



Statement before the U.S. House Committee on the Budget

The War on Poverty at 50: Building on What Works,
Reforming What Doesn't

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Chairman Ryan, Ranking Member Van Hollen, and other members of the committee, thank you for the opportunity to testify today before the House Budget Committee on improving federal aid to low-income Americans.

My remarks will focus on how we, as a nation, can do a better job of helping poor Americans by applying the lessons learned from past reform efforts to the challenges we face today. I will lead with my summation:

- I. The War on Poverty was successful in alleviating poverty among some populations, but failed in others. Its vision remains inspiring, but its methods need reform.**
- II. The economic status and outlook for low-income Americans is not as strong as it could be or as it should be.**
- III. New York City's experience over the last decade suggests that work-first and pro-work public assistance programs, combined with pro-growth economic policies, are most effective at helping poor Americans.**
- IV. Policymakers should adhere to the following principles to enhance the well-being and opportunity of economically vulnerable working-age Americans:**
 1. Foster more and better work opportunities;
 2. Require work as a condition of means-tested public assistance;
 3. Reward work with robust supports for those working at low wages;
 4. Foster two-parent married families.
- V. I recommend the following reforms:**
 1. Stronger work requirements for public assistance programs;
 2. Better targeted and sometimes more generous work supports to make low wages stretch farther;
 3. Mitigate marriage penalties embedded in means-tested welfare programs and send honest public messages about the significant challenges of raising children in single-parent families;
 4. Targeted programs for young men in low-income communities; and
 5. Pro job-growth and labor mobility policy, specifically relocation assistance for the unemployed.

I. The Great Society

50 years ago, Lyndon Johnson dramatically expanded the federal government's role in the economic lives of low-income Americans. The grand ambition of his message, as articulated in his Great Society speech at the University of Michigan, was astounding:

"The purpose of protecting the life of our nation and preserving the liberty of our citizens is to pursue the happiness of our people. Our success in that pursuit is the test of our success as a nation....The Great Society rests on abundance and liberty for all. It demands an end to poverty and racial injustice, to which we are totally committed in our time."

This vision has not achieved, but it remains a marker of our goals. We want to end poverty in America. And we want a nation where the freedom to pursue happiness with an honest chance to succeed is available to every child of every race and class.

The data show that federal action on poverty has been far from an abject failure: poverty among elderly Americans has fallen dramatically, living standards for the lowest income Americans have improved significantly, and millions of poor Americans have access to basic health care.

Yet we know that the government policies developed in service of this vision have fallen well short of expectations. Despite \$16 trillion in spending, millions of Americans are not earning enough on their own to escape being classified as poor. Many of these Americans remain detached from core tenets of American society —the conviction that they hold agency in their lives, can improve their circumstances by working hard, and can provide a better life for their children than they themselves had.

The future direction of policies aimed at helping low-income Americans flourish must recognize that the federal government plays an important role in providing assistance to those who are struggling. Yet it must also acknowledge that government-provided assistance alone will fail to fully satisfy the human aspirations of those in poverty.

II. Low-income Americans are struggling

The lackluster economic recovery—now more than 50 months old—has not brought relief to American individuals, families and communities. According to the latest data from the Bureau of Labor Statistics, 9.8 million Americans are unemployed. 3.5 million have been jobless for more than 27 weeks. 7.5 million are involuntarily working part-time. And 783,000 workers are so discouraged, they have stopped looking¹.

