

# Expanding Work Requirements in Non-Cash Welfare Programs

The Council of Economic Advisers  
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# Executive Summary

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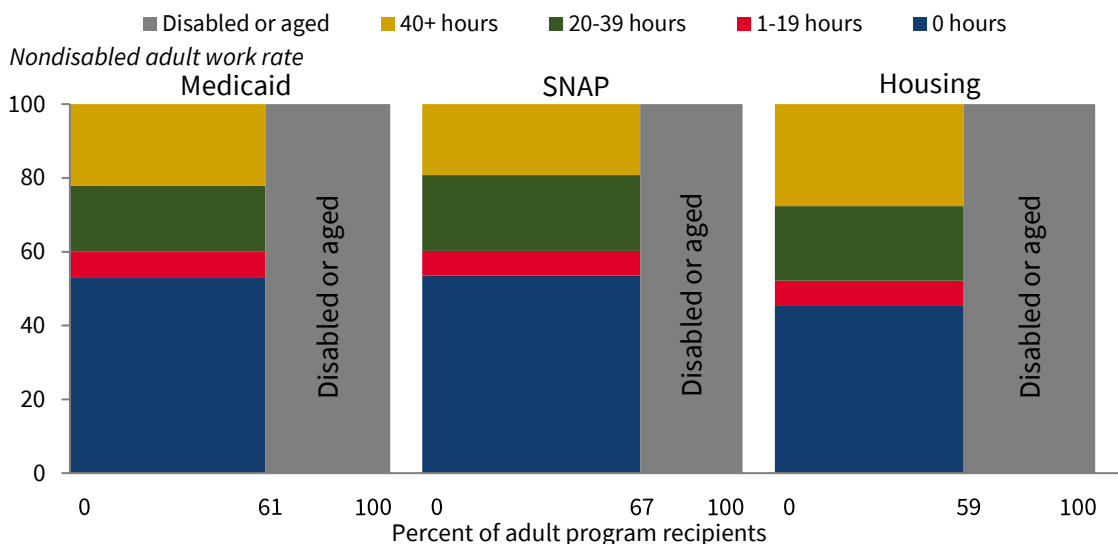
The American work ethic, the motivation that drives Americans to work longer hours each week and more weeks each year than any of our economic peers, is a long-standing contributor to America's success. However, while working Americans spend more time working than our peers in comparable economies, the share of working-age Americans participating in the labor force has fallen behind the share in peer countries over the last several years. Today, many non-disabled working-age adults do not regularly work, particularly those living in low-income households. Such non-working adults may miss important pecuniary and non-pecuniary benefits for themselves and their households, and can become reliant on welfare programs.

Aiming to transition more non-disabled working-age Americans into the workforce, President Trump signed an executive order in April 2018 instructing agencies to reform their welfare programs by encouraging work and reducing dependence, in part by strengthening and expanding work requirements (to the extent current law allows). This effort builds on previous bipartisan commitments to require and reward work in welfare programs. In the 1990s, President Clinton promised to advance welfare reforms that would transition those expected to work into the workforce. Bipartisan legislation during his presidency reformed the main cash-based welfare program for low-income households—Aid to Families with Dependent Children (AFDC)—in part by imposing strong work requirements on non-disabled working-age adults in its work-focused replacement, Temporary Assistance for Needy Families (TANF). Though work requirements have been an important component in promoting employment for TANF recipients, today most recipients of non-cash welfare programs are not subject to work requirements, despite the fact that these non-cash programs now provide the vast majority of welfare assistance to low-income individuals and households.

In this report, we document the share of adult recipients in the three major non-cash welfare programs who society generally expects to work: non-disabled working-age adults (between 18 and 64). Figure 1 (horizontal axis) shows that non-disabled working-age adults made up the majority of adult recipients on Medicaid (61 percent), the Supplemental Nutrition Assistance Program (SNAP) (67 percent), and rental housing assistance programs (59 percent) as of December 2013, based on data from the Survey of Income and Program Participation (SIPP). Figure 1 (vertical axis) shows that the majority of these adult recipients worked few if any hours each week while receiving benefits: 60 percent of Medicaid, 60 percent of SNAP, and 52 percent of housing-assisted non-disabled working-age recipients worked fewer than 20 hours per week. These low employment rates of non-disabled working-age recipients suggest that legislative changes requiring them to work and supporting their transition into the labor

market, similar to the approach in TANF, would affect a large share of adult beneficiaries and their children in these non-cash programs.

**Figure 1. Percent of Adult Recipients who are Non-Disabled and Working-Age and Weekly Hours Worked, December 2013**



Sources: Survey of Income and Program Participation, 2014 Wave 1; CEA calculations.

Note: We identify program recipients based on receipt of benefits during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). We base hours of work on the average hours per week each individual reported during December 2013. SNAP refers to the Supplemental Nutrition Assistance Program. Housing refers to households who indicate receipt of rental subsidies.

We discuss three reasons for expanding work requirements in non-cash welfare programs as a means of solving the problem illustrated in Figure 1—the large number of non-disabled working-age recipients on non-cash welfare programs who work few, if any, hours. First, self-sufficiency has been declining in recent decades while material hardship has fallen, motivating a renewed focus on building self-sufficiency via work requirements. Second, an alternative solution of increasing positive incentives for work (for example, by increasing the Earned Income Tax Credit) could exacerbate already-high implicit taxes on low-skill part-time workers. Third, evidence suggests that welfare programs that require work in return for benefits increase adult employment and may improve children’s outcomes.

The timing is ideal for expanding work requirements among non-disabled working-age adults in social welfare programs. As was the case in the period of welfare reform in the mid-1990s, current labor markets are extremely tight and unemployment rates are at very low levels, even for low-skilled workers. Still, even if work requirements improve outcomes for the majority of affected recipients, some may experience negative effects, which is why it is important to

design requirements carefully and to support recipients overcoming barriers to employment (e.g., lack of access to childcare, mental illness, or criminal records). Ultimately, expanded work requirements can improve the lives of current welfare recipients and at the same time respect the importance and dignity of work.

## 1. Introduction

Social insurance programs protect workers and their households from a loss of labor income due to unemployment (Unemployment Insurance); old age, death, or disability (Old Age, Survivor and Disability Insurance); and sickness (Medicare). Workers earn eligibility for these programs based on the payroll taxes they and their employers pay into the Social Security System. These programs are the primary source of government-provided social protection for working Americans.

The United States does not provide a guaranteed minimum income without work requirements to all of its citizens. Instead, its social welfare programs are categorical, providing cash and non-cash assistance to some but not all people living in low-income households. Supplemental Security Income (SSI), passed into law in 1972, provided a guaranteed minimum income to those whom our society did not necessarily expect to work: individuals age 65 and older; the blind; people with disabilities; and subgroups of the population that already were targets of State-based assistance programs.<sup>1</sup> Prior to SSI's implementation in 1974, the only other group guaranteed a minimum income was single mothers. The Aid to Families with Dependent Children (AFDC) program dates back to the Social Security Act of 1935. It provided a guaranteed minimum income to single women with children in their care in an era in which few women worked outside the home. These cash-income programs, together with 1960s era non-cash categorical programs (food stamps, Medicaid, etc.), comprised the social safety net for low-income households.

As women's role in the workforce grew, so too did social expectations of work for single mothers on welfare. Hence, social welfare reforms in the 1990s transformed the guaranteed minimum income AFDC program into Temporary Assistance for Needy Families (TANF) and expanded the Earned Income Tax Credit (EITC) on each dollar earned in the labor market. These cash welfare programs are designed with the expectation that their non-disabled working-age female beneficiaries should work, and that the programs should incentivize them to do so.<sup>2</sup>

However, non-cash welfare programs still generally lack work requirements, and those requirements that exist are far less demanding than TANF requirements.<sup>3</sup> Welfare reform in the

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<sup>1</sup> See Burke and Burke (1974) for a discussion of the rejection by a Democrat controlled Congress of President Nixon's universal minimum income program proposal and the creation of SSI in its stead, as well as Daly and Burkhauser (2003) and Duggan, Kearney and Rennane (2016) for discussions of SSI's subsequent growth.

<sup>2</sup> One exception is the Supplemental Security Income program for disabled children, which provides cash assistance to households that may include non-disabled working-age adults who are not required to work.

<sup>3</sup> See Moffitt (2003, 2016) for two edited volumes published more than a decade apart that contain evaluative literature reviews of all the cash and non-cash social welfare programs discussed in this report.

1990s imposed significant work requirements on non-disabled working-age adults without children receiving food assistance from the Supplemental Nutrition Assistance Program (SNAP). However, Medicaid (medical insurance for low-income individuals and families) and Federal housing assistance programs lack significant work requirements, as does SNAP for adults with children. The number of recipients of non-cash benefits has increased dramatically since 2000, and now includes a substantial number of non-disabled working-age beneficiaries. These non-cash programs create the same work incentive problems created by cash welfare programs. Because benefits must eventually be phased out as income rises, at some threshold such transfer programs impose an implicit tax on work. The effective marginal tax rates in these welfare programs can be substantial, especially for recipients of multiple programs. As a result, non-cash welfare programs can discourage work and reduce self-sufficiency.

Program work requirements, which require recipients to work or engage in work-related activities in order to maintain benefits, can help overcome these problems. In this report, we show how a legislative change expanding work requirement coverage in these non-cash programs to levels approaching those for individuals in TANF would affect the majority of beneficiaries (adults and their children) in these programs.<sup>4</sup> The relatively low work rates of non-disabled working-age adults on these programs suggests that they would need to increase their participation in the workforce substantially to maintain full benefits. However, the impact of expanding work requirement coverage heavily depends on which segments of the non-disabled working-age population will still be exempt from work requirements. Based on our analysis, we show that the most important criterion in this regard is the age of a parent's youngest child. For example, between 19 and 24 percent of each program's total recipients live in a household in which the youngest child is between 6 and 17, and between 22 and 28 percent of each program's recipients live in a household in which the youngest child is between 1 and 5. Of course, who should ultimately be covered by any work requirement (and other decisions such as sanctions faced for noncompliance) depends on the goals of each program and individual barriers to employment. For example, TANF work requirements exempt single parents with children under 6 who do not have access to childcare.

After documenting that expanding work requirement coverage would affect a large number of recipients, the remaining sections of this report provide three reasons for why doing so would be a beneficial way to increase work participation among non-disabled working-age adults receiving assistance from non-cash welfare programs:

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<sup>4</sup> While only non-disabled working-age recipients are subject to work requirements in our simulations, the consequences of work requirements, both positive and negative, would extend to their children as well (either because increased parental employment increases household resources or because loss of benefits from parental failure to comply with requirements decreases household resources).

- The safety net—including government tax and (both cash and non-cash) transfer policies—has contributed to a dramatic reduction in poverty (correctly measured) in the United States. However, the policies have been accompanied by a decline in self-sufficiency (in terms of receipt of welfare benefits) among non-disabled working-age adults. Expanding work requirements in these non-cash welfare programs would improve self-sufficiency, with little risk of substantially reversing progress in addressing material hardship.
- Unlike other options for incentivizing employment, expanding work requirement coverage in non-cash welfare programs to a broader set of recipients would strengthen incentives to enter employment without adding disincentives to increasing hours of work at higher earnings levels. We document that past welfare reforms have lowered the implicit marginal tax rates—the fraction of a dollar of additional wage earnings forgone after accounting for taxes and lost welfare benefits—for welfare recipients who do not work at all, but made them potentially quite high for recipients who work more than part-time. Further expansion of positive incentives to work for nonworking individuals, such as through increasing the EITC, could exacerbate the high implicit tax rates faced by low-wage part-time workers. Thus, expanding work requirement coverage is likely to be a more effective approach for inducing labor market participation among welfare recipients who society expects to work.
- The evidence regarding welfare programs suggests that work requirements can improve outcomes for recipients. Work-conditioned welfare programs such as the EITC increase adult employment, reduce dependency, and improve child outcomes. Programs without work requirements tend to decrease adult employment, with less robust evidence of improved child outcomes. The most relevant historical corollary—welfare reform in the 1990s—provides evidence that applying work requirements to existing welfare programs can increase employment and reduce dependency, and may improve child wellbeing.

## 2. Who Would be Affected by Expanding Work Requirement Coverage in Non-Cash Welfare Programs

Among non-disabled working-age adults who do *not* receive assistance from Medicaid, SNAP or housing assistance programs, the vast majority (77 percent) work, and most (57 percent) do so full-time (Table 1), based on data from the Survey of Income and Program Participation (SIPP) as of December 2013. Table 1 further disaggregates work rates by categories of recipients based on their own age and the presence of children in their household. Among adults without children, 77 percent of those between the ages of 18 and 49 work, and 75

percent of those between the ages of 50 and 64 work. Among adults with children, 79 percent of those whose youngest child is between 6 and 17 work, 78 percent of those whose youngest child is between 1 and 5 work, and 74 percent of those whose youngest child is under 1 work. In each category, at least 55 percent work full-time (final column of Table 1).

**Table 1. Percent of Non-Disabled Working-Age Adults Not Receiving Medicaid, SNAP or Housing Assistance, Working Various Weekly Average Hours during December 2013, by Category**

	Recipients		Weekly hours of work Percent of row group			
	Number (Millions)	Share of Column Total	0	< 20	< 30	< 40
Non-disabled working-age adults without children						
Age 18-49	52.9	34%	23%	28%	34%	45%
Age 50-64	41.0	26%	25%	29%	34%	43%
Non-disabled working-age adults with children						
Youngest child age 6-17	36.4	23%	21%	26%	32%	41%
Youngest child age 1-5	22.0	14%	22%	27%	32%	41%
Youngest child age under 1	5.5	3%	26%	29%	33%	42%
<b>All non-disabled working-age adults</b>	<b>157.8</b>	<b>100%</b>	<b>23%</b>	<b>28%</b>	<b>33%</b>	<b>43%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; CEA calculations.

Note: We include all adults who do not receive Medicaid, SNAP or housing assistance as of December 2013, regardless of whether anyone else in their household receives these benefits. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18; “without children” refers to adults who live in households without any children under the age of 18. We base hours of work on the average hours per week each individual reported during December 2013.

The high workforce participation and weekly work hours of non-disabled working-age adults who do not receive benefits from Medicaid, SNAP or housing assistance stands in stark contrast to Figure 1, which showed that the majority of non-disabled working-age recipients of each of these programs works fewer than 20 hours per week. Of course, the lower work rates by these welfare recipients are by construction; individuals who work have greater earnings and are less likely to qualify for benefits. However, the work hours demonstrated in each category in Table 1 indicates that the vast majority of the almost 158 million non-disabled working-age adults not receiving benefits from these non-cash welfare programs, independent of age or the presence of children, can and do work. Expecting significant workforce participation from non-disabled working-age recipients of these three types of non-cash assistance is consistent with these norms.

This section proceeds by documenting the current state of work requirements in Medicaid, SNAP and housing assistance programs, which we note are much weaker and less expansive than those in TANF. We then estimate how many recipients would be affected by expanding



work requirement coverage to additional non-disabled working-age recipients in these non-cash programs. We separately consider the categories of recipients shown in Table 1, based on the age of adult recipients and the presence and age of children in the household. In doing so, we assume these increases in coverage would also affect children in the households of these non-disabled working-age adults, either due to increased parental employment and household income, or due to reductions in material benefits due to failure to comply.<sup>5</sup>

We find that the share of recipients in each program potentially affected by requiring non-disabled working-age adults to work or participate in work-related activities will greatly depend on the “age-of-youngest-child exemption.” Currently in TANF, the vast majority of State programs only exempt single parents from work requirements if they have a child under the age of 1 (or in some States even younger). We find that large shares (between 22 and 28 percent) of total recipients of Medicaid, SNAP and housing assistance programs live in households in which the youngest child is between 1 and 5, and similarly large shares (between 19 and 24 percent) of total recipients live in households in which the youngest child is between 6 and 17. We also show that adults with children between the ages of 1 and 5 on these programs are disproportionately younger adults, for whom work may be especially important in building and maintaining valuable skills.

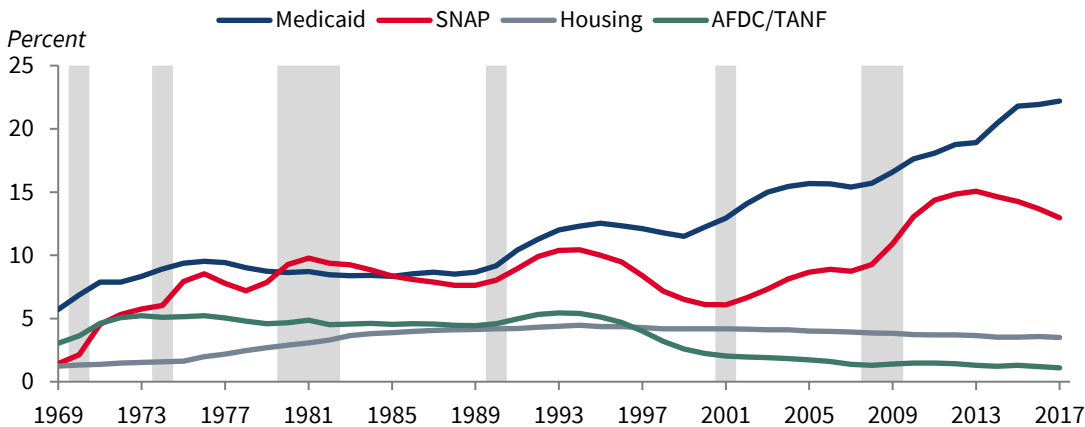
Whether non-disabled working-age recipients subject to expanded work requirements would actually be affected depends on whether they already work while receiving benefits. We document that over 50 percent of non-disabled working-age recipients of Medicaid and SNAP (and 45 percent of those on housing assistance) do not work during the month of benefit receipt, while even larger shares work fewer than 20 or 30 hours per week, the current work standards in TANF for non-exempt single parents. Within this population, non-disabled working-age adults without children are less likely to work than are those with children. Ultimately, expanding the coverage of work requirements in these non-cash welfare programs to resemble those currently in place in TANF would affect the majority of recipients, and could potentially move a large fraction of non-disabled working-age adults on these programs into employment, especially if barriers to work such as lack of childcare, mental illness or criminal records are addressed.

