

FEB 28,
2018

Three myths about the welfare cliff

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What is the welfare cliff?

The theory of the welfare cliff is built on the belief that, if welfare recipients move into work and earn more money, they reach a certain point—the edge of eligibility—where they “fall off a cliff,” lose their welfare benefits, and are left worse off. The theory largely assumes that welfare enrollees are working, earning right up to the edge of eligibility, and hovering at that point to avoid falling off the benefit cliff. According to the theory, enrollees will avoid higher income in order to keep their welfare.

While the welfare cliff theory is not entirely without merit, it is largely based on three myths: that welfare enrollees are near the cliff and reduce or limit their work in order to keep their benefits, that going over the cliff leaves enrollees worse off, and that enrollees are thrown off the ledge without a parachute.

■ MYTH: Most welfare enrollees are near the cliff

■ FACT: Few able-bodied adults are near the cliff because most of them do not work

Data from the U.S. Department of Agriculture show that very few individuals are near the welfare cliff because very few of them have meaningful employment. In fact, of the 21 million able-bodied adults enrolled in food stamps, nearly 62 percent do not work at all—compared to just 8 percent working full-time.¹⁻²

MOST ABLE-BODIED ADULTS ON FOOD STAMPS DO NOT WORK



Source: US Department of Agriculture

In addition, fewer than one percent of able-bodied adults on food stamps—slightly more than 250,000 adults nationally—are within even 10 percentage points of the eligibility limit.³ But many of these individuals are also a safe distance from the cliff, with room to earn thousands of dollars in additional income and still remain eligible. For example, a single mom with two kids in Wisconsin who is within 10 percentage points of the eligibility limit could still earn an additional \$2,100 on top of her current salary before she hit the cliff.⁴ A family of four in Mississippi within 10 percentage points of the eligibility limit could earn more than \$2,500 in extra income before hitting the cliff.⁵ Even for a single, childless adult in Alaska, those 10 percentage points mean room for another \$1,500 in income before reaching the eligibility line.⁶ The number of able-bodied adults who are actually at the cliff, where even a small raise or a few extra hours of work would change eligibility, is a great deal smaller.

FEW ABLE-BODIED ADULTS ARE NEAR ELIGIBILITY CLIFFS



Source: U.S. Department of Agriculture

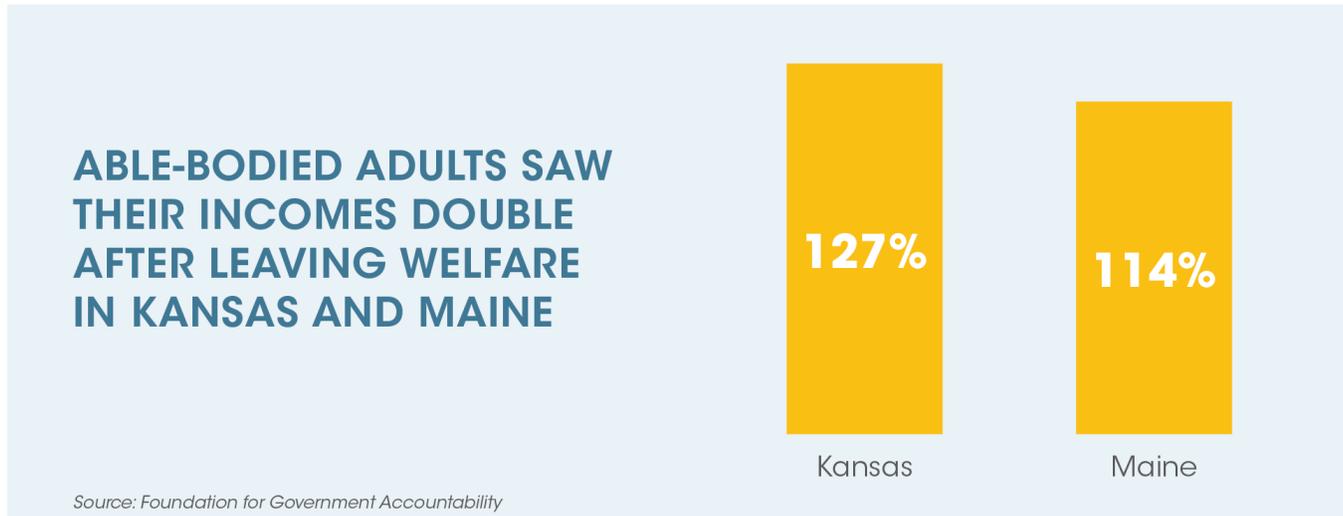
- **MYTH:** Losing welfare leaves enrollees worse off than they were
- **FACT:** Enrollees more than double their incomes and more than replace lost benefits after leaving welfare

