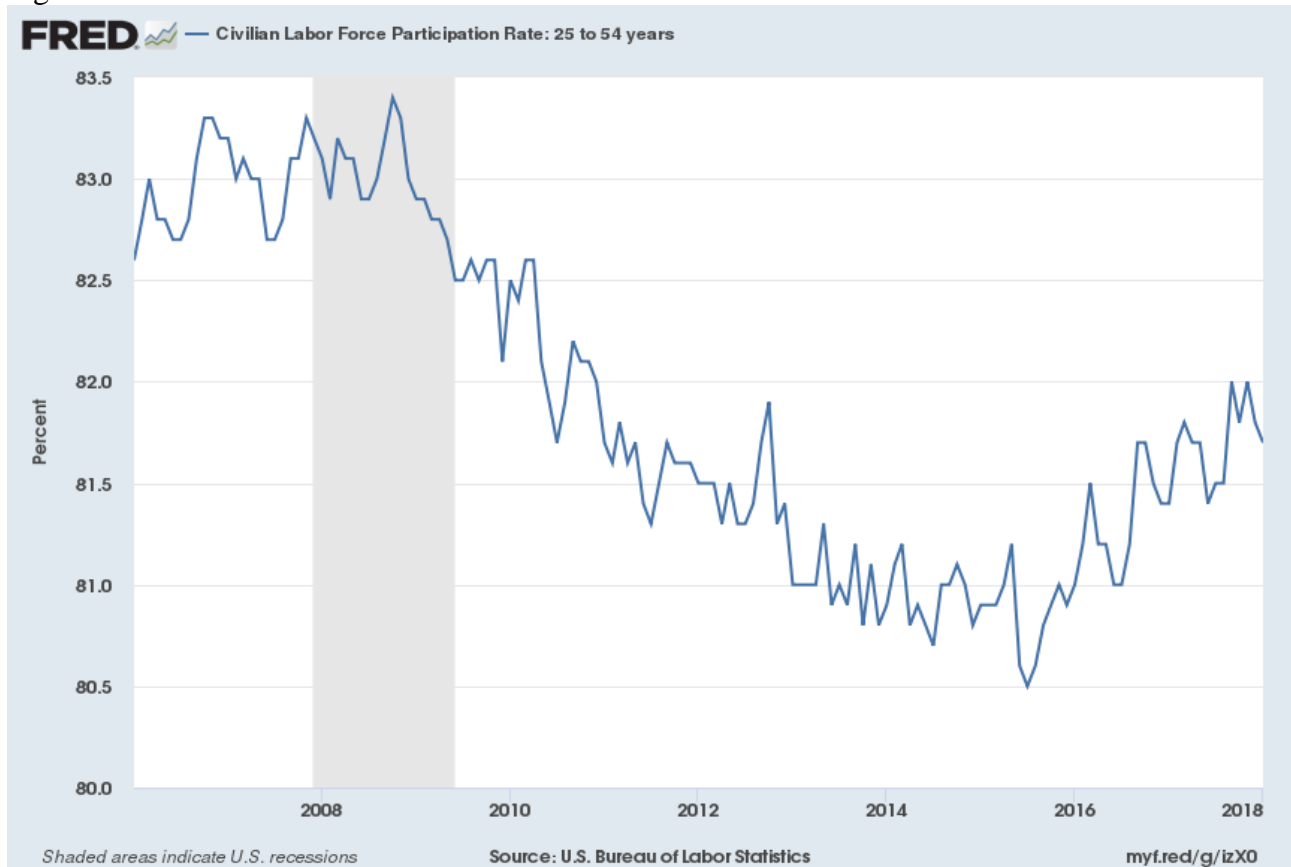
Before I get to the data on work among recipients of safety net programs, I want to highlight why it is an especially good time to prioritize this issue. Our economy is as healthy as it has been in quite some time, with strong economic growth and great confidence in what the next few years will bring.

At 4.1 percent, the unemployment rate is at its lowest level since 2000. 181,000 jobs were added in the average month in 2017, with even better success in the last few months -- the recent jobs report indicates that 313,000 jobs were added in February. Average wages have increased 2.7 percent over the past year, and average weekly earnings have increased by over 4 dollars in just the past month. Wage growth is especially pronounced for workers in industries that could pull people into the workforce: Wage growth in the manufacturing sector is at 3.5%; in the restaurant

industry, just under 3%; and in the retail sector, 3.1% over the past year. From the perspective of workers or potential workers, the economy as strong as it has been in years.