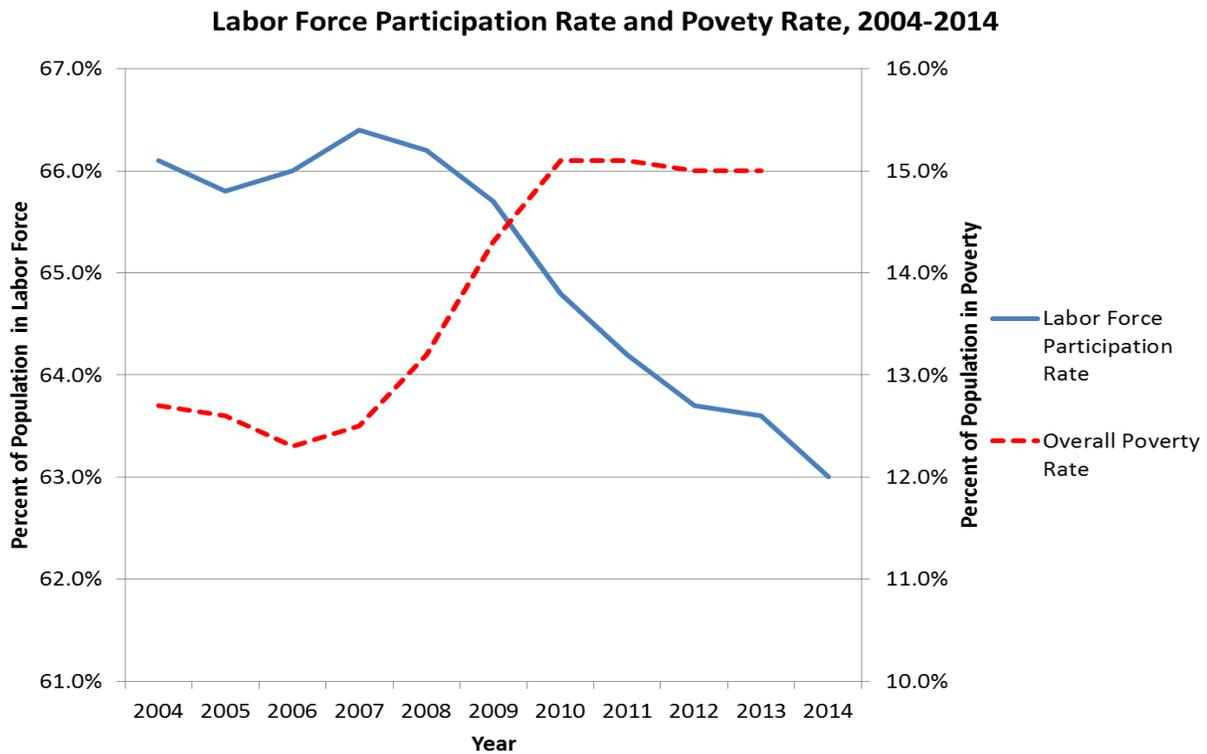
The unemployment rate has fallen substantially from a peak of 10 percent in October 2009 to its current 6.3 percent, but those numbers tell a false tale of the recovery. A smaller share of working-age

¹ "The Employment Situation -- April 2014," *Bureau of Labor Statistics*. Accessed 28 May 2014, <<http://www.bls.gov/news.release/empsit.nr0.htm>>.

Americans is either working or looking for work than five years ago. In October 2009, 65 percent of Americans age 16 and older were participating in the labor force. As of April 2014, 62.8 percent were².

The average American household is also earning less than it did five years ago. From 2007 through 2012, the inflation-adjusted median household income slipped from \$55,627 to \$51,017³.

These trends have hurt the most economically vulnerable. As work participation has fallen, the official poverty rate has risen. In 2007, 12.5 percent of Americans were living below the poverty line. By 2012, 15 percent were. In 2007, 18 percent of children lived below the poverty line. In 2012, 21.8 percent did⁴. The official poverty rate is seriously flawed in that it overstates the material hardship faced by low income Americans by not taking into account much of what government provides in assistance. But as an indication of the extent to which Americans are not earning a minimum income through their own work, the most recent official poverty numbers tell a disturbing story.



Source: US Census Bureau and Bureau of Labor Statistics

² "Labor Force Statistics from the Current Population Survey," *Bureau of Labor Statistics*. Accessed 20 February 2014, <<http://data.bls.gov/timeseries/LNS11300000>>.

³ "Historical Income Tables: Households," *United States Census Bureau*. <<http://www.census.gov/hhes/www/income/data/historical/household/>>.

⁴ "Historical Poverty Tables – People," *United States Census Bureau*. Accessed 5 February 2014, <<http://www.census.gov/hhes/www/poverty/data/historical/people.html>>.

III. The New York City Difference

I spent the last 18 years working to improve the prospects of low-income Americans for both New York State and New York City. From early 2007 until the end of 2013, I was the commissioner of the New York City Human Resources Administration (HRA). HRA was responsible for administering the majority of government assistance programs for low-income New Yorkers, including cash assistance, food assistance, public health insurance, and many others.