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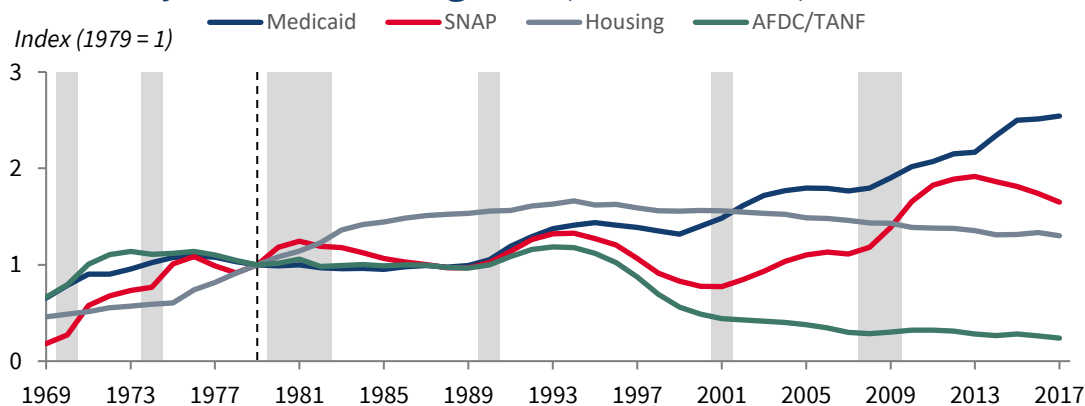
<sup>5</sup> While disabled working-age and older-aged individuals living in households with working-age adults subject to work requirements may be affected as well, the extent to which these household members share resources with non-disabled working-age adults is less clear. Thus, we only assume that children in these households are affected.

## A. Summary of work requirements in safety net programs

### Figure 2a. Percent of U.S. Population Enrolled in Each of Four Major Welfare Programs, 1969–2017



### Figure 2b. Percent of U.S. Population Enrolled in Each of Four Major Welfare Programs, 1969–2017, Indexed to 1979



Sources: Truffer et al. (2012); Truffer et al. (2016); CMS (2018b); USDA (2018a); Crouse et al. (2001); HHS (2018a); Collinson et al. (2015); HUD (2018); National Bureau of Economic Research; CEA calculations.  
 Note: For Medicaid, SNAP, and AFDC/TANF, shares are the number of individual recipients divided by U.S. population in each year. For housing assistance, shares are the number of assisted households divided by total U.S. households, as we are unaware of administrative data tracking individual recipients of housing assistance throughout this entire period. TANF recipients include those receiving assistance from separate State programs. Grey shaded regions denote a recession for at least four months of a given year.

In 2016, just under \$704 billion was spent by the Federal and State governments on Medicaid, SNAP, housing assistance programs (including Section 8 housing vouchers, project-based

housing and public housing) and TANF.<sup>6</sup> Figure 2a, which is based on administrative records, shows the growth in enrollment in each program as a percent of the total U.S. population over time.

While welfare program enrollment is somewhat sensitive to peaks and troughs within business cycles—see National Bureau of Economic Research (NBER) recession years in gray—there has also been substantial secular change across business cycles. Between 1969 and 2017, the share of the population covered by Medicaid grew from 6 percent to 22 percent, and the share covered by SNAP (and its predecessor, Food Stamps) grew from 1 percent to 13 percent. Housing assistance programs and TANF currently cover a much smaller share of the population, with the share receiving housing assistance showing a net increase over this period and the share receiving TANF (and its predecessor, Aid to Families with Dependent Children) decreasing. Unlike Medicaid and SNAP, which provide benefits to all who qualify, the number of recipients of housing assistance and TANF is constrained by the level of funding available, and so not all eligible households receive assistance.

Figure 2b shows how the percent of the population receiving benefits from each of the four programs has changed relative to 1979 (chosen based on a number of changes that occurred in the food stamp program until 1979)<sup>7</sup>: In 2017, the percent of the population receiving Medicaid, SNAP and housing assistance was 2.5, 1.7 and 1.3 times as high, respectively. Meanwhile, the percent of the population receiving TANF was only 0.24 times as high (partly a result of substitution of funds for activities besides basic assistance as well as the declining real value of the TANF block grant). Thus, Medicaid and SNAP are the two largest programs and the programs that have experienced the most growth since 1979.

Table 2 summarizes each of these four programs in terms of combined Federal and State spending, the number of recipients served, and their work requirements. Medicaid is the dominant program in terms of funding (\$566 billion) and beneficiaries (71 million people). Aside from a provision that allows States to terminate Medicaid eligibility for certain individuals who fail to comply with the TANF work requirement, Title XIX of the Social Security Act does not include any mandatory work requirements. Some states, however, are beginning to test programs that incentivize beneficiaries to engage in work and other forms of community engagement. SNAP is the second largest program covering just over 44 million recipients in

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<sup>6</sup> See Table 2, discussed in further detail when comparing work requirement coverage across programs. Also, note that in our analysis, including Figure 2, we exclude the Low Income Housing Tax Credit, which provides tax credits to developers in return for renting to lower income households at below market rents. We exclude these recipients because the surveys we analyze do not identify them.

<sup>7</sup> This is also the first year in which the Current Population Survey–Annual Social and Economic Supplement (CPS-ASEC) asked respondents about receipt of food stamps. Analysis based on the CPS-ASEC is included in Section 3 and similarly indexed to 1979 in some cases.

2016 at a cost of \$71 billion. It has significant work requirements for non-disabled working-age adults under the age of 50 without dependent children—although States frequently waive even these requirements based on geographic exemptions (for example, based on a local unemployment rate that exceeds 20 percent of the national average)—but not for non-disabled adults with dependent children. Housing assistance programs, which cover under 10 million people, do not in general enforce work requirements (although certain public housing authorities can implement them as part of demonstration projects).

**Table 2. Spending, Recipients and Work Requirements in Medicaid, SNAP, Housing Assistance and TANF, 2016**

Program	Spending (billions)	Recipients (millions)	Work requirements for non-disabled working-age adults
Medicaid <sup>8</sup>	\$565.5	70.9	None (except with respect to community engagement demonstration programs)
Supplemental Nutrition Assistance Program (SNAP)	\$70.9	44.2	<i>Age 18-49, no child:</i> 80 hours/month <i>Age 16-59, youngest child at least 6:</i> Must accept job offers
Housing assistance (Section 8 housing vouchers, Section 8 project-based assistance, and public housing)	\$36.6	9.5	<i>Public housing residents, no child:</i> No work requirements, but 8 hours/month of community service or participation in economic self-sufficiency programs if not otherwise working <i>Moving to Work demonstration program</i> Some participating housing authorities voluntarily institute work requirements
Temporary Assistance for Needy Families (TANF)	\$30.9 (\$7.1 on basic assistance)	3.9	<i>Single parent with youngest child under 1:</i> Exempt in many States <i>Single parent with youngest child under 6:</i> 20 hours per week <i>Single parent with youngest child at least 6:</i> 30 hours per week <i>Two parents with no subsidized child care:</i> 35 hours per week (combined) <i>Two parents with subsidized child care</i> 55 hours per week (combined)
<b>Total</b>	<b>\$703.9</b>	<b>N/A</b>	

Sources: CMS (2018b); USDA (2018a); HUD (2018); Congressional Research Service (2017); HHS (2017a); HHS (2017b); CEA calculations.

Note: Spending includes Federal and State spending. Recipients are average monthly, with the exception of housing assistance, which is total annual. Housing assistance spending includes spending on Section 8 housing vouchers, Section 8 project-based assistance, the public housing capital fund, and the public housing operating fund. TANF spending and recipients include those receiving assistance from separate state programs. TANF basic assistance funding excludes Relative Foster Care Maintenance Payments and Adoption and Guardianship Subsidies. TANF recipients are those receiving basic assistance. Because individuals can receive benefits from multiple programs simultaneously, we are unable to determine the total number of people receiving benefits from at least one of the included programs based on the administrative data sources used here.

<sup>8</sup> 42 U.S.C. 1396u-1(b)(3) allows States to terminate medical assistance under Medicaid to certain individuals for failure to comply with the TANF work requirement.

TANF has the most expansive work requirements in terms of populations covered. Although specific provisions vary across States, all non-disabled working-age adults are potentially subject to work requirements, generally with the exception of single parents with infants and several other exceptions. For example, only California and Vermont exempt single parents with children under the age of 2 from work requirements, 23 States only exempt single parents with children under the age of 1, 11 States only exempt single parents with a child between the ages of 1 month and 11 months, and 9 States have no such exemption (Urban Institute 2018). Single parents with a child under 6 are required to work or engage in work activities for at least 20 hours per week, assuming that childcare (not necessarily subsidized) is available. Single parents with no child under 6 must work at least 30 hours per week. Two-parent families must work a combined 35 hours per week and those with federally subsidized childcare must work a combined 55 hours per week. States retain significant discretion in defining the sanctions for violating requirements and determining recipients to exempt based on hardship or other factors. States must meet a federal Work Participation Rate, which requires a portion of the caseload to participate in work or allowable work activities for the amount of hours listed in Table 2 (statute requires a 50 percent work participation rate, but various credits allow states to lower that target).

The replacement of AFDC (which generally lacked work requirements) with TANF in 1996 and welfare reform in the 1990s more broadly serves as a useful model for expanding the coverage of work requirements in non-cash welfare programs. Between 1996 and 2000, TANF receipt by single mothers fell by 53 percent, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent (see Section 5). While a number of factors can explain these trends, including the growing generosity of the EITC and a growing economy, the preponderance of the research suggests that welfare reform played an important role as well (See Ziliak 2016 for a review of this literature). Additionally, contrary to the view held by some that welfare reform increased extreme poverty, research based on how much households actually consume has found that the material wellbeing of single mother families increased (or at least did not decrease) across the distribution, even for those in the bottom decile of consumption (Meyer and Sullivan 2008).<sup>9</sup> While careful design of work requirements is essential to their success, the experience with TANF and welfare reform in general suggests that work requirements could have important benefits for recipients of non-cash programs as well.

In the following subsections, we use survey data to estimate the number of adults and children enrolled in Medicaid, SNAP and housing assistance programs who would potentially be affected by work requirement rules closer to those currently in place in TANF. In addition, we estimate the current work rates of non-disabled working-age adults during a given month of benefit receipt. We separately analyze five distinct groups of non-disabled working-age

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<sup>9</sup> Section 5 discusses the evidence on welfare reform in more depth.

recipients: (i) childless adults between 18 and 49, (ii) childless adults between 50 and 64, (iii) adults with a youngest child between 6 and 17, (iv) adults with a youngest child between 1 and 5, and (v) adults with a youngest child under 1. We disaggregate beneficiaries in this way because work requirements in the SNAP and TANF programs apply to these groups in different ways. This allows us to determine how many recipients would be affected in each non-cash program by expanding work requirement coverage to progressively broader segments of non-disabled working-age adults. In order to obtain estimates of the number of recipients in each of these categories, we apply the shares of recipients in each category based on survey data to the total number of recipients identified in administrative data during the survey year.<sup>10</sup>

Our analysis of groups that would be affected in each program and their work rates is based on the SIPP. This survey uniquely allows for direct observation of whether each respondent receives benefits from each welfare program and his or her work hours for any given month. This contrasts with the Current Population Survey–Annual Social and Economic Supplement (CPS–ASEC), for example, which only reports welfare receipt at some point during the previous year, making it impossible to know whether each respondent worked during the months of benefit receipt.<sup>11</sup> In addition, the SIPP suffers from less underreporting of welfare benefits than other surveys (Meyer et al. 2015). A limitation of the SIPP, however, is that the most recent available data is for each month of 2013. This survey year occurred during a period of weaker economic performance than today, and it predates the expansion of Medicaid in many States in January 2014 to previously ineligible populations.

However, we show in the appendix that using 2013 as our survey year is unlikely to substantively change our results for at least one of the programs discussed. Specifically, we first show that SIPP-based estimates of the distribution of non-disabled working-age SNAP recipients over each category and their work rates are similar to those from a 2013 survey of SNAP recipients conducted by the U.S. Department of Agriculture (USDA). Second, we use the USDA survey from 2013 to 2016 to show that the percent of adult SNAP recipients who are non-disabled and working-age has decreased by only 2 percentage points, and that the percent of these non-disabled working-age SNAP recipients who do not work has decreased by only 3 percentage points. Thus, it is likely that SIPP-based estimates would not have markedly changed between 2013 and 2016 either, at least for SNAP but potentially for recipients of other

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<sup>10</sup> We do not rely directly on administrative data for these estimates in order to retain consistent categories and definitions of disability for each program.

<sup>11</sup> Note, however, that the HHS-TRIM-III model allows for imputation (but not direct observation) of monthly benefit receipt and work hours for any given month. Other studies, such as Garfield et al. (2017), do not use imputed monthly benefits; rather, they define welfare receipt and work status based on whether an individual ever received welfare or ever worked at any point during the year. This approach can lead to mischaracterizations about the work behavior of welfare recipients during receipt of benefits (see for example, New York Times 2018).

programs as well (with the exception of individuals receiving Medicaid because of State-level expansions in 2014).<sup>12</sup>

## *B. Medicaid*

Medicaid is the largest non-cash welfare program. Federal and State governments jointly fund Medicaid, which provides health insurance to over 70 million Americans. Medicaid is a means-tested program, with States retaining discretion in determining specific eligibility rules beyond the Federal minimum requirements. A major change to eligibility rules occurred in 2010 with the passage of the Affordable Care Act (ACA). It provided Federal funding for States to expand Medicaid eligibility to adults in households with incomes of up to 138 percent of the Federal poverty line beginning in 2014 (with the Federal contribution for expanded populations beginning at 100 percent and phasing down to 90 percent in 2020 and beyond). A Supreme Court decision in 2012 made this expansion optional for States. As of June 2018, 34 States and the District of Columbia have chosen this option (Kaiser Family Foundation 2018). The ACA also introduced tax credits for individuals with incomes between 100 and 400 percent of the poverty line (just under \$49,000 for a single adult and just over \$100,000 for a family of 4 based on 2018 thresholds) who do not qualify for Medicaid and instead obtain health insurance via the ACA Exchanges. (See Buchmueller et al. 2016 for an evaluative literature review of the Medicaid program).

Unlike the other programs we consider, Medicaid benefits do not gradually phase out as income rises—recipients retain full benefits as long as their income remains at or below the maximum income threshold. However, passing that threshold eliminates all benefits. This “benefit cliff” creates a strong disincentive to work for households with incomes near the threshold, as increasing one’s earnings slightly can result in complete loss of health insurance. The introduction of ACA tax credits in part alleviates the problem of a benefit cliff, since those losing Medicaid receive refundable tax credits that they can apply to the cost of health insurance purchased on the exchanges. However, the tax credits also discourage work higher in the income distribution, affecting many more households, since these tax credits phase out gradually as income rises.

Title XIX of the Social Security Act generally does not impose work requirements as a condition of Medicaid benefit eligibility. However, several States have sought to incorporate work

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<sup>12</sup> Though not comparable to our SIPP-based estimates, the U.S. Department of Housing and Urban Development publishes an annual “Picture of Subsidized Households,” which reports the percent of households for which more than half of household income accrues through wages or business income. For example, in 2013, 27 percent of Section 8 voucher recipient households and 28 percent of public housing recipient households had over half their income come from wages or business income, compared with 31 percent and 30 percent respectively, as of 2017 (HUD 2018).



incentives into their Medicaid programs, and more recently, several States have sought permission to condition Medicaid eligibility on participation in community engagement activities, including work. In response to state interest, on January 11, 2018, the Centers for Medicare and Medicaid Services (CMS) announced that it would consider approving demonstration projects by States that proposed to implement community engagement requirements for non-pregnant, non-disabled working age adults (CMS 2018c). CMS intends to evaluate whether incentivizing work and other forms of community engagement improves health outcomes and facilitates upward mobility out of poverty and towards independence. States can design their own community engagement requirement definitions, which can include activities such as paid employment, job training, community service, education, and drug treatment. CMS has accepted demonstration projects submitted by four States (Arkansas, Indiana, Kentucky, and New Hampshire), while applications from seven other States (Arizona, Kansas, Maine, Mississippi, Utah, Ohio and Wisconsin) are pending (Garfield et al. 2018). The eleven States with accepted waivers or with waiver applications pending serve a combined 16 percent of the total Medicaid caseload (CMS 2018a). Thus, in combination with the fact that community engagement requirements only affect specific subpopulations of recipients in each State, these waivers are currently set to affect only a small fraction of Medicaid recipients. However, a June 2018 U.S. District Court ruling (Stewart et al. v. Azar et al. 2018) vacated HHS approval of the State of Kentucky’s demonstration project and “remand[ed] the matter to HHS for further review.”

In Table 3, we estimate how many Medicaid recipients would potentially be affected by applying work requirements to all non-disabled working-age adults in the program.<sup>13</sup> We use data from the most recent wave of the SIPP, which surveyed respondents about their use of various welfare programs in each month of 2013. It is important to note that these data predate expansion of Medicaid to new adults as of January 2014, and thus, will underestimate the number of people potentially affected by work requirements. We categorize each adult Medicaid recipient based on his or her own age and disability status (based on receipt of disability benefits), as well as the presence of any children. The first column of Table 3 indicates the number of adult recipients in each category in December 2013. For example, there were an estimated 4.0 million non-disabled adult recipients between the ages of 18 and 49 without children, and another 1.8 million non-disabled adult recipients between the ages of 50 and 64 without children. Among non-disabled adults with children, there were 5.0 million whose youngest child was between 6 and 17, another 5.0 million whose youngest child was between 1 and 5, and 1.5 million whose youngest child was under 1. There were 10.8 million other adults—those who are either aged (65 or older) or disabled (receiving disability benefits). Thus,

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<sup>13</sup> We do not separately analyze pregnant women, whose unborn children may require public health insurance even when mothers fail to comply with work requirements. How policies would treat these cases is beyond the scope of this report.



applying work requirements to all non-disabled working-age adults would subject 17.2 million of 28.0 million adult Medicaid recipients to that coverage. The majority of those would be non-disabled adults with children.

**Table 3. Number of Adult, Child, and Total Medicaid Recipients, by Category, December 2013**

Category	Adult recipients (millions)	Child recipients (millions)	Total recipients (millions)	Total recipients (percent)
Non-disabled working-age adults without children				
Age 18-49	4.0		4.0	7%
Age 50-64	1.8		1.8	3%
Non-disabled working-age adults with children				
Youngest child age 6-17	5.0	6.4	11.4	19%
Youngest child age 1-5	5.0	7.9	12.9	22%
Youngest child age under 1	1.5	2.5	4.0	7%
Other	10.8	15.0	25.8	43%
<b>Total</b>	<b>28.0</b>	<b>31.8</b>	<b>59.8</b>	<b>100%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; Truffer et al. (2016); CEA calculations.