While the economic statistics I just cited are encouraging, one problem remains: Labor force participation has not returned to pre-recession levels (Figure 2). While economists generally agree that increased enrollment in the disability programs administered by the Social Security Administration has led to decreases in employment among working-age Americans, there is certainly no consensus on whether increased enrollment in SNAP and Medicaid caused a reduction in employment. But one thing is clear: The combined effect of benefits from SNAP, Medicaid, housing assistance, and other programs have financed non-work.¹

Figure 2



From the standpoint of a former administrator of SNAP and Medicaid, what is important is not what the cause of non-work is, but what we can do about it – here, SNAP and Medicaid are very important, because we can turn to those programs to identify individuals who are in need because they have no earnings. In other words, SNAP and Medicaid offer the best opportunities to reach

¹ See Eberstadt, Nicholas. 2016. Men without Work. West Conshohocken, PA: Templeton Press and Abraham, K. and Kearney, M. (2018). Explaining the Decline in the Employment-to-Population Ratio: A Review of the Evidence, NBER Working Paper Series, http://papers.nber.org/papers/w24333?utm_campaign=ntw&utm_medium=email&utm_source=ntw.

out to them and help them into work.

Increasing the expectation for work also reinforces the idea that accepting government benefits in a time of need reflects a type of social contract. And the public agrees. In a survey conducted in 2016, 87% of Americans, including 80% of poor Americans, agreed that poor people should be required to work or seek work in exchange for benefits.² But too many benefit recipients are not living up to this contract.

Let's first consider SNAP. Estimates suggest that between 9.5 and 11 million SNAP recipients between ages 18 and 59 and not disabled reported no earnings in their household in Fiscal Year 2016, accounting for 62 percent of this group. This means that in the context of a relatively strong economy, millions of SNAP recipients still reported no work.

Perhaps this is unsurprising given that until recently, the primary focus of SNAP was on increasing enrollment, with little to no emphasis on employment. The only work requirement that exists within SNAP -- for able-bodied adults without dependent children -- was waived for the vast majority of states throughout the past decade. Even today, with the national unemployment rate at 4.1 percent, 8 states still have no work requirement for the entire state and 28 have no work requirement in at least part of the state.³

In a welcome sign, things are starting to change. The Acting Deputy Undersecretary who oversees SNAP, Brandon Lipps, sent a letter to state commissioners late last year to highlight the intention of this administration to focus SNAP on self-sufficiency.⁴ But more needs to be done. Revising the conditions in which an ABAWD time limit waiver can be granted is a start, making it harder to receive a waiver when unemployment is low.

Congress should strengthen work requirements for parents. Contrary to some reports, work requirements do not mean that every SNAP recipient must find a job in the private market. Instead, guidance from the USDA already provides that work requirements can be satisfied by participation in job search, job search training, an education and training program, workfare, or a subsidized job. At the very least, state and local SNAP agencies should be required to assess the employment status of SNAP recipients reporting no earnings and make employment service referrals where appropriate.

Medicaid presents a similar situation. The Kaiser Family Foundation reported that approximately 9.8 million working-age and not disabled Medicaid enrollees reported no employment in 2016.⁵ Similar to SNAP, very little attention has been paid to employment among Medicaid enrollees prior to now.

To her credit, Centers for Medicare and Medicaid administrator Seema Verma recently issued

² American Enterprise Institute and Los Angeles Times, 2016 Poverty Survey, http://www.aei.org/wp-content/uploads/2016/08/2016-Poverty-Survey_AEI_Los-Angeles-Times_Topline.pdf.

³ See FY 2018 Quarter 2, Status of ABAWD Time Limit Waivers, USDA, <https://fns-prod.azureedge.net/sites/default/files/snap/FY-2018-Quarter-2-ABAWD-Waiver-Status.pdf>.

⁴ See letter from Brandon Lipps, FNS Acting Deputy Under Secretary, <https://www.usda.gov/sites/default/files/documents/lipps-snap-letter.pdf>.

⁵ <http://files.kff.org/attachment/Issue-Brief-Understanding-the-Intersection-of-Medicaid-and-Work>.

guidance encouraging states to submit waiver requests to the CMS that test work requirements for Medicaid enrollees. Similar requests had been made during President Obama's administration but were denied. Showing promise, two states have already been approved for demonstration projects that incorporate work or community engagement requirements for Medicaid enrollees. As part of the approval, states must rigorously evaluate their efforts to ensure that enrollees benefit. This is the first step in establishing an evidence base of state approaches that lead to improved employment and well-being among Medicaid enrollees.