The cliff theory also presumes an economic disadvantage for able-bodied adults to begin working and leave welfare. According to the theory, even though an individual's income may go up, the loss of their welfare benefits will outweigh their increased income.

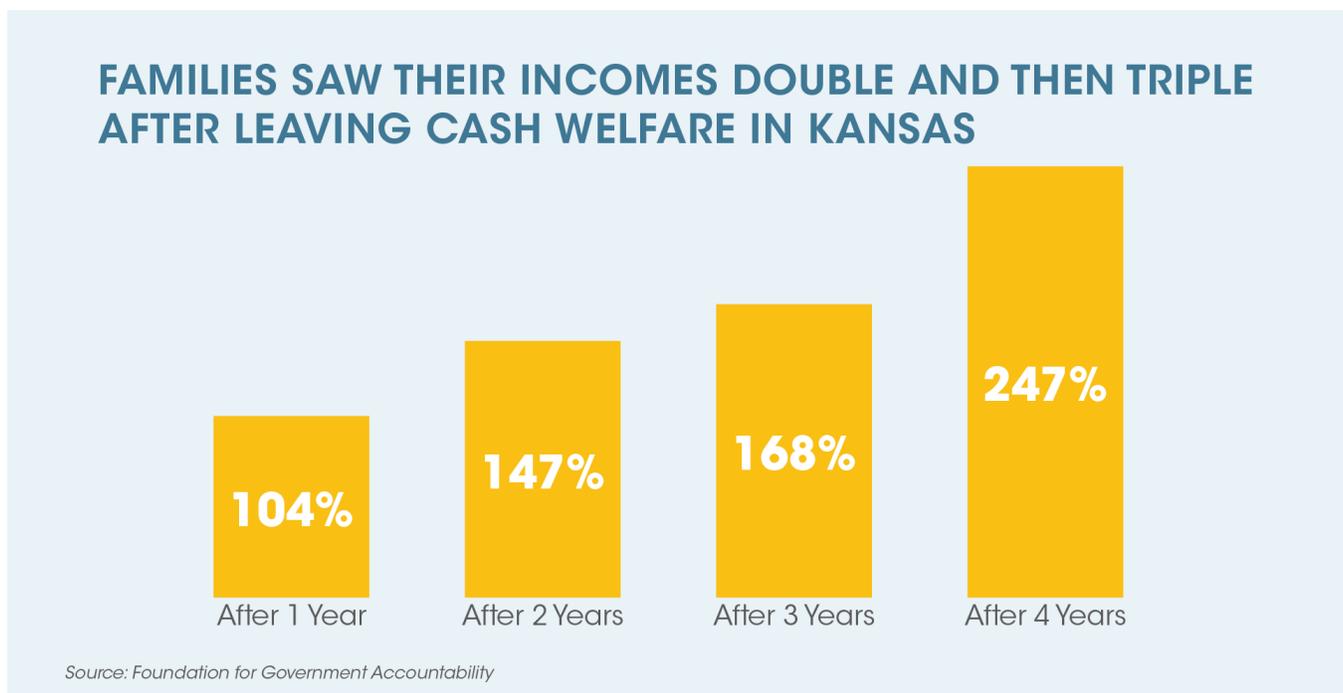
But the reality is far different—moving from welfare to work causes incomes to skyrocket, more than offsetting lost welfare benefits.