Note: We identify Medicaid recipients based on receipt of Medicaid coverage during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives Medicaid coverage; “without children” refers to adults who live in households without any children under the age of 18 who receive Medicaid coverage. If a child Medicaid recipient lives with at least one non-disabled working-age adult who receives Medicaid, we assign the child to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Other” includes all disabled or aged adults who receive Medicaid coverage, and any Medicaid recipient children who live in a household with no non-disabled working-age adult recipients. In order to estimate the number of recipients in each category, we multiply the share of Medicaid recipients we identify using the SIPP (as of December 2013) by the monthly administrative caseload we identify using Truffer et al. (2016) values for 2013.

Implementing work requirements in this way for adults would affect children as well. Work requirements could increase adult employment and household resources, or failure of adults to comply with those requirements could result in the loss of Medicaid coverage and lead adults to spend additional household resources on personal health services. The second column of Table 3 estimates the number of child recipients who live in the households of the adults shown in the first column. An estimated 6.4 million children live in a household in which the youngest child is between 6 and 17, 7.9 million children live in a household in which the youngest child is between 1 and 5, and 2.5 million children live in a household in which the youngest child is under 1. Note that each child is not necessarily categorized based on his or her own age, but rather, based on the age of the youngest child in the household. For example, a 10-year old child with an infant sibling lives in a household in which the youngest child is under 1. This exercise also abstracts from differential treatment of two-parent households in which only one parent may be exempt. The final row indicates the number of children in households without a non-disabled working-age Medicaid recipient. These children may live with only disabled or older-adult Medicaid recipients, or they may live with no adults who

receive Medicaid. Work requirements on non-disabled working-age adults would not affect these children.

The final two columns of Table 3 estimate the total number of Medicaid recipients in each group (the sum of adults and children) as well as the percent of recipients. Altogether, application of work requirements to all non-disabled working-age adults would cover 57 percent (34.0 million) of all Medicaid recipients. In contrast, if work requirements were only applied to non-disabled working-age adults without children, they would affect only 10 percent of all recipients. Applying work requirements to non-disabled working-age adults whose youngest child is at least 6 would affect another 19 percent of total recipients, and applying requirements to those whose youngest child is at least 1 would affect another 22 percent of total recipients. Further extending coverage to non-disabled working-age adults whose youngest child is under 1 would only affect an additional 7 percent. Thus, the impact of applying work requirement coverage in the Medicaid program depends heavily on whether such requirements are applied to adults with children, and especially, whether they apply to adults with a youngest child between 1 and 5.

Of course, to the extent that non-disabled working-age adults are already working at the prescribed level while receiving benefits, work requirements will not affect them. Table 4 shows for each category of non-disabled working-age adults, whether and how much they work each week while receiving Medicaid. Altogether, there were an estimated 17.2 million non-disabled working-age adult recipients. The majority, 53 percent, did not work any hours while receiving Medicaid. An estimated 60 percent worked fewer than 20 hours per week, 69 percent worked fewer than 30 hours, and 78 percent worked fewer than 40 hours. Work requirements in the TANF and SNAP programs generally require either 20 or 30 hours of work per week. Extending similar requirements to Medicaid is likely to affect a large majority of its non-disabled working-age recipients and their households.

We can also see from Table 4 the work rates of specific groups. Among Medicaid recipients, non-disabled working-age adults without children are somewhat less likely to work than are those with children. Work rates are highest for adults with a youngest child between the ages of 1 and 5, with a slight majority (51 percent) working. Even in this group, however, the majority (54 percent) work fewer than 20 hours per week. Thus, while many non-disabled working-age adults can and do work, most would not fulfill a 20-hour per week work requirement. This suggests that applying Medicaid work requirements to these groups could potentially bring a substantial number of recipients into the workforce or increase their hours of work. This is especially the case for non-disabled working-age adults with a youngest child between 6 and 17, and those with a youngest child between 1 and 5, who each make up 29 percent (58 percent altogether) of all non-disabled working-age Medicaid recipients. Moreover, adults with a youngest child between the ages of 1 and 5 are disproportionately younger adults, for whom

continued experience in the workforce can build skills and increase the likelihood of continued employment in the future (Appendix Figure B.1 shows the distribution of Medicaid recipients in each of these groups by his or her own age).

**Table 4. Percent of Non-Disabled Working-Age Medicaid Recipients Working Various Weekly Average Hours during Month of Assistance, by Category, December 2013**

	Recipients		Weekly hours of work Percent of row group			
	Number (Millions)	Share of Column Total	0	< 20	< 30	< 40
Non-disabled working-age adults without children						
Age 18-49	4.0	23%	55%	64%	74%	81%
Age 50-64	1.8	10%	65%	72%	77%	83%
Non-disabled working-age adults with children						
Youngest child age 6-17	5.0	29%	50%	58%	67%	76%
Youngest child age 1-5	5.0	29%	49%	54%	63%	75%
Youngest child age under 1	1.5	9%	57%	62%	69%	80%
<b>All non-disabled working-age adults</b>	<b>17.2</b>	<b>100%</b>	<b>53%</b>	<b>60%</b>	<b>69%</b>	<b>78%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; Truffer et al. (2016); CEA calculations.

Note: We identify Medicaid recipients based on receipt of Medicaid coverage during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives Medicaid coverage; “without children” refers to adults who live in households without any children under the age of 18 who receive Medicaid coverage. In order to estimate the number of recipients in each category, we multiply the share of Medicaid recipients we identify using the SIPP (as of December 2013) by the monthly administrative caseload we identify using Truffer et al. (2016) values for 2013. We base hours of work on the average hours per week each individual reported during December 2013.

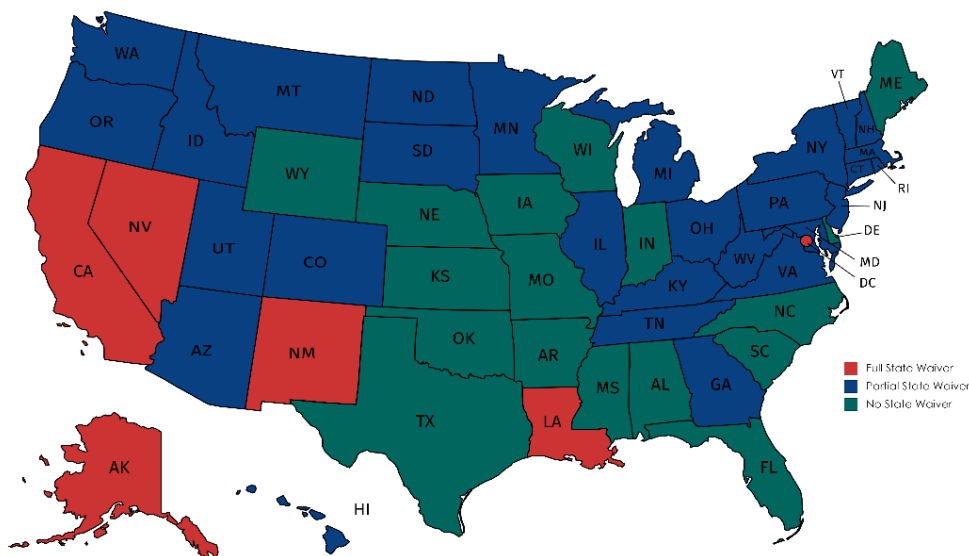
### C. Supplemental Nutrition Assistance Program (SNAP)

SNAP is the second largest non-cash welfare program. It provided food assistance to 44 million people at a cost of \$71 billion to the Federal government in 2016. SNAP benefits are loaded onto Electronic Benefit Transfer (EBT) cards that function like debit cards and can be used to purchase food at grocery stores and some other outlets. The maximum monthly benefit for a family of three (one adult and two children) is currently \$504. Aside from a small earnings disregard, each one-dollar increase in labor earnings reduces SNAP benefits by \$0.24 to \$0.36, creating a disincentive to work. SNAP rolls increased dramatically during the Great Recession, in part due to declining economic conditions, and in part due to policy changes resulting from the Food, Conservation, and Energy Act of 2008 (i.e., the Farm Bill), which increased asset limits, expanded deductions, and provided easier access to benefits. In part because of these policy changes, SNAP rolls remain well above their pre-Great Recession levels. The proportion of the U.S. population receiving SNAP in 2017 was 48 percent higher than the proportion

receiving SNAP in 2007, as can be seen in Figure 2b. (See Hoynes and Schanzenbach 2016 for an evaluative literature review of the SNAP program).

SNAP has Federal prescriptions for work requirements. Non-disabled adults between the ages of 18 and 49 with no dependents under age 18 face the strictest work requirements. They may receive SNAP benefits for only three months every three years unless they meet the work test—80 hours of work (or work activities) each month. However, States can obtain waivers from this requirement based on economic conditions.<sup>14</sup> For example, a State can obtain a waiver if its unemployment rate exceeds 10 percent, or if its unemployment rate is 20 percent higher than the national average. The national unemployment rate was 4.0 percent as of June 2018; a State unemployment rate of 4.8 percent would qualify it for an exemption. As of the third quarter of FY2018, eight States and territories received exemptions for their entire State, and 28 States and territories received exemptions for a part of their State. California, for instance, had a statewide exemption (see Figure 3).

**Figure 3. States Fully or Partially Waiving SNAP Time Limit for Non-Disabled Working-Age Adults without Children, 3<sup>rd</sup> Quarter FY2018**



Source: USDA (2018b).

Other SNAP recipients face less strict work requirements. Non-disabled SNAP recipients between the ages of 16 and 59 face a general requirement that they must accept suitable jobs available to them. SNAP recipients aged 60 or over and recipients with dependent children

<sup>14</sup> During the Great Recession, these work requirements were waived for all States.

under 6 are completely exempt from work requirements. While States may choose to impose stronger work requirements than those mandated by Federal law, few have chosen to do so.

In Table 5, we estimate the number of SNAP recipients that would be affected by work requirements. Of the 27.6 million adult SNAP recipients in 2013, 6.8 million are non-disabled working-age childless adults, 11.8 million are non-disabled working-age adults with children, and 9.0 million are either aged or disabled. When including the children in the households of non-disabled working-age adults, extending work rules only to those without children would affect 14 percent (6.8 million) of total SNAP recipients; extending them to those with children would affect another 60 percent (28.8 million). The largest group is the set of households with a youngest child between 1 and 5, who make up 28 percent (13.4 million) of all SNAP recipients.

**Table 5. Number of Adult, Child and Total SNAP Recipients, by Category, December 2013**

Category	Adult recipients (millions)	Child recipients (millions)	Total recipients (millions)	Total recipients (percent)
Non-disabled working-age adults without children				
Age 18-49	4.3		4.3	9%
Age 50-64	2.5		2.5	5%
Non-disabled working-age adults with children				
Youngest child age 6-17	5.1	6.6	11.7	24%
Youngest child age 1-5	5.4	8.0	13.4	28%
Youngest child age under 1	1.3	2.3	3.7	8%
Other	9.0	3.1	12.1	25%
<b>Total</b>	<b>27.6</b>	<b>20.0</b>	<b>47.6</b>	<b>100%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; USDA (2018a); CEA calculations.

Note: We identify SNAP recipients based on receipt of SNAP benefits during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives SNAP benefits; “without children” refers to adults who live in households without any children under the age of 18 who receive SNAP benefits. If a child SNAP recipient lives with at least one non-disabled working-age adult who receives SNAP, the child is assigned to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Other” includes all disabled or aged adults who receive SNAP benefits, and any SNAP recipient children who live in a household with no non-disabled working-age adult recipients. In order to estimate the number of recipients in each category, we multiply the share of SNAP recipients we identify in the SIPP (as of December 2013) by the monthly administrative caseload we identify using USDA (2013a) values in 2013.

Table 6 estimates the work rates of the 18.6 million non-disabled working-age adults on SNAP who live in each household type. Overall, 54 percent do not work during a given month of benefit receipt, 60 percent work fewer than 20 hours per week, 70 percent work fewer than 30 hours per week, and 81 percent work fewer than 40 hours per week. As with Medicaid, work rates are lower for those without children, and are highest for those with a youngest child between 1 and 5, though even in this group 51 percent work fewer than 20 hours per week. Thus, expanding significant SNAP work requirements beyond childless adults under 50 could

help encourage a large number of non-disabled working-age adults to increase their work effort. This is especially true of those with a youngest child between the ages of 1 and 5, who make up 29 percent of all non-disabled working-age SNAP recipients, and who are disproportionately younger adults with potentially higher returns on remaining in the workforce (see Appendix Figure B.2). However, the extent to which the extension of significant work requirement coverage would apply to these and other SNAP recipients depends largely on the expansiveness of geographic waivers. Under current rules, many would be exempt, including for instance, all SNAP recipients in the State of California.

**Table 6. Percent of Non-Disabled Working-Age SNAP Recipients Working Various Weekly Average Hours during Month of Assistance, by Category, December 2013**

	Recipients		Weekly hours of work Percent of row group			
	Number (Millions)	Share of Column Total	0	< 20	< 30	< 40
Non-disabled working-age adults without children						
Age 18-49	4.3	23%	60%	67%	80%	89%
Age 50-64	2.5	13%	68%	77%	84%	90%
Non-disabled working-age adults with children						
Youngest child age 6-17	5.1	27%	48%	55%	64%	76%
Youngest child age 1-5	5.4	29%	46%	51%	61%	75%
Youngest child age under 1	1.3	7%	57%	62%	70%	80%
<b>All non-disabled working-age adults</b>	<b>18.6</b>	<b>100%</b>	<b>54%</b>	<b>60%</b>	<b>70%</b>	<b>81%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; USDA (2018a); CEA calculations.

Note: We identify SNAP recipients based on receipt of SNAP benefits during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives SNAP benefits; “without children” refers to adults who live in households without any children under the age of 18 who receive SNAP benefits. In order to estimate the number of recipients in each category, we multiply the share of SNAP recipients we identify in the SIPP (as of December 2013) by the monthly administrative caseload we identify using USDA (2018a) values in 2013. We base hours of work on each individual’s reported average hours of work per week during December 2013.

#### *D. Housing assistance programs*

Housing assistance is the third largest non-cash welfare program. The housing assistance programs considered in this report (Section 8 housing vouchers, Section 8 project-based assistance, and public housing) subsidize the rent of recipients, either in private market apartments or in public housing or project-based units.<sup>15</sup> Just under 10 million people received housing assistance in 2016 at a Federal cost of \$37 billion (Table 2). Eligibility for housing assistance depends on the incomes of households relative to the median income in the area,

<sup>15</sup> We are not able to capture the value of the Low Income Housing Tax Credit because SIPP does not identify whether recipients live in housing funded by this credit.



and households with very low incomes are generally given priority, since not all households who are eligible receive assistance. Assisted households generally pay 30 percent of their adjusted income in rent for reasonably priced apartments (but often no fewer than \$50 per month), with the government covering the remainder. As a result, for every additional dollar earned by a household, it loses 30 cents of its rental subsidy. (See Collinson et al. 2016 for an evaluative literature review of housing assistance programs).

**Table 7. Number of Adult, Child and Total Housing Assistance Recipients, by Category, December 2013**

Category	Adult recipients (millions)	Child recipients (millions)	Total recipients (millions)	Total recipients (percent)
Non-disabled working-age adults without children				
Age 18-49	1.2		1.2	12%
Age 50-64	0.5		0.5	5%
Non-disabled working-age adults with children				
Youngest child age 6-17	1.0	1.3	2.3	23%
Youngest child age 1-5	1.0	1.3	2.3	23%
Youngest child age under 1	0.3	0.4	0.6	6%
Other	2.8	0.3	3.1	31%
<b>Total</b>	<b>6.8</b>	<b>3.3</b>	<b>10.1</b>	<b>100%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; HUD (2018); CEA calculations.

Note: We identify housing assistance recipients based on receipt of public housing or other rental assistance during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives housing assistance; “without children” refers to adults who live in households without any children under the age of 18 who receive housing assistance. If a child housing assistance recipient lives with at least one non-disabled working-age adult who receives housing assistance, the child is assigned to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Other” includes all disabled or aged adults who receive housing assistance, and any housing assistance recipient children who live in a household with no non-disabled working-age adult recipients. To estimate the number of recipients in each category, we multiply the share of housing assistance recipients we identify using the SIPP (as of December 2013) by the number of assisted individuals we identify by using HUD (2018) values in 2013.

While a requirement exists in the public housing program for non-disabled working-age adults who are not working or enrolled in a self-sufficiency program to participate in 8 hours per month of community engagement or other activities, it is not necessarily enforced (HUD Office of Inspector General 2015). However, under the Moving to Work demonstration program, authorized public housing authorities may experiment with stronger work requirements. Out of close to 3,000 public housing authorities across the United States, about one percent (39) are designated as Moving to Work agencies, and of those, just nine had implemented work requirements for some portion of recipients as of 2015 (Levy et al. 2018). Thus, work requirements are rare in housing assistance programs.

Table 7 provides estimates of how expanding work requirements in these housing programs would affect their combined 10.1 million recipients (based on 2013 values). Among the 4.0

million non-disabled working-age adults, the majority (2.3 million) have children. As a result, expanding work requirements to childless non-disabled working-age adults would affect just 17 percent of housing assistance recipients, but further expanding work requirements to non-disabled working-age adults with children would affect an additional 52 percent. This would leave the other 31 percent of recipients unaffected, somewhat more than the unaffected SNAP population. In addition, as with Medicaid and SNAP, households with a youngest child between 1 and 5 constitute a large share (23 percent) of recipients.

**Table 8. Percent of Non-Disabled Working-Age Housing Assistance Recipients Working Various Weekly Average Hours during Month of Assistance, by Category, December 2013**

	Recipients		Weekly hours of work Percent of row group			
	Number	Share of Column Total	0	< 20	< 30	< 40
Non-disabled working-age adults without children						
Age 18-49	1.2	30%	44%	52%	62%	71%
Age 50-64	0.5	13%	50%	56%	63%	71%
Non-disabled working-age adults with children						
Youngest child age 6-17	1.0	26%	47%	54%	63%	75%
Youngest child age 1-5	1.0	24%	43%	49%	59%	74%
Youngest child age under 1	0.3	6%	45%	51%	58%	64%
<b>All non-disabled working-age adults</b>	<b>4.0</b>	<b>100%</b>	<b>45%</b>	<b>52%</b>	<b>61%</b>	<b>72%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; HUD (2018); CEA calculations.

Note: We identify housing assistance recipients based on receipt of public housing or other rental assistance during December 2013. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). “With children” refers to adults who live in households with at least one child under the age of 18 who receives housing assistance; “without children” refers to adults who live in households without any children under the age of 18 who receive housing assistance. To estimate the number of recipients in each category, we multiply the share of housing assistance recipients we identify in the SIPP (as of December 2013) by the number of assisted individuals we identify using HUD (2018) values in 2013. We base hours of work on each individual’s reported average hours of work per week during December 2013.