From 1995 until this past December, those who worked at HRA led one of the most successful pro-work welfare offices in the country. Republican Mayors and Democrat-leaning voting public united behind a vision of public assistance that put work first and reinvigorated the compact between society and struggling Americans. It was a model that required work and rewarded work, and was successful at both. From 1995 until the end of 2013, New York City's cash-welfare caseload shrunk from almost 1.1 million recipients to less than 347,000—a drop of more than 700,000 men, women, and children⁵⁶.

New York City's caseload reductions were not its greatest victory. The reforms dramatically increased work rates for single mothers and dramatically lowered child poverty. The work rates for single mothers rose from 43.1 percent in 1994 to 62.7 percent in 2009, and the child poverty rate fell from 42.2 percent to 30.9 over the same time period⁷. Even in the wake of the recession, child poverty was nearly ten percentage points lower than it had been the year before reforms started.

New York's success reflected the broader national success story of welfare reform in the 1990s. However, its progress since then has diverged from the national story in significant ways. Between 2000 and 2012, as shown in Figure 1, the national poverty rate rose by 3.5 percentage points. New York City's poverty rate was flat—the only city among the nation's 20 largest that did not rise.

Over that same time period, as shown in Figure 2, child poverty nationwide rose by 6.5 percentage points. New York City's child poverty rate rose only 1.4 percent percentage points, tied with San Diego for the lowest among the nation's 20 largest cities.

⁵ Hymowitz, Kay S., "Saving Welfare Reform," *City Journal*, 2013, < http://www.city-journal.org/2013/special-issue_welfare.html>.

⁶ "Cash Assistance Reports," *NYC Human Resources Administration Department of Social Services*. <http://www.nyc.gov/html/hra/html/facts/cash_assistance_stats.shtml>.

⁷ "New York City Databook Indicators of Poverty, Income and Work 1990-2011," *Office of Evaluation and Research, Human Resources Administration*, 2013. Vol. 3.