With all the recent discussion of safety net programs and work requirements, some have questioned what work requirements actually mean. Let me be clear about what I mean and where Congress has a role. First, I believe that state and local social service agencies should be required to encourage work among beneficiaries of safety net programs. During my time as the co-Chair of the bipartisan National Hunger Commission, it became clear that there was bipartisan support for this. We unanimously agreed that programs providing government assistance should be required to help people who can work, find work.⁶

State administrators of Medicaid and SNAP have been too often encouraged by the federal government to believe that helping participants with employment is "not their job." This attitude is harmful to the very people these programs intend to help. Establishing an expectation that states focus on employment should be part of any effort to increase employment among recipients. This can include setting employment as an objective in safety net programs such as SNAP and Medicaid, as well as Congressional action to hold states accountable for helping recipients find employment.

Second, a work expectation, with reasonable consequences if the expectation is not met, should also be applied to individuals receiving benefits. During my time in New York, I found that aggressive efforts to connect people to work can lead to gains in employment, reductions in dependency, and declines in poverty. This might involve reducing or terminating benefits if a recipient declines to participate in a reasonably scheduled activity or fails to accept an offer of employment.

As I already mentioned, Congress should revise the conditions in which ABAWD waivers can be granted, to ensure that they are only allowed when unemployment is high. Congressional action is also needed to strengthen the existing work components in SNAP. Currently, state inaction is allowed when it comes to SNAP recipients with children and employment. Instead, states should be required to outline how they will engage parent recipients in employment.

To give you a concrete idea of how I see these pieces fitting together, I want to describe the approach I believe states should take. First, they need to identify non-working recipients as an important subset of the SNAP and Medicaid population. I would list them by zip code within my jurisdiction and develop a plan for staff to engage them in a conversation about work, including that their failure to use their benefits to supplement earnings was keeping them in poverty.

⁶ National Commission on Hunger, *Freedom from Hunger: An Achievable Goal for the United States of America*, page 42, https://www.aei.org/wp-content/uploads/2016/01/Hunger_Commission_Final_Report.pdf.

Next, staff would discuss employment, training, or volunteering opportunities available in the community with recipients. They should also be assured that if they did become employed they would receive transitional benefits and tax credits to supplement their wages. Finally, I would want them to know that their failure to take advantage of these opportunities could lead to a reduction or termination of their benefits. For some time now, this kind of approach has been absent.

To make this work, states should be allowed flexibility to find the approach that works best for them. They should be free to experiment with allowable activities, the number of hours to meet various work requirements, and the consequences imposed for not meeting the requirement. States should be required to conduct a rigorous evaluation of their approach and report findings to federal oversight agencies, but flexibility at the state level is needed.

Finally, any consideration of work requirements must include a discussion over the resources available to states. As a former state administrator, I am familiar with the problem of insufficient resources from the federal government. Additional resources would help, but should not be viewed as a precondition, because, I believe, sufficient funding to achieve what I have laid out without additional federal investment is already in place -- though it may be necessary for governments at all levels to reprioritize.

For example, including required state funding, TANF provides \$30 billion per year to support employment programs for families with children, including noncustodial parents, with state flexibility in how those funds are utilized.⁷ TANF funds not being spent on increasing employment among low-income families should be directed to this primary goal of TANF. And using those funds to encourage employment among SNAP or Medicaid recipients is entirely appropriate.

However, in too many states, TANF resources are being redirected away from promoting employment for poor Americans to other activities, including college scholarships and pre-K programs for middle-income families in some cases. To its credit, the Trump Administration's Budget Proposal would require states to spend at least 30 percent of TANF/MOE funds on work activities, work supports, child care, or assessment/service provision – 22 states spend less than that amount currently.

Additionally, the recently passed Bipartisan Budget Act of 2018 included a large increase in federal funds for child care assistance through the child care and development block grant. States have flexibility in how these funds are spent, and they could prioritize child care assistance for SNAP and Medicaid recipients enrolled in work activities.

Beyond these sources, SNAP already provides approximately \$300 million for the SNAP Employment and Training program and more could be provided as part of the 50/50 federal-state match component. This component provides reimbursement grants from the federal government to cover 50 percent of costs exceeding what is already provided to the states from the federal government. The state portion can come from states, localities, or third parties.

⁷ See TANF and MOE Spending and Transfers by Activity, FY 2016, https://www.acf.hhs.gov/sites/default/files/ofa/fy2016_tanf_moe_national_data_pie_charts.pdf.

The Workforce Investment and Opportunity Act provides another roughly \$800 million for adult employment and training programs. Overlap between populations served by WIOA, SNAP and Medicaid are likely and states can prioritize services for those receiving other benefit programs.

Let me conclude by stating my belief that the social safety net in this country serves an important purpose. Research shows that it reduces poverty and has positive impacts on child and adult well-being. But we have a responsibility to ensure that employment remains the primary way families support themselves, and that government programs do not impede this goal. Congress can take concrete steps to achieve this. Doing so will lead to increased earnings, reductions in poverty, healthier families, and stronger communities.