Table 8 provides estimates of the work rates among non-disabled working-age adults in these categories. Unlike with Medicaid and SNAP, a slight majority (55 percent) of non-disabled working-age recipients of housing assistance work at least some hours during the week. Another key difference is that work rates are similar across adults with and without children in the household. For the 18-49 year old childless adults, this may in part reflect a greater propensity for young adults to remain living in subsidized housing with their families while working. Although overall work rates are higher for housing assistance recipients than for those in other programs, a majority (52 percent) would still fail to meet a 20-hour per week work requirement, and 61 percent would fail to meet a 30-hour per week requirement. Thus, significant work requirements in housing assistance programs could still affect a large number



of recipients and potentially induce many non-disabled working-age adults to increase their work effort.

### 3. Renewing the Focus on Self-Sufficiency

The previous section demonstrated that expanding individual-level work requirement coverage in the three major non-cash welfare programs to levels approaching those in TANF would require a large share of non-disabled working-age beneficiaries to increase their engagement in the workforce to maintain full benefit eligibility. This and the following sections review trends and evidence that support the case for such expansions.

Over the past 54 years since President Lyndon B. Johnson’s declaration of a War on Poverty, Federal spending on welfare programs targeting low-income households has grown dramatically, contributing to a substantial reduction in material hardship. However, the expansion of cash-based welfare benefits like SSI to those not expected to work were matched by the growth in programs that reduced the self-sufficiency of those expected to work. This led to major reforms in the 1990s, as President Clinton promised to advance welfare reforms that would transition those expected to work into the workforce. Bipartisan legislation during his presidency reformed AFDC, the main cash-based welfare program for low-income households, in part by imposing strong work requirements on non-disabled working-age adults in TANF, its work-focused replacement. However, as we have discussed, welfare reforms of that era did little to change the work requirements for recipients of non-cash welfare programs who are capable of working. As we will show below, non-disabled working-age adults have become increasingly reliant on welfare and experienced stalled employment growth, in part because of the disincentives welfare programs impose on increasing one’s own income. Program work requirements, which require recipients to work or engage in work-related activities in order to maintain benefits, can help overcome this problem.

This section proceeds by documenting the success of the United States in reducing material hardship but explains that it also came at the cost of discouraging self-sufficiency. We begin by noting that the vast majority of Americans are currently able to meet their basic needs such as housing and food. Next, we document the dramatic progress in reducing poverty—correctly measured—over the past several decades. Finally, we document the rising dependency on the four welfare programs discussed in Section 2 and the stunted work effort of non-disabled working-age adults. These observations motivate a renewed focus on strengthening self-sufficiency in welfare programs.

## A. Meeting basic needs

One of the most basic human needs is shelter. Fortunately, homelessness is rare in the United States. On a given night in January 2017, 99.9 percent of people had shelter and 99.8 percent were housed (not in a homeless shelter).<sup>16</sup> Throughout the year, 99.6 percent of people will not spend a single night in a homeless shelter (HUD 2017). Even if the vast majority of Americans are housed, another concern is the quality of housing they inhabit. Fortunately, the fraction of Americans living in housing of particularly poor quality housing is small as well. According to the U.S. Department of Housing and Urban Development, 98.7 percent of U.S. households had no severe physical inadequacies in their housing unit in 2015 (Watson et al. 2017).<sup>17</sup>

Another basic need is food. As with shelter, the vast majority of Americans have reliable access to food. The U.S. Department of Agriculture conducts an annual survey assessing “food insecurity” (not hunger) experienced by Americans. While 12.9 percent of people lived in households defined as food insecure in 2016, this includes households which *always* had sufficient food but at some point during the year had difficulty in obtaining food or reduced diet quality as a consequence of limited resources (Coleman-Jensen et al. 2017). Meanwhile, 4.6 percent of people lived in households with “very low food security,” which means that food intake was reduced due to insufficient resources at some point during the year and sometimes a household member experienced hunger (Coleman-Jensen et al. 2017). In 2016, 1.0 percent of children lived in households with very low food security among children. These are extremely serious problems for the individuals who experience them, but they are not common: over 95 percent of all Americans and 99 percent of American children generally do not have to reduce food intake at any point during the year.

Almost all Americans have access to clean water and electricity (World Bank 2014; 2015). In 2009, 76 percent of households below the official poverty line owned a car (U.S. Department of Transportation 2014). In addition, in 2016, 97 percent of American adults under age 65 had a mobile phone, and 85 percent had a smartphone (Pew Research Center 2018). None of these

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<sup>16</sup> Note that counts are conducted during the winter in order to increase the portion of the total homeless population found in shelters, where it is easier to find and count people experiencing homelessness. This timing likely results in the unsheltered count being lower but the sheltered count being higher than they would be during warmer months.

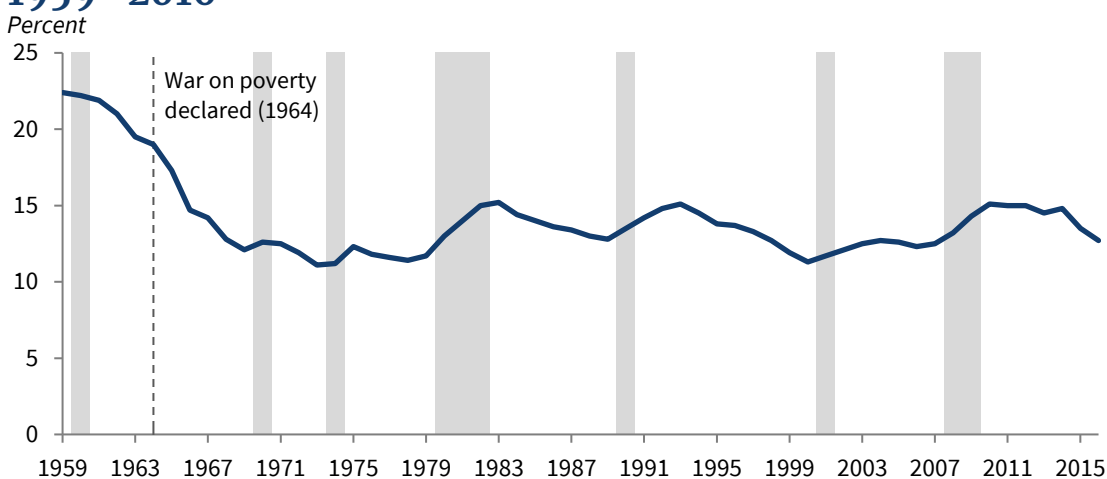
<sup>17</sup> Any of the following four conditions trigger a severe inadequacy: (i) “Lacking piped hot water or a flush toilet or lacking both bathtub and shower, all for the exclusive use of the unit.” (ii) Having been uncomfortably cold during the past winter for 24 hours or more, or three times for at least 6 hours each, because of broken-down heating equipment.” (iii) “Having no electricity or having all three of the following electrical problems: exposed wiring, a room with no working wall outlet, and three or more blown fuses or tripped circuit breakers in the past 90 days.” (iv) “Having any five of the following six maintenance problems: leaks from outdoors, leaks from indoors, holes in the floor, holes or open cracks in the walls or ceilings, more than 1 square foot of peeling paint or plaster, and rats in the past 90 days” (HUD 2017).

statistics is intended to deny the ways in which millions of Americans sometimes struggle to make ends meet, or serves to imply that many Americans would not be better off with more resources. Nevertheless, contrary to the latest United Nations report on extreme poverty in the United States, these numbers do suggest that the vast majority of Americans are able to meet their basic human needs (for report, see United Nations 2018).

### B. Success in reducing poverty

While the vast majority of Americans today are able to meet their basic needs, a separate question is whether material wellbeing for those at the bottom of the distribution has improved over time. The official estimates, based on the CPS–ASEC, would seem to suggest otherwise. Figure 4 shows the percent of the population below the official poverty threshold in each year since 1959, the first year poverty data are available. As of 2016, 12.7 percent of Americans, over 40 million people, fell below the poverty line (US Census Bureau 2017). That is approximately equal to the poverty rate of 12.8 percent in 1968.<sup>18</sup> While there was a large drop in poverty between 1959 and 1969, when the official measure fell from 22.4 percent to 12.1 percent, the poverty rate appears to have remained relatively constant since then.

**Figure 4. Percent of Population in Poverty, Official Measure, 1959–2016**



Sources: U.S. Census Bureau Current Population Survey; National Bureau of Economic Research; CEA calculations.  
 Note: Grey shaded regions denote a recession for at least four months of a given year.

However, as has been widely established, the official poverty measure is a deeply flawed reflection of material hardship. First, rising levels of non-cash welfare benefits (e.g., Medicaid

<sup>18</sup> Mollie Orshansky developed the official poverty measure in the 1960s, but notably, she did not intend for the measure to be used to measure progress in reducing poverty over time (Fisher 1997). This poverty threshold was defined simply as the estimated cost of a basic food budget multiplied by three, since the average household spent one-third of its total budget on food in a 1955 food consumption survey. A household was poor if its pre-tax and post-cash transfer income (that is, excluding non-cash benefits and tax credits) fell below this threshold.

SNAP and housing assistance) provided to low-income households are excluded when determining whether a household's resources exceed the poverty threshold. Second, the official poverty measure only includes before-tax income. For this reason, it also misses the dramatic shift of the federal income tax burden away from the bottom of the income distribution via increases in initial tax thresholds and the growth in refundable tax credits including the Child Tax Credit and the Earned Income Tax Credit. Because of these two flaws, the official poverty measure does not adequately capture the important redistribution of market income through the tax-and-transfer system to the bottom part of the income distribution. A third flaw with the official poverty measure is its use of the general consumer price index (CPI) for adjusting its poverty thresholds to account for inflation each year. The CPI overstates rising prices, and so poverty thresholds grow faster than they should in order to maintain a constant level of real resources (for more discussion of these points, see for example, Burkhauser 2009, Meyer and Sullivan 2012a, and Meyer and Sullivan 2012b).<sup>19</sup>

In response to these and other concerns with the official poverty measure, the Census Bureau began publishing its supplemental poverty measure in 2010.<sup>20</sup> Unlike the official measure, it focuses on post-tax income and so it includes refundable tax credits, and it incorporates non-cash benefits including SNAP and housing assistance, although it excludes the value of health insurance benefits. However, while these benefits are included as income, research has found that the CPS-ASEC undercounts such benefits (Meyer et al. 2015). Another difference between the supplemental measure and the official measure is that the Census Bureau adjusts the poverty threshold for the supplemental measure each year using the average change in the expenditures of moderate-income households on necessities (food, shelter, etc.) While this avoids the problem of identifying the appropriate inflation measure for adjusting poverty thresholds each year, it also transforms poverty into a measure of relative wellbeing rather than absolute wellbeing, a change that is inconsistent with the original intent of the official poverty measure. For example, if the inflation-adjusted incomes of all poor households doubled, the poverty rate would not change if spending by moderate-income households on necessities doubled as well.

Given the shortcomings of both the official and supplemental poverty measures in assessing absolute changes in material wellbeing over time, economists have developed a poverty measure based on consumption: how much a household spends in a given year. A consumption-based poverty measure has important advantages over income-based measures.

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<sup>19</sup> For example, the CPI-U does not fully account for the ability of consumers to substitute to other goods when the price of a given good rises.

<sup>20</sup> Another flaw of all poverty measures described in this report is that they exclude the value of leisure time.

First, annual income is not necessarily a good measure of resources available to a household in that year. For example, a household with significant wealth that experiences a temporary reduction in income will likely still have sufficient resources to meet its basic needs. In addition, households of all income levels may receive assistance from relatives or friends that does not necessarily show up in reported income but does show up in reported spending.

Second, a consumption-based measure overcomes the practical issue of underreporting of welfare benefits and tax credits in income-based measures. In general, consumption appears to be more accurately (though still imperfectly) reported than income, especially for low-income households (Meyer and Sullivan 2012a). Meyer and Sullivan (2012a) also show that a consumption-based measure appears to outperform both the official and supplemental poverty measures in capturing the most disadvantaged people based on their purchases of non-necessities, holding constant the share of the population considered poor by each measure. For example, the “consumption-poor” are less likely to have appliances such as dishwashers and air conditioning. In addition, they are less likely to have a college graduate as the head of their household (7 percent for the “consumption-poor” compared to 9 percent for the “official poor” and 10 percent for the “supplemental poor” as of 2010) (Meyer and Sullivan 2012a).

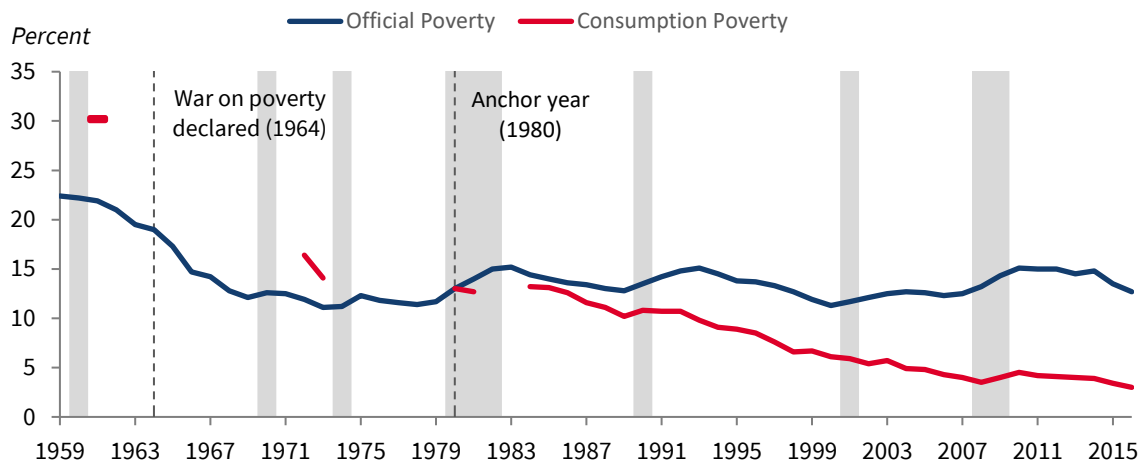
Ultimately, a consumption-based poverty measure can provide a better understanding of the progress in reducing poverty than other measures because it focuses on resources that households have available to consume and because it has less severe measurement issues. Figure 5 shows a consumption-based poverty measure from Meyer and Sullivan (2017), which excludes spending on or receipt of healthcare and education.<sup>21</sup> While the threshold is arbitrary, Meyer and Sullivan (2017) set their threshold such that the number of people in poverty based on their consumption-based measure is equal to the number in poverty based on the official measure as of 1980, because in earlier years, the consumption survey they use is only available

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<sup>21</sup> While an empirical consumption-based poverty measure has a number of strengths, it also has potential weaknesses. Among the most important potential weaknesses concerns its treatment of spending on healthcare. This is especially important because Medicaid is currently the largest Federal expenditure among welfare programs. In their consumption-based poverty measure, Meyer and Sullivan (2012a) argue that healthcare is an investment in human capital (which presumably indirectly boosts consumption in the future), and so they exclude current healthcare spending in determining whether households fall below the consumption-based poverty line. However, one could equally argue that the purchase of “health insurance” is more like the purchase of “fire insurance.” Hence, like fire insurance, its purchase is a necessary expenditure to protect one’s self from the risk of a health event in the current period of accounting. Given the rise in health insurance spending on the poor in recent decades, this may lead to understating progress made in reducing poverty. Spending on education is also not included in their consumption-based measure of poverty because it is an investment in human capital. While it may be, school attendance may also have a consumption value. Excluding this input will understate its value and given the increase in spending on education, understate progress in reducing poverty over time.

intermittently. In addition to focusing on consumption, they also diverge from the official poverty measure by utilizing a more accurate measure of inflation.

**Figure 5. Percent of Population in Poverty, Official Measure and Consumption-Based Measure, 1959–2016**



Sources: Meyer and Sullivan (2017); National Bureau of Economic Research; CEA calculations.  
 Note: Meyer and Sullivan anchor their consumption poverty measure at 1980 insuring that the percent of the population falling below the consumption-based poverty threshold is equal to the percent of the population falling below the official poverty threshold in that year. Grey shaded regions denote a recession for at least four months of a given year. Grey shaded regions denote a recession for at least four months of a given year.

Between 1961 and 2016, consumption-based poverty fell from 30 percent to 3 percent, amounting to a 90 percent decline (and it fell by 77 percent since 1980). This likely even understates the reduction in material hardship as it omits the consumption-value of increased public expenditure on healthcare and education for the poor. Based on historical standards of material wellbeing and the terms of engagement, our War on Poverty is largely over and a success.

Of course, the trends in Figure 5 do not necessarily imply that the expansion of welfare programs caused the reduction in poverty, although they have likely played an important role. On a pure accounting basis, these programs mechanically reduce poverty by increasing the incomes of low-income households, potentially pushing some over the poverty threshold (Meyer and Wu 2018). However, this assumes that work as observed in the presence of these programs would have been the same in their absence. Given work disincentives in these programs, that is unlikely to be the case. Section 5 reviews the evidence on employment effects of means-tested programs, and while the net effect of increases in government transfer programs has increased the total income of those who receive them, there is a significant literature finding important reductions in work effort.

### *C. The decline of self-sufficiency*

While material hardship has fallen drastically over the past several decades, challenges remain in strengthening self-sufficiency among those receiving welfare benefits and ensuring that those society expects to work actually do so. This subsection uses the CPS–ASEC to document trends in dependency, which we define as receipt of benefits from Medicaid, SNAP, housing assistance or TANF at some point during the year. This definition differs from that used in Section 2, in which we identified welfare recipients based on receipt of program benefits during a given month using SIPP data. The need for a broader definition used in this section arises from the fact that the CPS–ASEC, while allowing us to examine long-term trends in self-sufficiency, does not track welfare benefits received in each individual month. Our definition of dependency in this section also differs from that used in some other research. For example, Crouse and Macartney (2018) define an individual as “dependent” if her family receives more than half of its income from a combination of SSI, SNAP and/or TANF. Our definition excludes SSI given our focus on non-disabled working-age adults, and we include Medicaid and housing assistance.