Figure 1

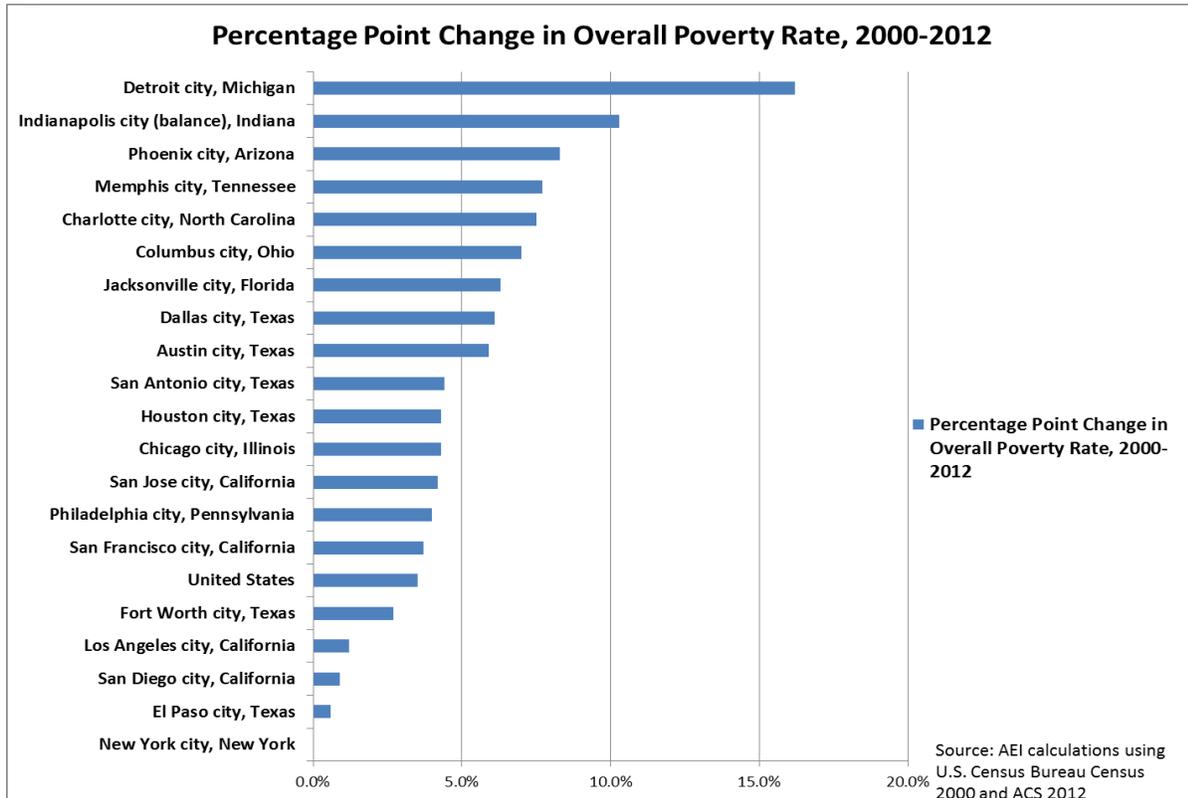