After Kansas implemented work requirements for able-bodied, childless adults on food stamps, individuals who left welfare went back to work in more than 600 different industries and saw their incomes more than double on average.⁷ Even better, this increased income more than offset their lost welfare benefits.⁸ When Maine implemented the same work requirements, it saw similar impressive results: incomes of former enrollees more than doubled.⁹

States have seen the same outcomes after work requirements and time limits were



implemented for able-bodied parents on other welfare programs. In Kansas, for example, stronger work requirement sanctions in cash assistance were followed by lower caseloads, more employment, and higher incomes.¹⁰



In Maine, families removed from the program after the state instituted a five-year time limit saw rapidly growing employment and wages. Within four years, those leaving welfare had their incomes more than triple.¹¹

In both states, higher wages more than offset lost welfare benefits.¹²⁻¹³

FAMILIES SAW THEIR INCOMES MORE THAN TRIPLE AFTER LEAVING CASH WELFARE IN MAINE



Source: Maine Governor's Office of Policy and Management

Economic considerations aside, work provides powerful benefits. Work can help build new or helpful social relationships. It can help individuals gain new skills. It creates new experiences that can help future employment opportunities. Work creates a natural path to higher wages through raises or promotions. And it is the best path out of poverty, with 97 percent of full-time workers above the poverty line.¹⁴

Four out of five unmarried women say a potential partner having a steady job was very important to them—the single most important issue for them.¹⁵ Having a job is a top predictor of whether someone with a criminal history will re-offend.¹⁶ And work is one of the best predictors of recovery and lasting sobriety among individuals with substance abuse problems.¹⁷

Welfare conveys none of these benefits. Simply put, earned income is intrinsically more valuable than welfare, even if welfare income were nominally the same as wages.

■ **MYTH: Enrollees are thrown off the cliff without a parachute**

■ **FACT: Major welfare programs provide off-ramps**

Although few able-bodied adults on welfare are anywhere near the welfare cliff, the reality is that most major welfare programs already deal with income changes in a variety of ways.

The food stamp program, for example, reduces benefits gradually as incomes rise so that higher earnings accumulate faster than the speed at which benefits are reduced.¹⁸ The program also has deductions for earned income and child care expenses which smooth out the decline even further.¹⁹

In the TANF cash welfare program, states disregard a portion of earned income in determining initial eligibility, calculating benefits, and continuing eligibility.²⁰ Oregon, for example, ignores 50 percent of earned income when determining whether someone initially qualifies for cash welfare.²¹ Alabama ignores all earned income for the first 12 consecutive months of earnings when calculating benefits.²² And Colorado ignores 67 percent of earned income for individuals already on the program when it is determining continued eligibility.²³

Many states also provide “transitional” benefits for individuals who leave the program due to higher earnings.²⁴ Arkansas, for example, provides up to 24 months of transitional benefits.²⁵

Families receiving Medicaid can also qualify for transitional benefits when earnings rise above eligibility limits. States provide at least six months of transitional benefits to families losing eligibility as a result of higher earnings, with many states offering up to twelve months of transitional benefits.²⁶⁻²⁷ Parents moving back into the workforce may also qualify for employer-sponsored insurance or premium tax credits on the individual market.

Conclusion

The number of able-bodied adults on welfare is at an all-time high.²⁸ But this is not because millions of adults are scaling back hours at work or forgoing raises just enough to keep benefits. The reality is that the vast majority of these able-bodied adults are sitting out of the workforce entirely. The real barrier is not a cliff but the fact that welfare pays able-bodied adults to not work at all.

Middle-age childless adults and parents are categorically exempt from the existing work requirement for able-bodied adults.²⁹⁻³¹ Worse yet, many states have used federal loopholes to waive work requirements even for able-bodied childless adults theoretically subject to the rules.³²

Moving able-bodied adults from welfare to work changes lives for the better. Not only do they see higher earnings, they also gain important new skills, social networks, and opportunities for advancement. Work provides the best path out of dependency, into self-sufficiency, and unlocks limitless potential for individual achievement. Rather than focusing on a cliff that poses little threat, lawmakers should concentrate their efforts on moving able-bodied adults from welfare to work as quickly as possible.

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