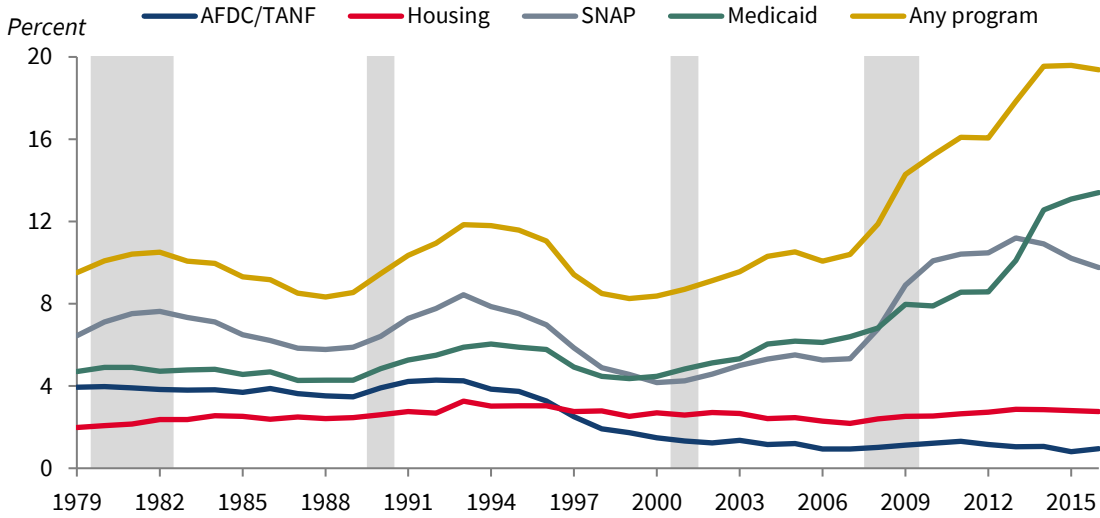
Using the CPS–ASEC, Figure 6a shows the percent of non-disabled working-age adults receiving benefits from any of the four welfare programs analyzed in Section 2—Medicaid, SNAP, housing assistance or TANF. In 1979, 9.5 percent of non-disabled working-age adults received assistance from at least one of these four programs at some point during the year. By 2016, the share more than doubled, reaching 19.4 percent. Medicaid and SNAP receipt among non-disabled working-age adults has grown the most, especially since the year 2000, while AFDC/TANF receipt has declined since welfare reform in the 1990s (Figure 6b).<sup>22</sup> In other words, almost one in five non-disabled working-age adults now receives welfare benefits from one of these four programs over the course of a year, with the vast majority coming in the form of non-cash benefits. Given substantial underreporting of welfare benefits in the CPS–ASEC (as well as other government surveys), this likely understates the share of non-disabled working-age adults who rely on these four welfare programs (see Meyer et al. 2015 for evidence of underreporting of welfare benefits in surveys). Furthermore, it misses their receipt of other welfare programs such as energy assistance and childcare subsidies.

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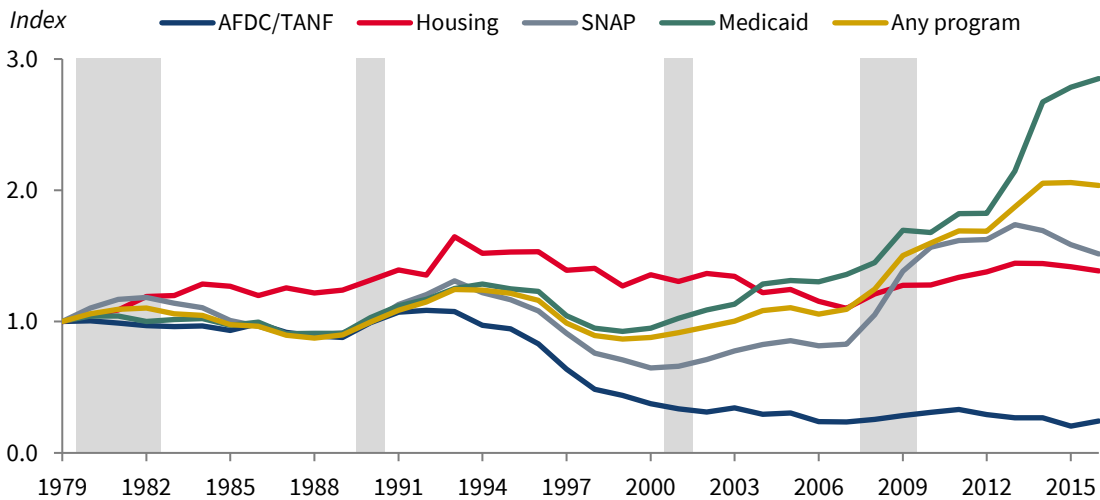
<sup>22</sup> Note that the orders of program growth across the four programs based on CPS–ASEC data in this figure are the same as the ones we provide using administrative records data for the entire program population on these programs in Figure 1. However, the size of the growth for Medicaid and housing is greater relative to growth in the size of the total population on these programs.



**Figure 6a. Percent of Non-Disabled Working-Age Adults (18–64) Receiving Welfare Program Benefits, 1979–2016**



**Figure 6b. Percent of Non-Disabled Working-Age Adults (18–64) Receiving Welfare Program Benefits, 1979–2016, Indexed to 1979**



Sources: Current Population Survey, March Annual Social and Economic Supplement, 1980–2017; National Bureau of Economic Research; CEA calculations.

Note: “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). Working-age refers to ages 18 through 64. Welfare recipients are identified based on receipt of Medicaid, SNAP, housing or AFDC/TANF at any time during the full calendar year. Series begins in 1979 because CPS only began recording food stamp/SNAP receipt in survey year 1980 based on respondents previous year’s receipt of any benefits. We identify Medicaid recipients based on individual coverage. We identify SNAP, housing and AFDC/TANF recipients based on receipt of assistance by the household. Grey shaded regions denote a recession for at least four months of a given year.



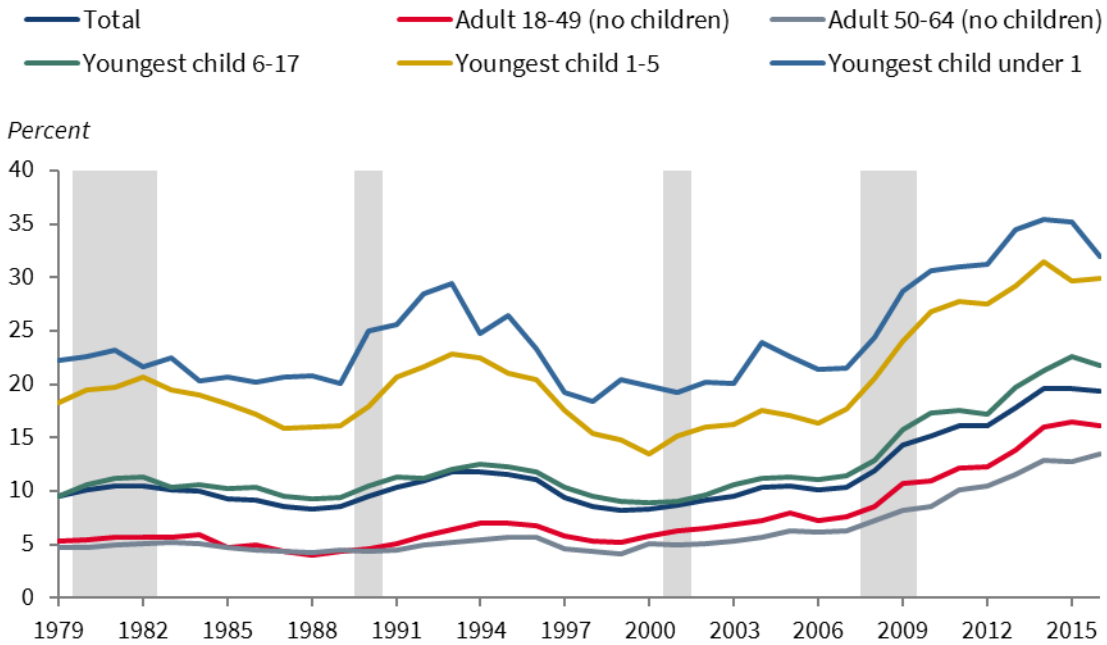
In general, the use of welfare programs increases during recessions and after policy changes that make them more broadly available, with both factors playing important roles in the past decade. Within the entire period we consider, dependency on welfare programs rose and fell between the business cycle peak years of 1979-1989, but was lower in 1989 than 1979. It once again rose and fell between the business cycle peak years of 1989-2000, but was about the same in 2000 as it was in 1989 and lower than in 1979. While it once again rose and fell between the business cycle peak years of 2000-2007, welfare program dependency was substantially above its 2000 level by 2007. During the current business cycle that began with the Great Recession, welfare dependency peaked in 2014 (the highest level during our period of analysis), well after the end of the Great Recession and well into recovery years. It had only slightly decreased from this peak by 2016, the last year of our data. However, most of this later increase in dependency well after the Great Recession is due to a policy change that substantially increased the income threshold for eligibility for Medicaid beginning in 2014. While the recession of 2001 and the Great Recession from 2007 to 2009 certainly contributed to temporary increases in the welfare rolls among people expected to work, by 2016, the Great Recession had been over for 7 years. The continued rise in Medicaid and still large dependency on SNAP by non-disabled working-age recipients reflects changes in policy in each of these programs which made them easier to access and that expanded eligibility to new populations. Note that part of this increase may also be due to changes in CPS methods in 2014 that better capture receipt of transfers (Semega and Welniak 2015).<sup>23</sup>

Figure 7a shows rates of welfare receipt for each of the groups of non-disabled working-age adults considered in Section 2 (childless adults age 18-49 and 50-64, and adults with a youngest child age 6-17, 1-5, and less than 1). In the most recent year of our data, 2016, childless adults have the lowest rates of dependency, 16.1 percent for those between 18-49 and 13.5 percent for those between 50 and 64, while adults with young children have much higher rates, 29.9 percent for those with a youngest child between 1 and 5 and 32.0 percent for those with a child under 1. However, reliance on welfare programs has increased much more for childless adults. Childless adults age 18 to 49 (50 to 64) are 3.0 (2.9) times as likely to receive benefits from one of the four welfare programs in 2016 as they were in 1979 (Figure 7b). Welfare receipt has increased for non-disabled working-age adults with children as well, but to a much lesser extent. In 2016, adults with a youngest child between 1 and 5 were 1.6 times as likely to receive welfare benefits compared to 1979, and adults with a child under 1 were 1.4 times as likely to receive benefits. Adults with older children had a welfare dependency rate that was 2.3 times as high as in 1979.

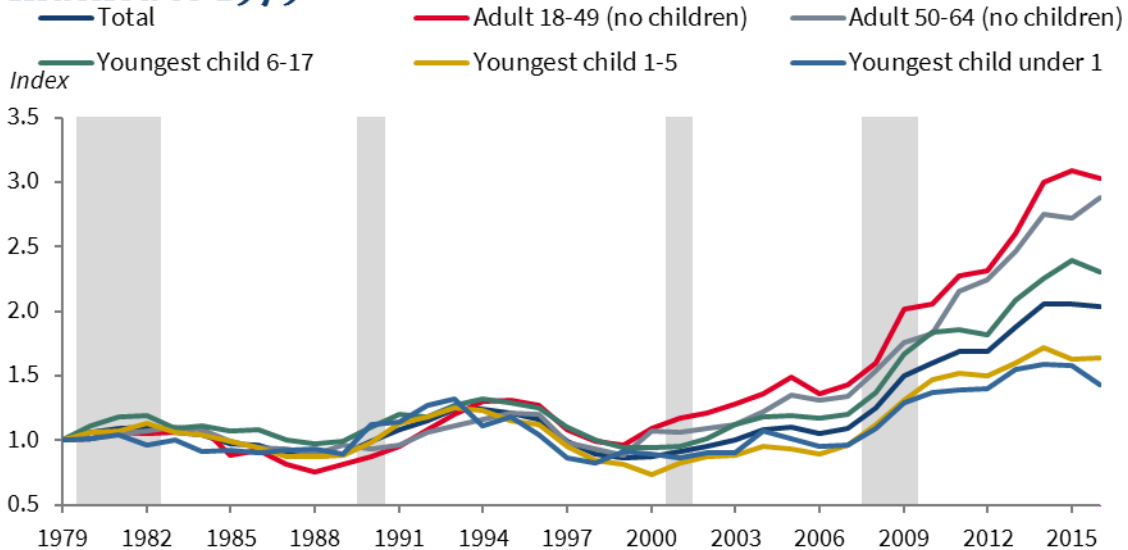
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<sup>23</sup> For survey year 2014, we calculate population estimates based on the 3/8 and 5/8 surveys, and we take the average to form our estimate for the year.

**Figure 7a. Percent of Segments of Non-Disabled Working-Age Adults (18-64) Receiving Welfare Benefits, 1979-2016**



**Figure 7b. Percent of Segments of Non-Disabled Working-Age Adults (18-64) Receiving Welfare Benefits, 1979-2016, Indexed to 1979**



Sources: Current Population Survey, March Annual Social and Economic Supplement, 1980-2017; National Bureau of Economic Research; CEA calculations.

Note: See notes to Figure 6. We base segments of recipients with children on the age of the youngest child in the household. Segments of recipients with no children have no children in the household.

Aside from dependency on welfare programs, another important dimension of self-sufficiency is whether non-disabled working-age recipients work. Figure 8a shows work rates for each of the five groups of non-disabled working-age adults, based on the CPS–ASEC. While the percent of non-disabled working-age adults working at a point in time increased from 1979 until 2000, this overall trend masks marked differences between men and women. While women saw employment gains throughout the 1980s and 1990s as social expectations shifted regarding their labor force participation, men have faced a persistent decline in employment (see Eberstadt 2016).

Since 2000, the overall work rate for non-disabled working-age adults fell from 77.6 percent to 74.2 percent in 2017, a 3.4 percentage point decline. Over half of this decline (1.9 percentage points) occurred between 2000 and 2007, before the Great Recession began. The remaining 1.5 percentage points of the decline occurred between 2007 and 2017. While the Great Recession contributed to a large decline in employment between 2007 and 2011, the recovery has been slow relative to previous recessions, and despite a tight labor market in 2017, employment was still 1.5 percentage points below its 2007 level.

From Figure 8a and 8b we can also see how specific groups of non-disabled working-age adults have fared in terms of employment. In 1979, the employment rate for childless adults age 18 to 49 was 9.4 percentage points higher than the overall rate for all non-disabled working-age adults. By 2017, it dropped substantially and was only 2.6 percentage points higher. Notably, this group also experienced the largest increase in welfare receipt over time. By contrast, older childless adults (50-64) experienced a relatively larger rise in their employment rate compared to all non-disabled working-age adults. Non-disabled working-age adults with children between 6 and 17 have largely followed the overall trend, while those with younger children (especially those with infants) have outperformed it.

While the causes of trends in welfare receipt and employment among non-disabled working-age adults are still the subject of much debate (Mulligan 2012; Moffitt 2015), the increasing access to and take-up of welfare programs has likely played an important role in discouraging self-sufficiency.<sup>24</sup> In Section 5, we document a substantial body of evidence finding significant reductions in work effort induced by various welfare programs.<sup>25</sup> Holding aside for the moment the magnitude of this causal relationship, the fact that self-sufficiency has declined along with

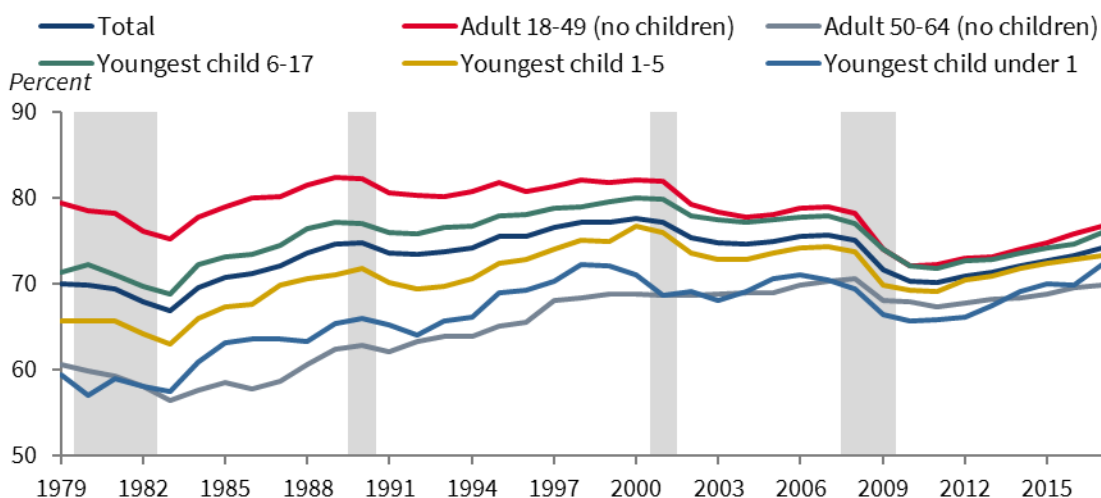
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<sup>24</sup> Though not the focus of this report, there is also a growing literature that finds major reductions in employment caused by receipt of Disability Insurance (Maestas, Mullen, and Strand 2013; French and Song 2014; Autor et al. 2016). This suggests that some people receiving disability benefits could have continued to work. See Burkhauser and Daly (2011) for a history of the DI and SSI programs and their potential effect on work.

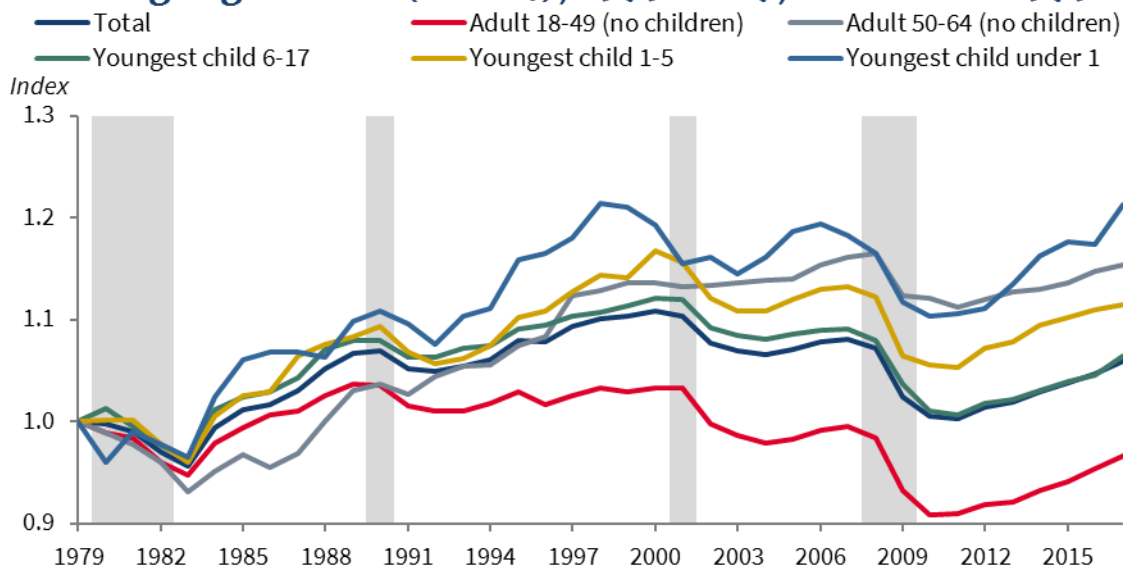
<sup>25</sup> There is also evidence suggesting that welfare programs can potentially improve child outcomes, however, which in the long-run could increase their self-sufficiency and offset some of the negative impact on adult employment (Hoynes and Schanzenbach 2018).

the dramatic decline in material hardship in recent decades warrants a renewed focus on self-sufficiency. Work requirements in welfare programs may be capable of increasing employment among non-disabled working-age recipients and reducing reliance on government assistance by them and their households.