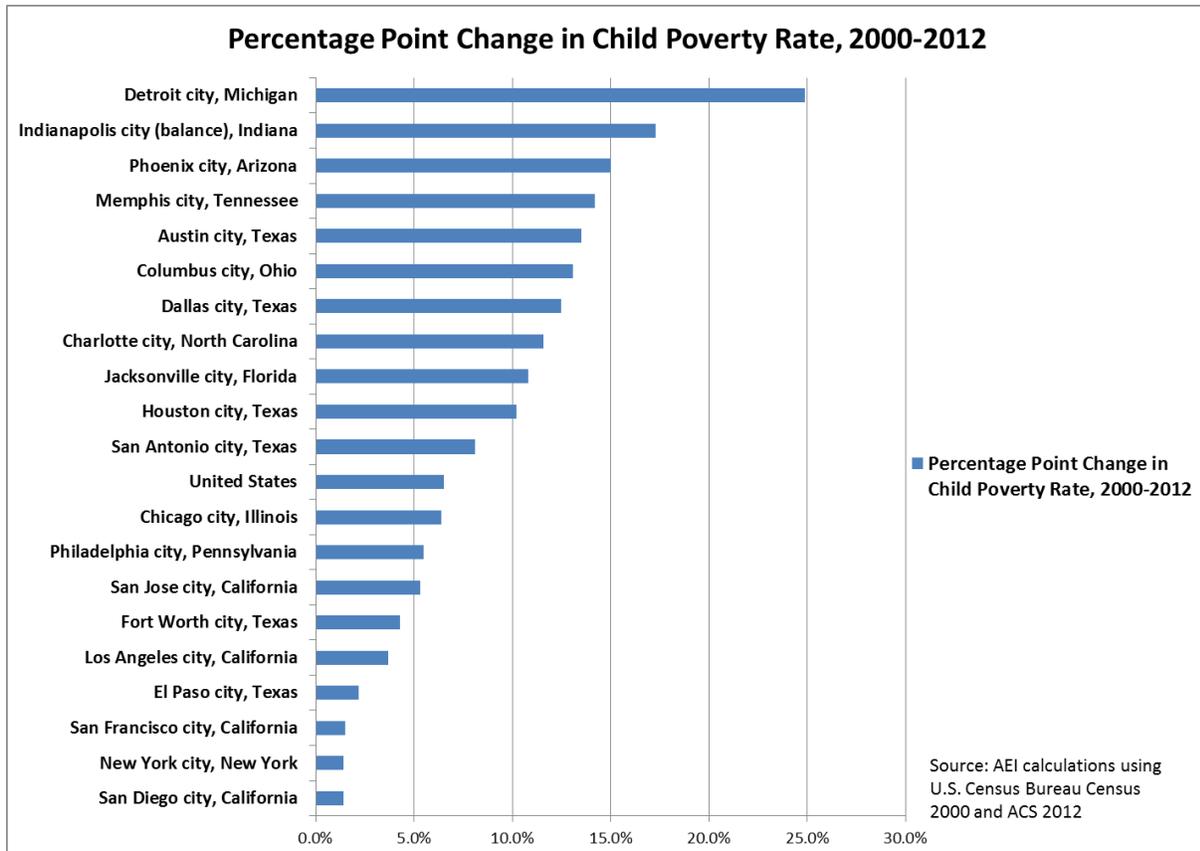
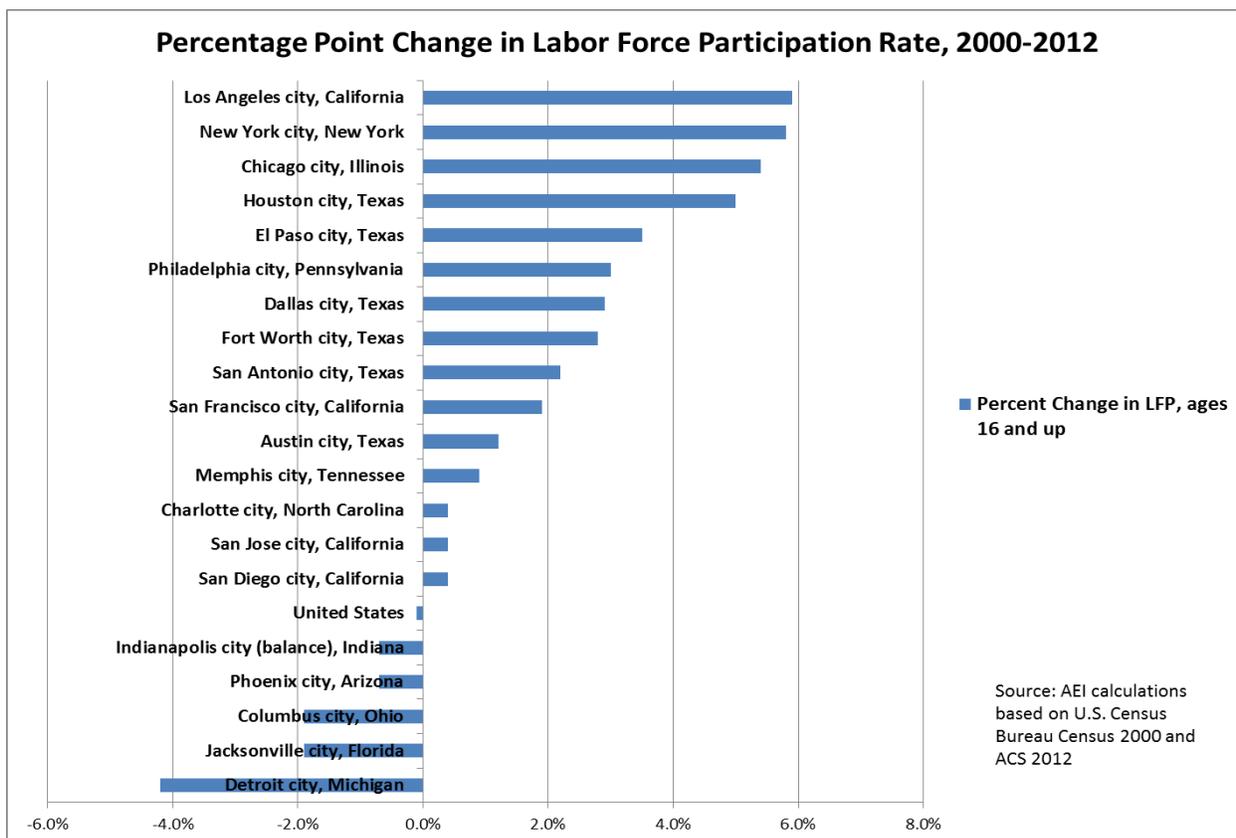