**Figure 8a. Employment Rate of Segments of Non-Disabled Working-Age Adults (18–64), 1979–2017**



**Figure 8b. Employment Rate of Segments of Non-Disabled Working-Age Adults (18–64), 1979–2017, Indexed to 1979**



Sources: Current Population Survey, March Annual Social and Economic Supplement, 1980–2017; National Bureau of Economic Research; CEA calculations.

Note: See notes to Figure 6. We base employment on employment during March of the given year.

## 4. Work Requirements Complement Positive Incentives

Although expanding the coverage of work requirements in non-cash welfare programs to include all those expected to work is one way to promote self-sufficiency, it is not necessarily the only way. While work requirements act as negative incentives that reduce assistance for people who do not work, positive incentives that subsidize earnings can increase work effort as well. There are important tradeoffs to each of these approaches: Positive incentives preserve benefits for those who do not work, but they also discourage work when phased out at higher levels of earnings and they can be expensive to taxpayers. Negative incentives are less expensive and avoid discouraging work further up the earnings distribution, but they pose a risk of loss of benefits for those who continue not to work.

In this section, we document the current incentives faced by non-disabled working-age adults living in low-income households who receive assistance from an array of cash and non-cash welfare programs. We show that potential workers in such households who are not working fail to do so despite facing low implicit marginal taxes on work. However, low-wage, part-time workers in such households can face much higher implicit taxes if they work more hours, mostly from the phase-out of the EITC and other welfare benefits they are currently receiving. Increasing these positive incentives by, for instance, increasing the EITC phase-in credit might increase the employment of non-workers but would further increase the disincentives of part-time workers to work additional hours (to the extent that efforts to create a cost-neutral policy would result in the simultaneous implementation of more rapid phase-out of program benefits). In contrast, expanding work requirement coverage to non-workers would increase their employment without negatively affecting the employment behavior of part-time workers.

### *A. Marginal tax rates faced by potential workers living in low-income households*

We first document the implicit marginal tax rates faced by non-disabled working-age adults who live in a low-income household and currently receive benefits from welfare programs. For heuristic purposes, we focus on the case of a single adult with two children. The implicit marginal tax rate the potential worker faces is the fraction of a dollar of additional wage earnings forgone after accounting for taxes and lost welfare benefits. The higher the marginal tax rate, the larger the disincentive to increase earnings. In the extreme case, a marginal tax rate of over 100 percent would imply that a worker actually loses money by earning more.

To document marginal tax rates for low-income adults, we first simulate marginal tax rates at various levels of work effort assuming that the adult in the simulation qualifies for several welfare programs. This exercise indicates how the rules of programs interact at different levels of work effort to reward additional work. However, a limitation of this method is that it does not show the actual distribution of workers who face these marginal tax rates, based on (i)

where they fall in the earnings distribution, and (ii) whether they actually receive benefits from each of the programs for which they qualify (indeed, simultaneous receipt of all of the programs analyzed is rare). Thus, we also analyze recent research that has estimated marginal tax rates for the U.S. population based on their actual income and benefits received.

Calculating hypothetical marginal tax rates requires specifying not only the number of adults and dependent children in the qualifying unit or household, but also a number of other characteristics of the household (State of residence, rent or mortgage obligations, assets, benefits currently received, etc.), which can affect how benefits change as a worker earns more wage income. Even with this information, calculating how benefits change is still quite complex. Welfare programs interact with one another in various ways, there are nuanced rules about which types of income count in reducing benefits and in what ways, and different States have different rules as well as State supplements for some programs. Thus to calculate our hypothetical marginal tax rates we use the Urban Institute's Net Income Change Calculator. When we provide all the necessary characteristics about a given low income household, it calculates how benefits and net taxes change as earnings rise in that household.

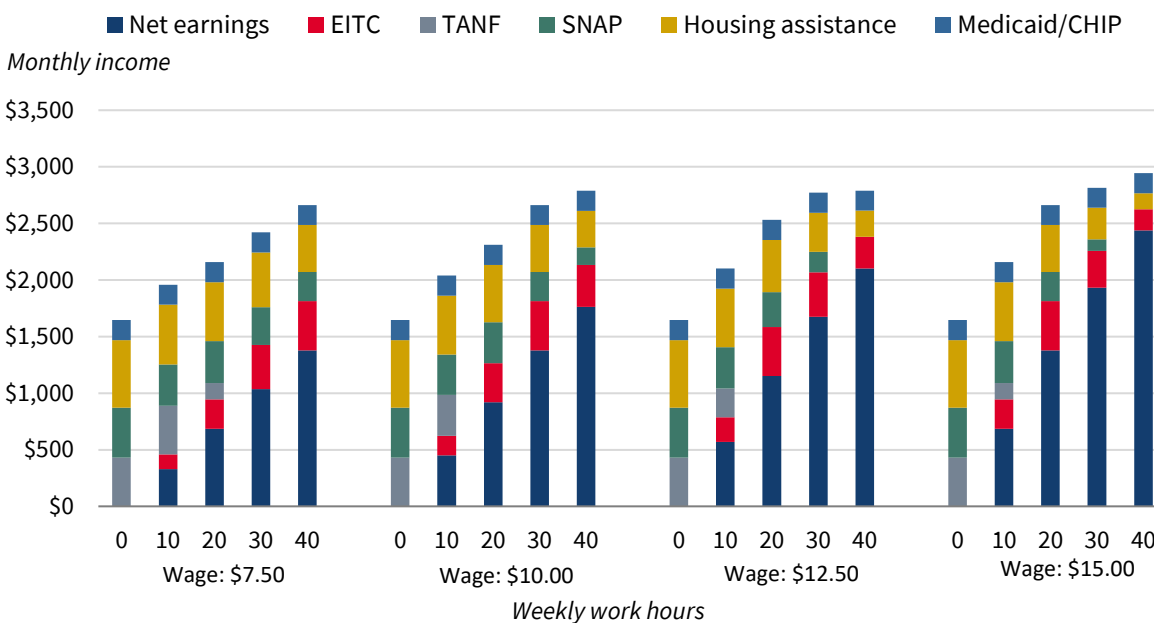
Beyond incorporating the complex set of rules that govern how benefits change as earnings rise, calculating marginal tax rates also requires aggregating benefits across programs that offer various types of assistance. While we can simply add cash benefits together, it is less obvious how we should value non-cash assistance such as health insurance, food, and housing assistance. Following Kosar and Moffitt (2017), we assume that SNAP benefits are valued by recipients at 100 percent of their dollar value. However, they argue that other non-cash transfers should be valued differently. In fact, Finkelstein et al. (2016) estimate that Medicaid recipients only value benefits at about \$0.20 to \$0.50 per dollar spent by the government on their behalf, and Gallen (2015) estimates a value of about \$0.35. Following Kosar and Moffitt (2017), we assume a value of \$0.30 on the dollar for Medicaid and the Children's Health Insurance Program (CHIP). Olsen (2008) summarizes research on the value of housing assistance to recipients, noting that recipients value public housing at much less than its cost, while they value vouchers near the benefits received. We follow Kosar and Moffitt (2017) by assuming that recipients value housing assistance at about \$0.70 per dollar in benefits received.

Figure 9 shows the simulated total monthly income for a household (post-tax and welfare benefits) with one adult and two children based on various levels of weekly work hours. We consider hourly wages for the adult of \$7.50, \$10.00, \$12.50 and \$15.00. We assume the household receives (if eligible given its earnings) TANF, SNAP, EITC, and housing assistance, as well as Medicaid or CHIP. It is important to emphasize that not everyone who qualifies for these benefits receives them, and so the marginal tax rates shown here may overstate marginal tax rates faced by many households.

There are several important observations related to Figure 9 that demonstrate the importance of program rules on work incentives.

First, without work, the non-disabled working-age parent of two children in this household could receive over \$1,600 worth of monthly income, coming entirely from TANF, SNAP, housing assistance, and Medicaid. However, in the case of TANF, these benefits would be subject to a 5-year time limit, and unless the youngest child were under the age of 1, this adult would be subject to work requirements in most States. Furthermore, while we are assuming that this family would be eligible for housing assistance in our simulation, not all who are eligible for the benefit receive it. Thus, total monthly income would be lower at all levels of weekly hours for households who do not receive housing assistance.

**Figure 9. Simulated Monthly Household Income by Hourly Wage and Weekly Work, by Source of Income, 2012**



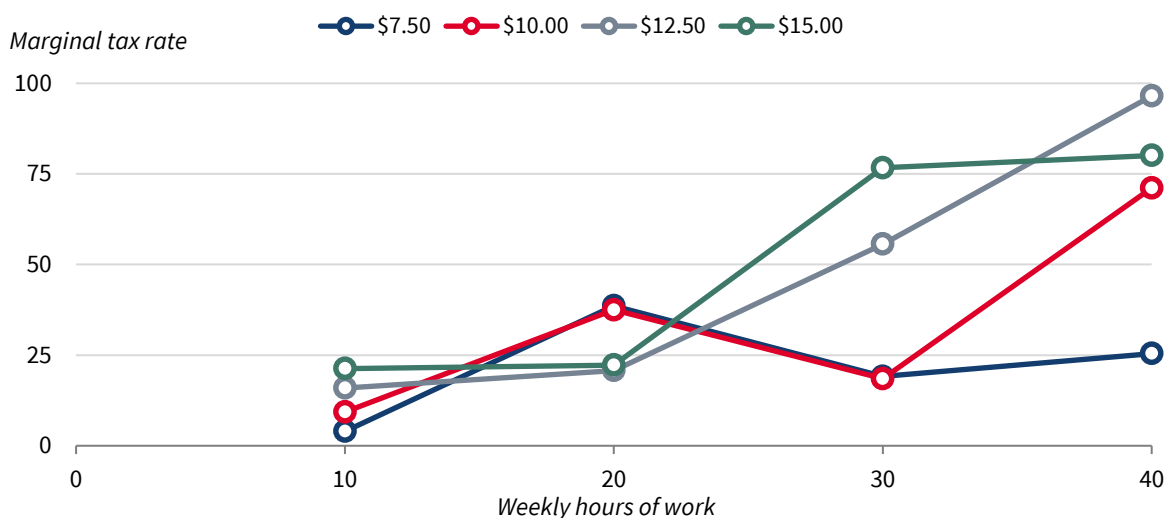
Sources: Urban Institute Net Income Change Calculator; Kaiser Family Foundation (2018); CEA calculations.  
 Note: Net earnings is earnings net of Federal income tax (except for EITC), payroll tax and State income tax. We assume all household members live in Illinois, have no assets, and no vehicle. The household is composed of a single non-disabled working-age adult and his/her two children (ages 3 and 5). We assume his/ her monthly rent is \$1,000. We assume he/she receives no childcare subsidies. We assume annual Medicaid spending on his/her behalf is \$3,350 and annual Medicaid spending on behalf of each of his/her children is \$2,108, based on annual cost estimates for Illinois from the Kaiser Family Foundation. We then divide annual cost estimates by 12 to obtain monthly estimates, and multiply these monthly benefits by 0.3 based on the assumption that recipients value Medicaid/CHIP at \$0.30 per dollar of spending. We assume housing assistance is valued at \$0.70 per dollar of benefits. We assign all other benefits at their dollar value. In Illinois in 2011, working adults with children could receive Medicaid with a household income up to 200 percent of the poverty line, and children could receive Medicaid/CHIP with a household income up to 300 percent of the poverty line.



Second, as a worker making \$7.50 per hour increases her work hours, her total income increases substantially up to and including working 40 hours per week, despite the fact that TANF, SNAP, and housing assistance all begin to phase out as earnings rise. This is because the EITC begins to phase in with the first dollar of earnings and largely replaces these benefits, without beginning to phase out until this low hourly wage individual works more than 40 hours per week.<sup>26</sup>

Third, workers making \$10 to \$15 per hour experience significant increases in income at least up to 20 hours of work per week, but when they move up to 30 or 40 hours, the reward for additional work is much lower. This is because both welfare benefits and the EITC are phased out at these levels of earnings.

**Figure 10. Marginal Tax Rate When Increasing Weekly Hours of Work, by Hourly Wage, 2012**



Sources: Urban Institute Net Income Change Calculator; Kaiser Family Foundation (2018); CEA calculations.

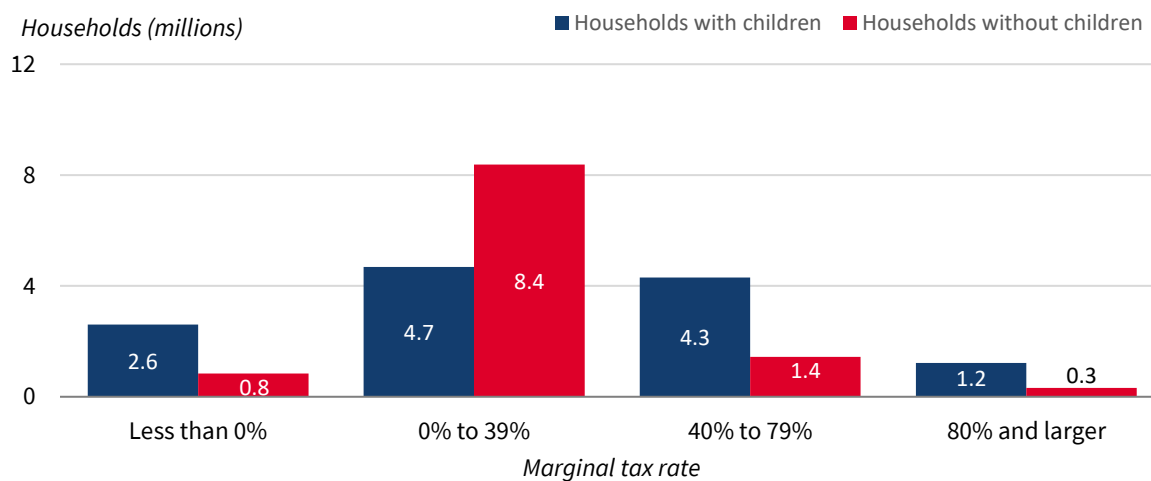
Note: We define our worker’s marginal tax rate as the increase in his/her monthly after-tax and post-transfer income when she works 10 more hours per week, divided by the increase in her pre-tax and pre-transfer earnings when she works 10 more hours per week. We assume all household members live in Illinois, have no assets, and no vehicle. The household is composed of a single non-disabled working-age adult and his/her two children (ages 3 and 5). We assume her monthly rent is \$1,000. We assume he/she receives no childcare subsidies. We assume his/her annual spending on his/her behalf Medicaid is \$3,350 and annual spending on behalf of each of his/her children Medicaid/CHIP is \$2,108, based on annual cost estimates for Illinois from the Kaiser Family Foundation. We then divide annual cost estimates by 12 to obtain monthly estimates, and multiply these monthly benefits by 0.3 based on the assumption that recipients value Medicaid/CHIP at \$0.30 per dollar of spending. We assume housing assistance is valued at \$0.70 per dollar of benefits. We assign all other benefits at their dollar value.

<sup>26</sup> While we focus on increases in hours for full-year workers, individuals can also adjust how many weeks per year they work. For the EITC, the distribution of hours throughout the year does not affect the size of the EITC received as long as total earnings remains constant.



Figure 10 shows how these total income levels associated with various levels of work hours in Figure 9 translate into marginal tax rates for workers who are considering working an additional 10 hours per week. For a worker making \$7.50 per hour, the marginal tax rate for increasing weekly hours of work by 10 (up to 40 hours) never leads to a marginal tax rate of more than 40 percent. Notably, the marginal tax rate for increasing weekly hours from 20 to 30 hours per week is lower than that for increasing hours from 10 to 20 hours per week, a result of TANF having almost fully phased out at 20 hours of work. Thus, the lowest-wage workers generally have strong incentives to work additional hours up to a full-time workweek. The story is different, however, for workers making between \$10 and \$15 per hour. While marginal tax rates are below 40 percent for each of these workers considering working up to 20 hours per week, moving to 30 hours per week can lead to very high marginal tax rates for those making \$12.50/hour (56 percent) and \$15/hour (77 percent). Moving from 30 hours to 40 hours per week can lead to tax rates of 71 percent to 97 percent for those making \$10, \$12.50, or \$15 per hour.

**Figure 11. Distribution of Households Below 200 Percent of Poverty Line Over Marginal Tax Rate Based on Increases in Annual Earnings of \$2,000, 2012**



Sources: HHS (2018b), CEA calculations.

Note: The universe is all households headed by a non-disabled working-age adult, with household income below 200 percent of the official poverty threshold in 2012. “Disabled” means that an individual receives disability benefits, and “working-age” means between the ages of 18 and 64. Marginal tax rates were tabulated by ASPE/HHS using their TRIM-III model, and they incorporate Medicaid/CHIP, SNAP, housing assistance, TANF, EITC, childcare subsidies, refundable tax credits, SSI, LIHEAP, unemployment compensation, child support, Social Security, and WIC. Marginal tax rates are based on increases in annual earnings of \$2,000.

While hypothetical marginal tax rates are informative in determining the types of people and decisions for whom marginal tax rates may be highest, they do not indicate how many households actually face these rates. Thus, we report estimates of the number of households actually facing various marginal tax rates in Figure 11, which is based on analysis conducted by

the Office of the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services (HHS/ASPE), using data from the HHS-TRIM-III model (based on data from the CPS–ASEC). Unlike Figure 10, marginal tax rates in Figure 11 are based on potential increases in annual earnings of \$2,000, for a nationally representative sample of low-income U.S. households.