Figure 2



The high level at which New Yorkers were engaged in the labor market was a key reason that poverty rates remained flat. Between 2000 and 2012, the national labor force participation rate dropped by a tenth of a percentage point. In New York City, as shown in Figure 3, the labor force participation rate rose by 5.8 percentage points. Of the 20 largest cities in the United States, only Los Angeles experienced greater growth in the labor force participation rate, at 5.9 percentage points.

Figure 3



IV. Principles Behind New York City’s Success

1. *Strong work requirements as a condition of public assistance.* Not working is the quickest pathway to poverty in the United States. In 2012, 60 percent of the poor ages 18-64 did not work at least one week out of the year. In contrast, the poverty rate for full-time, year-round workers was 2.9 percent⁸. A strong work-first approach has been shown to foster better outcomes with regard to attachment to the labor force than approaches which focus on training and education. If the goal of public assistance is to help the poor lift themselves out of poverty and into self-sufficiency, then work requirements as a condition of that help must be central.

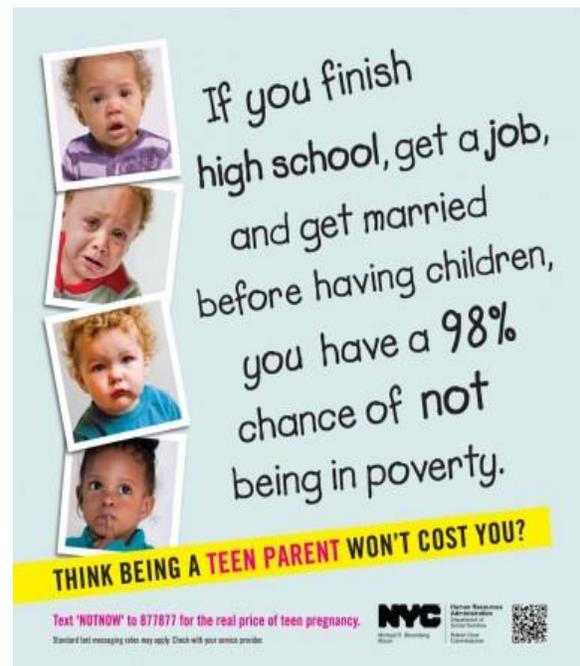
⁸ DeNavas-Walt, Carmen; Proctor, Bernadette D.; Smith, Jessica C., “Income, Poverty, and Health Insurance Coverage in the United States: 2012,” *United States Census Bureau*, September 2013. <<http://www.census.gov/prod/2013pubs/p60-245.pdf>>.

During my time in New York City, we took these requirements very seriously. If an individual qualified for cash assistance but was not employed, we required his participation in an employment program. If an individual without children in the household qualified for food stamps, was not employed, and was able to work, we required her participation in an employment program. Research indicated that work was the best avenue for our low-income citizens to create a better life, and we conditioned assistance on work with that understanding.

2. *Robust work supports for those who are working at low wages.* In many areas—like New York City—it is difficult to make ends meet while working at low wages. New York City recognized that work supports should honor and supplement the work efforts of low-income Americans without discouraging work. The Earned Income Tax Credit, child care assistance, public health insurance, food stamp benefits and child support enforcement collections can all be important work supports that make earnings go farther for a family, and can foster the economic mobility of a family when conditioned on work. New York City recognized that the city is not an easy place to live for low wage earners, and supplemented federal efforts with its own EITC and cash assistance program. Caseloads for most major assistance programs rose substantially between 2000 and 2012, but so did the share of New Yorkers in the labor force.

3. *Business growth and investment.* New York City was fortunate to benefit from an economy that, though affected by the recession, recovered much more quickly than the nation as a whole. Even during the recession, our welfare-to-work program was able to find thousands of employment opportunities and the strong economy was a key reason that thousands of low-income citizens were able to leave the welfare rolls. The same was not the case nationwide. Policies, both at the national and state level, that raise the cost of doing business and deter growth do little to create what the poor need most: jobs.

4. *Foster married, two-parent families.* The consensus view of academic research, and of common sense, is that children raised in married, two-parent families are more likely to be successful than those raised by single parents. Yet many public assistance programs are structured in ways that provide greater financial benefits to single parent families than married families. And unfortunately most of our leading institutions—and leaders—shy away from reiterating that children are less likely to grow up in poverty if they are born into married two-parent families. New York City made an effort to foster an honest conversation about the consequences for children of single parenthood through citywide PR campaign.



Source: New York City Human Resources Administration, Department of Social Services

V. Policy Reforms That Should be Explored

1. Work Requirements

Work requirements were a key element of the 1996 welfare reform. They created a reciprocal relationship between low-income Americans and the government. In the words of then-President Bill Clinton, the work requirement helped “make welfare a second chance, not a way of life.”⁹ Women on welfare had been told they couldn’t work. After reform, employment among never-married mothers soared from 44 percent to more than 65 percent¹⁰. The work requirement was critically important to that success, and demonstrated the importance of policy that recognizes the skills and capabilities of struggling Americans.

Over the past decade, federal oversight of the TANF program has become less stringent. Sanctions associated with the failure of states to meet work requirements are rare, and the ability of states to define “work” and “work-like activities” has watered down the meaning of the requirement. Though TANF caseloads have decreased dramatically since the 1996 reforms, the work requirement contained in the program should again be strengthened, with the threat of federal sanctions for states not in compliance being backed by action.

Few states and localities—or the federal government—have taken work requirements as seriously as New York City did. Given the body of research demonstrating that work-first is the most effective way of helping Americans help themselves, this must change¹¹.

2. Work Supports

One of the most successful work support programs, the Earned Income Tax Credit (EITC), has proven very successful in keeping people working, moving up, and rising out of poverty. Given the economic situation faced by many low-income Americans, enhancement of the EITC should be considered, especially for single Americans and non-custodial parents.