Altogether, there were an estimated 23.8 million households in 2012 headed by a non-disabled working-age individual with income below 200 percent of the official poverty threshold, 46 percent (11.0 million) of whom do not have dependent children. Of these 11.0 million households, the vast majority (76 percent) face marginal tax rates between 0 and 39 percent, and less than 3 percent face a marginal tax rate of more than 80 percent. Because these childless households will not qualify for as many means-tested programs, especially those with the highest benefit amounts, the phase-outs of their less generous benefits translate into lower marginal tax rates. This is not the case for workers with dependent children, whose marginal tax rates are much more dispersed. Of the 12.8 million households with children below 200 percent of the poverty line, 20 percent (2.6 million) have a negative marginal tax rate, 37 percent (4.7 million) have a marginal tax rate between 0 and 39 percent, 34 percent (4.3 million) have a marginal tax rate between 40 and 79 percent, and 10 percent (1.2 million) have a marginal tax rate of 80 percent or higher.

Unpublished analysis by HHS/ASPE further allows us to understand the characteristics of households with various marginal tax rates. Households facing negative marginal tax rates overwhelmingly have dependent children. Only 28 percent have a full-time year-round worker, while one-third report no work for the entire year. Median earnings are just \$6,000 annually. Households with positive marginal tax rates are substantially different. For each positive marginal tax rate bucket of households, at least 54 percent have a full-time year-round worker, and median earnings are at least \$19,000 annually. The very low earnings and lack of regular work for households with negative marginal tax rates is consistent with hypothetical marginal tax rate calculations, which found the lowest marginal tax rates for those with the lowest levels of work effort. In addition, as with the hypothetical case, those who are working, although not necessarily full time, generally face higher marginal tax rates.

### *B. Implications for work-promoting policies*

Given the ways in which current welfare programs encourage or discourage work for various households, what are the implications for policies that would be likely to increase work rates among non-disabled working-age adults in low-income households?

For low-skill potential workers in households with dependent children who do not currently work, simply further increasing the positive incentive to work may not be the best approach.

Although in the past, increasing the reward to work by increasing the EITC helped to bring many single mothers into the workforce, those adults still not working and considering beginning part-time work may already face very low marginal tax rates. Furthermore, reducing phase-out rates for benefits or more quickly phasing in the maximum possible EITC payment would increase the cost of programs significantly, or increase marginal tax rates even further for low-income households with some employment who already face high marginal tax rates.

A more effective approach for moving non-disabled working-age parents who are still on the sidelines into the labor force may be work requirements, which reduce benefits for failure to either work, prepare to work, or participate in some other work activity. Work requirements can increase employment of those who are not working, without further increasing the disincentive to work additional hours among part-time workers in low-income households, and without necessarily increasing spending on welfare programs.

The evidence (discussed in depth in Section 5) suggests that this could be an effective approach. As a component of State experimentation with welfare reform in the early 1990s and then with passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), work requirements helped substantially reduce cash welfare receipt, increase work rates among single parent mothers, and contributed to reductions in child poverty. While there is always the risk that some non-disabled working-age adults will not comply with work requirements and risk benefit loss for their households, program administrators can mitigate this type of harm by only partially or temporarily reducing benefits for noncompliance and investing in work supports that make barriers to employment less difficult to overcome. Finally, it is worth noting that adults without children qualify for much less generous EITC payments, and for this group, both work requirements and EITC expansions may be effective in increasing employment among those not currently working.

## 5. Evidence that Work Requirements Are Effective

Expanding work requirements in welfare programs would affect a large share of recipients. Although there are theoretical reasons for relying on expanded work requirements to build self-sufficiency among low-income households, it is important to consider the empirical evidence from past policies to inform these efforts.

In this section, we analyze two sets of evidence that suggest work-conditioned welfare programs are uniquely able to simultaneously improve adult employment and improve child outcomes. First, we review the evidence on the effects welfare programs have on adults and children—we conclude that while programs not conditioned on work may improve child outcomes, they reduce adult work effort. In contrast, we conclude that programs conditioned on work (namely, the EITC) lead to improvements in child outcomes *and* increase adult work

effort. We then consider a large body of evidence from 1990s-era welfare reforms around the transition from AFDC to TANF. While it is difficult to parse out the role of work requirements from other TANF provisions, what is clear is that as a whole, these 1990s welfare reforms reduced dependence and increased work for single mothers with children and they did so with little evidence of harm and some evidence of benefit to their children. Based on this review, we conclude that both adult and child outcomes can be enhanced by welfare programs that include well-designed work requirements.

### *A. Evidence from unconditional programs and work-conditioned programs*

One of the most frequently studied questions related to welfare programs is what effect they have on the employment of recipients. For programs that lack work requirements, basic economic theory predicts that work effort will fall for two reasons.<sup>27</sup> First, recipients who do not work will have higher incomes because of the program, leading them to use their time on other activities and as a result, spend fewer hours working. Second, because benefits must begin to phase out at some level of income, the implicit tax on earnings rises and discourages work. A number of studies, based on randomized experiments or quasi-experimental designs, provide strong empirical support for this theoretical prediction across various programs.

Several studies find that receipt of housing assistance reduces labor supply. Jacob and Ludwig (2012) evaluate the impact of receipt of a Section 8 housing voucher on adult employment, utilizing a random lottery in Chicago to allocate vouchers. This study design ensures that results are due to voucher receipt rather than selection of certain types of households into the program. They find that labor force participation falls by 6 percent and earnings fall by 10 percent as a result of receiving these vouchers. Two randomized controlled trials funded by the U.S. Department of Housing and Urban Development provide additional evidence that housing vouchers reduce employment in the short-run. Mills et al. (2006) find that among TANF recipients randomly selected to receive Section 8 housing vouchers, employment fell by 5 to 8 percent in the first year, although this effect faded out in later years. Gubits et al. (2015) find that for homeless families randomly selected to receive vouchers instead of treatment as usual, employment falls by 19 percent 20 months later, an effect which again appears to fade over the longer term (Gubits et al. 2016). (See Collinson et al. 2016 for a review of the literature on housing programs.)

Studies also have found that SNAP and Medicaid receipt can significantly reduce adult employment. Hoynes and Schanzenbach (2012) utilize the staggered county-wide rollout of the food stamp program in the 1960s and 1970s to estimate that food stamp receipt reduces

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<sup>27</sup> In theory, it is possible that non-cash assistance could increase work productivity (e.g., housing assistance provided in close proximity to work), and thus, potentially increase work effort.

hours worked among female heads of households by over 50 percent. They also find that employment falls by up to 27 percentage points among recipients in general, though of course, employment effects of the modern SNAP program may differ. Two recent studies find strong employment effects of Medicaid on work rates among childless adults: Garthwaite et al. (2014) find that *losing* Medicaid coverage *increases* employment by 63 percentage points, and Dague et al. (2017) finds that gaining Medicaid coverage reduces employment by 5 percentage points for this population.<sup>28</sup> Meanwhile, Dave et al. (2015) find that Medicaid receipt substantially reduces employment among pregnant women. However, other studies find weaker or no effects of Medicaid on employment. For example, Baicker et al. (2014) find that employment only fell by a statistically insignificant 1.6 percentage points based on a randomized controlled trial in Oregon. (See Hoynes and Schanzenbach 2016, and Buchmueller et al. 2016 for reviews of the literature on SNAP and Medicaid, respectively.)

Finally, Robins (1985) summarizes the labor market effects of a series of randomized controlled trials in the 1970s testing the impact of a negative income tax (a cash payment that is gradually reduced as a household increases its earnings) on labor supply. In these trials, maximum benefit levels were relatively generous (ranging from 50 to 140 percent of the Federal poverty line) with benefits typically reduced at a rate of 30 to 70 cents for each additional dollar of earnings. He found that a negative income tax significantly reduces employment. For single female heads of households, employment fell by 16 percent. Meanwhile, employment fell by 4 percent for married men and by 23 percent for married women.

In total, a significant body of evidence generally suggests that welfare programs which do not require work reduce employment among adults, with estimates varying widely across programs and specific studies. These studies usually evaluate the impact of only a single program at a time, whereas households often benefit from multiple programs. Thus, the total effect of these programs is likely larger than the effect of any single program.

In contrast to the negative effects of these welfare programs on work, there is an important example of a work-conditioned program that increases employment. Specifically, the EITC has an implicit work requirement since only those in low-income households who work will receive the tax credit. Economic theory predicts that the EITC will increase the likelihood that a potential worker in such a household will work, since this program will increase the after-tax hourly wage this worker can earn. However, at some point, the EITC will reduce the number of

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<sup>28</sup> Garthwaite et al. (2014) find that when Tennessee disenrolled a large number of childless adults, there was a 7.3 percentage point decline in Medicaid enrollment and a 4.6 percentage point increase in employment among childless adults, using a triple difference design to isolate the causal effects of the policy. These estimates imply that for childless adults who were disenrolled from Medicaid, their employment increased by 63 percentage points (.046 divided by .073). This is consistent with Medicaid receipt reducing employment by 63 percentage points among childless adults, if results are symmetric for gaining or losing coverage.

hours worked for those already working, both because it increases income given current work effort, and because at some level of wage earnings EITC benefits begin to phase out imposing an implicit tax on earnings.

A number of studies show that the EITC has significant and large positive effects in inducing potential workers into the labor force (e.g., Eissa and Liebman 1996; Meyer and Rosenbaum 2001; Grogger 2003). However, one caveat is that the EITC causes the employment of second earners in married households to fall, when their combined earnings lift them into the phase-out region (Eissa and Hoynes 2004). In addition, while initial evidence suggested little effect of the EITC on the number of hours people work, Chetty et al. (2013) find evidence of increased work effort in the phase-in region and somewhat less work effort in the phase-out region of the EITC benefit schedule, due to increasing knowledge of the structure of the EITC among potential recipients. Nonetheless, the EITC has an overall effect of increasing employment, especially among those who would otherwise not work at all, and increasing both earnings and total household income. In addition, Grogger (2004) shows that the EITC reduces the rate at which low-income households receive other welfare programs. (See Nichols and Rothstein 2016 for a recent review of the literature on the EITC.)

While adult employment is important, the overall effectiveness of welfare programs depends on their effects on children as well. A growing body of research has focused on the impact of welfare programs on child outcomes. Results based on entry into welfare programs that do not require work are mixed but generally favorable, especially based on programs rolled out several decades ago (although with these studies, the ability to track long-term child outcomes into adulthood comes at the cost of dated and potentially less applicable results). Almond et al. (2011) show that a mother's access to food stamps in the 1960s and 1970s improved her child's birth outcomes, and Hoynes et al. (2016) show that children's access to food stamps improved their physical health and measures of economic self-sufficiency for girls upon reaching adulthood. Negative income tax experiments conducted in the 1970s led to improvements in child test scores (Maynard and Murnane 1979; Salkind and Haskins 1982). A large number of studies show that children's access to Medicaid significantly improves outcomes in terms of health, education, and earnings. Housing assistance, however, has not generally been shown to improve child outcomes such as test scores, educational attainment, health, or crime (Mills et al. 2011; Jacob et al. 2015),<sup>29</sup> in spite of the fact that housing vouchers

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<sup>29</sup> However, Gubits et al. (2016) find that when homeless families receive a housing voucher, children rotate through fewer schools and are less likely to have behavior problems. Chetty et al. (2016) find that housing vouchers tied to lower-poverty neighborhoods lead to better long-term outcomes for young children compared to public housing in higher-poverty neighborhoods; however, this study does not identify what effect housing assistance has on recipients, only that one form of housing assistance is superior to another form of housing assistance based on these outcomes.

often provide deep subsidies to recipients. (For a recent review of the literature on the impacts of welfare programs on child outcomes, see Hoynes and Schanzenbach 2018.)

Meanwhile, research shows that welfare programs that link benefits to work significantly improve child outcomes. The EITC improves test scores, educational attainment, adult employment, and infant health (Dahl and Lochner 2012; Dahl and Lochner 2017; Chetty et al. 2011; Hoynes et al. 2015; Manoli and Turner 2018; Michelmore and Bastian forthcoming). In an extensive review of the literature on the EITC, Nichols and Rothstein (2016) note that “there is robust evidence of quite large effects of the EITC on children’s academic achievement,” compared to the “relatively small estimates of effects of family income on student outcomes that come from non-EITC settings.” Meanwhile, Duncan et al. (2011) find that “welfare-to-work” experiments during the 1990s that provided additional income through increased rewards to work led to improved test scores for children.

Why might work-conditioned programs improve child outcomes more than programs that provide resources unconditionally? Jacob et al. (2015) suggest one reason for the discrepancy between results for housing assistance compared to the EITC could be that the EITC simultaneously provides income and encourages adult employment, potentially exposing children to higher quality childcare environments at early ages. Housing assistance, on the other hand, provides additional income but discourages adult employment. This does not explain results based on SNAP rollout in the 1960s and 1970s which strongly discouraged work and improved child outcomes, although it is possible that the mechanisms through which increased assistance affects outcomes (including increased use of formal childcare and reduced material hardship) has changed over time. In addition, there is strong evidence that Medicaid provision for children significantly improves child outcomes, although Medicaid provision to children may have different effects than programs such as housing and food assistance that free up income to spend on other areas.

Ultimately, there is strong evidence that work-conditioned assistance in the form of the EITC improves child outcomes, and potentially, more so than unconditional assistance. This may have important lessons for pairing welfare programs such as Medicaid, SNAP or housing assistance with work requirements. Of course, the EITC is structured differently than these other programs, for example, paying benefits in cash at a single time each year, which could have further implications for child outcomes. Nonetheless, to the extent that work requirements in non-cash welfare programs can boost recipients’ incomes while also increasing adult employment, they may have similar effects found for the EITC.



## *B. Evidence from welfare reform*

While extensive research suggests that work conditioned assistance programs, especially the EITC, increase adult employment and improve child outcomes, it is less clear from the above discussion that work requirements in existing programs have similar results. Relatedly, the above studies do not provide direct evidence on how attaching work requirements to existing assistance programs would affect outcomes. However, experience from 1990s-era welfare reforms, which transformed AFDC into TANF, can shed some light on this question.

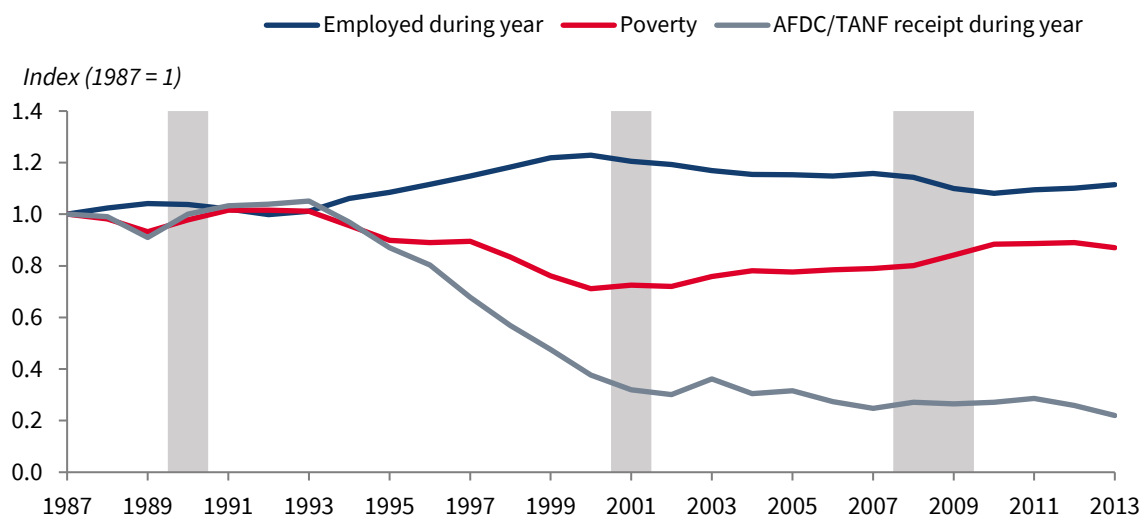
In 1996, Congress passed and President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). PRWORA's central component was the transformation of the AFDC cash assistance program for families, which historically had few work requirements for recipients, into TANF, which imposed strong work requirements and time limits, and devolved substantial autonomy to States in part by block granting the program. Rigorous experimentation by the States demonstrating the merits of stronger work requirements together with increasing rewards for work and time limits motivated the passage of this legislation. The results of these experiments as well as research on the impact of the 1996 law provide important evidence on the effects of stronger work requirements in welfare programs, although it is generally difficult to distinguish the impact of work requirements from other components of the law.

Figure 12 shows for single mothers with children, (i) AFDC/TANF receipt, (ii) employment, and (iii) poverty, each expressed as a rate in the population and then indexed to 1987 values. Between 1996 and 2000, single mother caseloads fell by 53 percent. Over the same period, their employment rate increased by 10 percent, and their poverty rate fell by 20 percent. While a number of factors can explain these trends, including the growing generosity of the EITC and a growing economy, the preponderance of the research suggests that welfare reform played an important role as well (See Ziliak 2016 for a review of this literature).

Still, some observers worry that while welfare reform reduced overall poverty, at least initially, it may have increased extreme poverty and fostered a growing class of families neither working nor receiving cash welfare according to income survey data (e.g., Edin and Shaefer 2015). However, income-based surveys suffer from underreporting of welfare benefits, and in any case, consumption is likely a better measure of material wellbeing. Meyer and Sullivan (2008) find that after welfare reform, consumption increased (or at least did not decrease) among single mother families across the distribution, even for those in the bottom decile of consumption. Moreover, Meyer and Sullivan (2004) find that consumption of single mothers appears to have increased by more than consumption among single women without children and married women with children, groups that were less affected by welfare reform. This suggests that welfare reform served to improve material wellbeing, or at least did not reduce

it. These gains in material wellbeing have persisted, with Meyer and Sullivan (2012b) estimating that consumption-based poverty rates among single parent families fell from 28 percent in 1990, to 23 percent in 1995, to 15 percent in 2000, and down to 9 percent in 2010.

**Figure 12. Index of Percent of Female-Headed Families Employed, in Poverty and Receiving AFDC/TANF, 1987–2013**



Sources: Gabe (2014) tabulations of administrative records, survey data; National Bureau of Economic Research; CEA calculations.

Note: AFDC/TANF receipt, poverty, and employment are indexed to 1987 levels. Grey shaded regions denote a recession for at least four months of a given year.

One difficulty in determining the exact role that work requirements played in reducing dependency, increasing employment, and reducing poverty is that States generally implemented their package of reforms simultaneously. However, prior to the 1996 passage of PRWORA, States conducted experiments with a number of specific changes to their cash welfare programs. Bloom and Michalopoulos (2001) analyzed the results of 29 randomized controlled trials (RCTs) conducted in the 1980s and 1990s on the effects of various welfare reforms. The 20 RCTs that included work requirements overwhelmingly found that they substantially increased employment and earnings while reducing welfare spending.<sup>30</sup> Morris et al. (2001) analyzed RCTs which tracked child outcomes and found that when programs required work but offered no additional financial incentives, children’s academic achievement was unaffected, but when work requirements were paired with additional financial incentives, child outcomes improved. The low marginal tax rates currently faced by nonworking families

<sup>30</sup> Families were not necessarily made financially better off since welfare benefits at the time were often reduced by a dollar for every additional dollar of earnings.

suggests that work requirements that increased their earnings would lead to significantly higher incomes, and potentially, improved child outcomes.<sup>31</sup>

The results from TANF and State experimentation in the preceding years suggests that attaching work requirements to welfare programs can reduce dependency, increase employment, and potentially improve child outcomes. Of course, the careful design of work requirements is crucial to maximize their success and to minimize the number of households who experience negative outcomes. Haskins (2017) notes that in recent years, TANF has served a lower portion of families in poverty, leaving some families disconnected from both employment and cash assistance, and that States spend a substantial share of TANF funds on activities unrelated to providing cash assistance or supporting work. This makes recent demonstration projects that implement work requirements in Medicaid and housing assistance programs, especially when evaluated with rigorous methods such as randomized controlled trials, particularly valuable in informing how to best expand work requirements to other programs.

## 6. Conclusion

Expanding work requirements, similar to those in place in TANF, to the three non-cash welfare programs discussed here (Medicaid, SNAP and housing assistance) would affect the majority of program recipients and require major increases in the work effort of non-disabled working-age adults, potentially helping recipients and their families. We discuss three reasons for doing so: First, a dramatic reduction in material poverty over the past several decades coincided with a substantial reduction in self-sufficiency of the non-disabled working-age population. This correlation suggests it may be time for a renewed focus on increasing employment and reducing dependency, with expanding work requirements in non-cash safety net programs playing a key role. Second, the current incentive structure in safety net programs already provides significant positive incentives to join the workforce; expanded work requirements would increase the incentive for individuals to work without exacerbating the high marginal tax rates faced by some current low-wage, part-time workers. Third, the evidence on welfare programs suggests that work-conditioned programs are uniquely able to both increase adult employment and improve child outcomes. Given the trends and evidence discussed here, along with a current economy in which labor markets are extremely tight, now is the ideal time to expand carefully designed work requirements to non-cash welfare programs.

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<sup>31</sup> Hamilton et al. (2001) also study a subset of the evaluations considered in Bloom and Michalopoulos (2001), similarly noting that welfare-to-work interventions increased employment and earnings while reducing welfare benefits. Some benefits were found for young children, while some negative effects were found for adolescents.

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## Appendix A

This appendix presents estimates related to non-disabled working-age SNAP recipients, based on USDA SNAP Quality Control data. Table A1 replicates Table 5 in Section 2, except it uses the USDA data instead of the SIPP data. The shares of non-disabled working-age adults in each of the five categories we consider is very similar across datasets (although the numbers of recipients are higher based on USDA data). The work rates based on USDA data are somewhat lower than those based on the SIPP data. For example, 66 percent of non-disabled working-age adults do not work in a given month based on the USDA data, while 54 percent do not work based on the SIPP data. This difference appears largely attributable to a much higher proportion identifying as working at least 40 hours per week in the SIPP data than in the USDA data. Potential explanations could be underreporting of work in the USDA data based on fear of losing benefits, or misidentification of SNAP recipient adults in the SIPP data, such as cohabitating partners who are not part of the SNAP assistance unit.

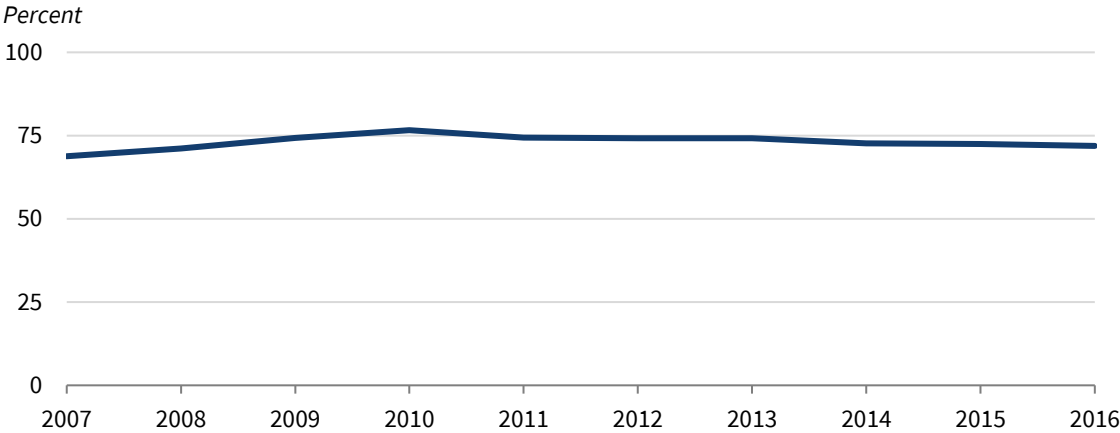
**Table A1. Percent of Non-Disabled Working-Age SNAP Recipients Working Various Weekly Average Hours during Month of Assistance, by Category, 2013**

	Recipients		Weekly hours of work Percent of row group			
	Number (Millions)	Share of Column Total	0	< 20	< 30	< 40
Non-disabled working-age adults without children						
Age 18-49	5.4	25%	77%	85%	92%	98%
Age 50-64	3.3	15%	82%	89%	94%	98%
Non-disabled working-age adults with children						
Youngest child age 6-17	5.3	25%	60%	67%	75%	90%
Youngest child age 1-5	6.0	28%	53%	61%	70%	88%
Youngest child age under 1	1.5	7%	60%	66%	75%	87%
<b>All non-disabled working-age adults</b>	<b>21.6</b>	<b>100%</b>	<b>66%</b>	<b>73%</b>	<b>81%</b>	<b>93%</b>

Sources: U.S. Department of Agriculture Supplemental Nutrition Assistance Program Quality Control Data, 2013; CEA calculations. Note: SNAP recipients based on USDA administrative data. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” is defined on the basis of a number of criteria, provided in technical documentation for the USDA survey. “With children” refers to adults who have at least one child under the age of 18 in the SNAP-assistance unit; “without children” refers to adults who live in households without any children under the age of 18 in the SNAP-assistance unit.

We also note only modest changes in USDA estimates over time. Between 2013 and 2016, the percent of SNAP adults who were non-disabled and of working-age fell by 2.3 percentage points from 74.2 percent to 71.9 percent (Figure A1). Over the same period, the percent of non-disabled working-age SNAP recipients who do not work decreased by 3.0 percentage points from 65.7 percent to 62.7 percent (based on CEA analysis of USDA SNAP Quality Control Data).

# Figure A1. Share of SNAP Adult Recipients Who are Working-Aged (18-64) and Non-Disabled, 2007-2016



Sources: U.S. Department of Agriculture Supplemental Nutrition Assistance Program Quality Control Data; CEA calculations.  
Note: “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” is defined on the basis of a number of criteria, provided in technical documentation for the USDA survey.



## Appendix B

This appendix estimates the distribution of welfare recipients over their own age, further categorized by segments considered in Section 2. The figures in this appendix rely on the Current Population Survey–Annual Social and Economic Supplement (CPS–ASEC), whose data we pool from survey years 2015 through 2017 (based on welfare receipt during 2014 to 2016). The tables in Section 2 rely on the Survey of Income and Program Participation (SIPP). We use CPS–ASEC data for these figures because it allows for a larger sample size for examining the distribution of recipients over individual ages, especially important for the relatively smaller number of people receiving Federal housing assistance. Two key differences between CPS–ASEC and SIPP data affect our estimates of program recipients. First, the CPS–ASEC asks respondents about welfare receipt at any point during the previous year, whereas the SIPP asks about monthly receipt. Second, the CPS–ASEC does not ask whether each individual of the household receives SNAP or housing assistance, whereas the SIPP does. Thus, for the CPS–ASEC we must assume that if program assistance is reported all members of that household receive that program assistance.

While the differences between the CPS–ASEC and SIPP could potentially have important effects on estimates of the number of recipients on each program, we show in Table B1 that this is generally not the case. Table B1 reports the number of respondents in each category identified in Section 2 across the CPS–ASEC (based on 2014-2016 welfare receipt) and SIPP (based on December 2013 welfare receipt). Estimates are largely similar.

Figures, B1, B2, and B3 show the estimated distribution of beneficiaries of Medicaid, SNAP and housing assistance, respectively. In each figure, the height of the bar represents the percent of all program recipients of a given age. The recipients of a given age are then color-coded based on their category.

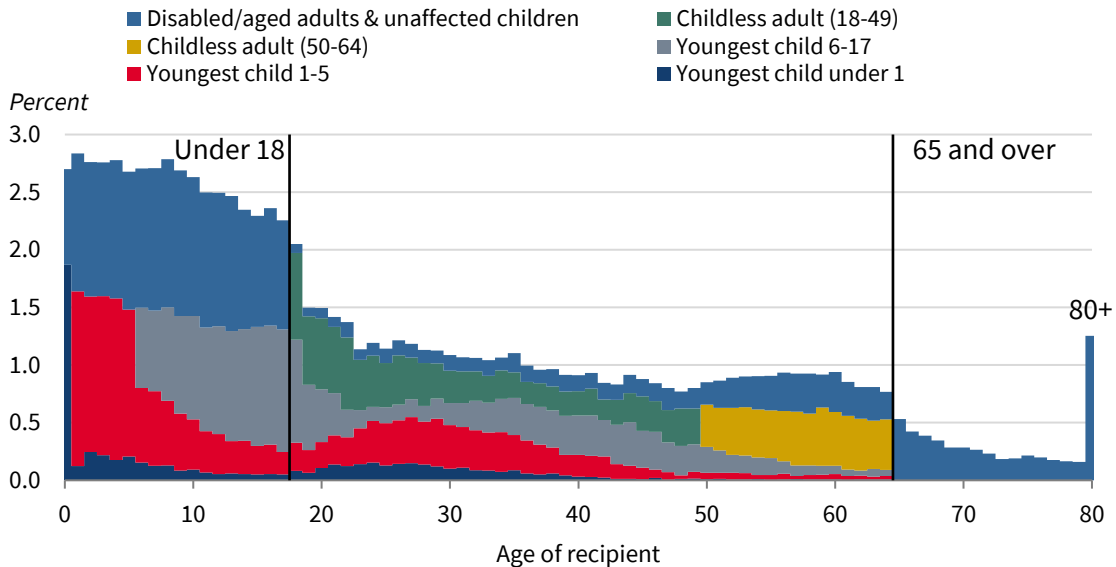
**Table B1. Percent of Program Recipients by Category, SIPP versus CPS–ASEC**

	Adults (% of total recipients)		Children (% total recipients)		Adults and children (% of total recipients)	
	SIPP	CPS	SIPP	CPS	SIPP	CPS
<b>Medicaid</b>						
Adult age 18-49 w/o children	7%	11%			7%	11%
Adult age 50-64 w/o children	3%	6%			3%	6%
Youngest child 6-17	8%	11%	11%	11%	19%	22%
Youngest child 1-5	8%	9%	13%	12%	22%	20%
Youngest child under 1	3%	3%	4%	4%	7%	6%
Other	18%	14%	25%	20%	43%	34%
<b>Total</b>	<b>47%</b>	<b>53%</b>	<b>53%</b>	<b>47%</b>	<b>100%</b>	<b>100%</b>
<b>SNAP</b>						
Adult age 18-49 w/o children	9%	10%			9%	10%
Adult age 50-64 w/o children	5%	7%			5%	7%
Youngest child 6-17	11%	13%	14%	13%	24%	27%
Youngest child 1-5	11%	13%	17%	17%	28%	30%
Youngest child under 1	3%	3%	5%	5%	8%	8%
Other	19%	16%	6%	2%	25%	18%
<b>Total</b>	<b>58%</b>	<b>63%</b>	<b>42%</b>	<b>37%</b>	<b>100%</b>	<b>100%</b>
<b>Housing</b>						
Adult age 18-49 w/o children	12%	13%			12%	13%
Adult age 50-64 w/o children	5%	8%			5%	8%
Youngest child 6-17	10%	11%	13%	11%	23%	22%
Youngest child 1-5	9%	10%	13%	14%	23%	24%
Youngest child under 1	3%	2%	4%	4%	6%	6%
Other	28%	24%	3%	2%	31%	27%
<b>Total</b>	<b>67%</b>	<b>68%</b>	<b>33%</b>	<b>32%</b>	<b>100%</b>	<b>100%</b>

Sources: Survey of Income and Program Participation, 2014 Wave 1; Current Population Survey–Annual Social and Economic Supplement, 2015-2017; CEA calculations.

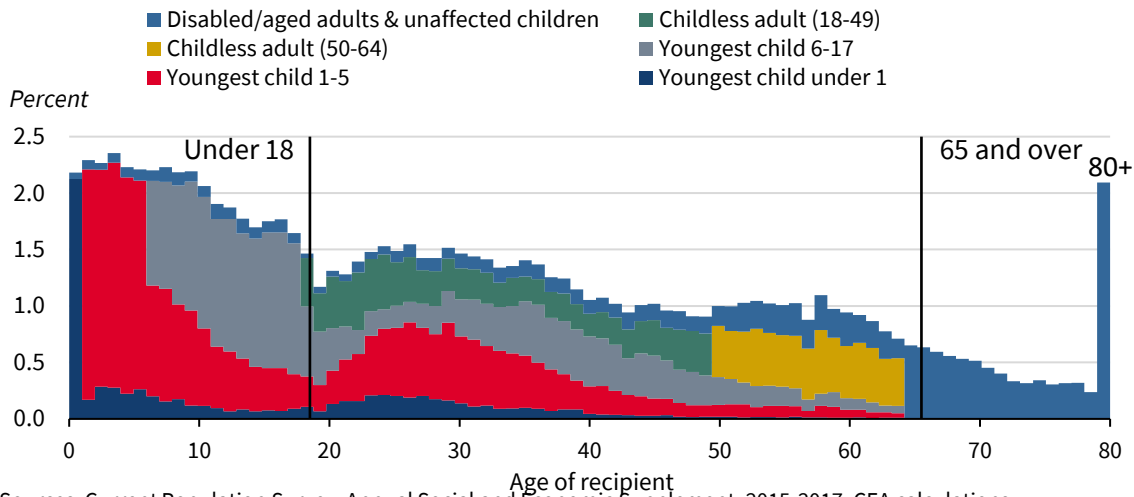
Note: In the SIPP, program recipients are individuals who received benefits in December 2013. In the CPS–ASEC, program recipients of SNAP and housing assistance are individuals who live in a household in which some member received benefits at some point throughout the year. Medicaid recipients in the CPS–ASEC are individuals covered by Medicaid at some point during the year. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). If a child program recipient lives with at least one non-disabled working-age adult recipient, then we assign the child to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Other” includes all disabled or aged adults who receive Medicaid coverage, and any Medicaid recipient children who live in a household with no non-disabled working-age adult recipients.

**Figure B1. Medicaid Recipients by Age and Category, 2014–2016**



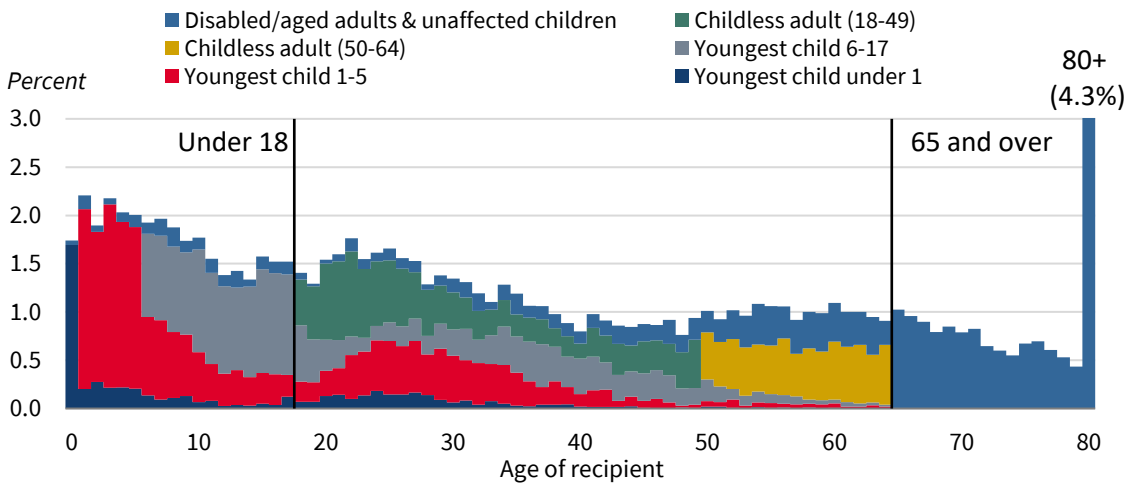
Sources: Current Population Survey, Annual Social and Economic Supplement, 2015-2017; CEA calculations.  
 Note: We identify Medicaid recipients based on individual receipt of Medicaid coverage at some point during the year. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). If a child Medicaid recipient lives with at least one non-disabled working age adult who receives Medicaid, we assign the child to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Unaffected children” are children who live in a household with no non-disabled working age Medicaid recipients.

### Figure B2. SNAP Recipients by Age and Category, 2014–2016



Sources: Current Population Survey, Annual Social and Economic Supplement, 2015-2017; CEA calculations.  
 Note: We identify SNAP recipients based on household receipt of SNAP benefits at some point during the year. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). If a child SNAP recipient lives with at least one non-disabled working age adult, we assign the child to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Unaffected children” are children who live in a household with no non-disabled working age adults.

### Figure B3. Housing Assistance Recipients by Age and Category, 2014–2016



Sources: Current Population Survey, Annual Social and Economic Supplement, 2015-2017; CEA calculations.  
 Note: We identify housing assistance recipients based on household receipt of public housing or other housing assistance at some point during the year. “Adult” refers to all individuals age 18 or over. “Working-age” refers to individuals age 18-64. “Aged” refers to all individuals age 65 and over. “Disabled” refers to all adult individuals who receive disability benefits (Supplemental Security Income, Social Security Disability Insurance, or Veterans disability benefits). If a child housing assistance recipient lives with at least one non-disabled working age adult, we assign the child to a category based on the age of the youngest child in their household (not necessarily the child’s own age). “Unaffected children” are children who live in a household with no non-disabled working age adults.



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