The Earned Income Tax Credit (EITC)

The EITC is one of the most important federal anti-poverty programs currently in existence, and is estimated to have lifted 6.5 million Americans out of poverty in 2012¹². The EITC is notable in that it was designed to encourage work, and has been successful in doing so. A review of welfare reform policies in

⁹ Clinton, Bill. "How We Ended Welfare, Together." *The New York Times*. 21 Aug. 2006. Accessed 23 Feb. 2014..

¹⁰ Haskins, Ron. *Work Over Welfare: The Inside Story of the 1996 Welfare Reform Law*. Brookings Institution Press, 2006, p. 335.

¹¹ Brown, Amy, “ReWORKing Welfare.” *U.S. Department of Health and Human Services*, March 1997. <<http://aspe.hhs.gov/hsp/isp/work1st/frontm.htm>>.

¹² “Policy Basics: The Earned Income Tax Credit,” *Center on Budget and Policy Priorities*, 31 January 2014. <<http://www.cbpp.org/cms/?fa=view&id=2505>>.

the 1990s by Dr. Jeffrey Grogger showed that the EITC helped raise the employment and earnings of female-led households, and led to a decrease in welfare use¹³.

But there are opportunities to improve the EITC: it leaves single individuals—most notably non-custodial fathers—with very little financial support. For the 2014 tax year, the maximum benefit for singles is capped at \$496. It is much more generous for household with children, offering a maximum benefit of more than \$6,000 for workers with three or more children.

Although it makes sense to provide larger benefits for parents, there are reasons that expanding the EITC for non-parents and non-custodial parents may be warranted.

First, non-custodial parents—particularly fathers—are among the most economically vulnerable and societally detached groups of adults. A 2001 study by Sorensen and Zibman found that only 35 percent of the approximately 10.8 million non-custodial fathers paid child support. Of those who did not pay support, 23 percent were poor, 60 percent were minority, and 42 percent had not finished high school¹⁴. This group of Americans—even more than other vulnerable populations—is struggling. This affects not only their own well-being, but also their ability to contribute financially and personally to the lives of their children and mothers.

Second, current policy does little to encourage non-custodial parents to help themselves and their families through work: a non-custodial father working full time at minimum wage would not be eligible for EITC support. Public policy appropriately enforces responsibilities for non-custodial parents—in the form of child support obligations—but it provides few carrots. Enhancing the EITC for this group of Americans could help.

Third, the expansion of other programs that provide benefits to single Americans—but do not encourage work—make supports that do require work more critical. The Affordable Care Act, for example, significantly expanded Medicaid for low-income singles and non-custodial parents. By providing support detached from work effort, such expansions lower the incentive to work. Targeted EITC expansion could help offset these disincentives.

Given the EITC's success in encouraging workers with children to enter the labor force and continue working, it makes sense to re-evaluate how the EITC works for single non-parents and non-custodial parents.

Program coordination and work disincentives

Federal antipoverty programs have been created piecemeal and exist in separate silos that are not responsive to or aware of what the others are doing. This has resulted in very high marginal tax rates for

¹³ Grogger, Jeffrey, "The Effect of Time Limits, The EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families," *The Review of Economics and Statistics*, May 2003, Vol. 85 (2), p. 394-408.

¹⁴ Sorensen, Elaine; Zibman, Chava, "Getting to Know Poor Fathers Who Do Not Pay Child Support," *Social Service Review*, September 2001, Vol. 75 (3), pp. 420-434.

certain individuals that may discourage them from doing the very thing supports exist to encourage: work.

According to work by Elaine Magg and colleagues, effective marginal tax rates can exceed 100 percent in some states, even when excluding the value of Medicaid and SCHIP benefits¹⁵. Put another way, some families lose more in cash-like benefits (such as SNAP) than they gain through increased earnings.

Lack of coordination across programs also hinders the ability of a complex array of public assistance vehicles to serve the unique needs of any specific person. Individuals in different states and cities may have different needs than fixed benefit formulas allow. For example, a person in a low cost-of-living area may have sufficient SNAP benefits for food, but may lack the cash to get to work. Better tailoring of cash- and cash-like benefits to individual needs through increased coordination and flexibility has the potential to help programs become person focused, not program focused.

3. Better Family Policy

One critique of War on Poverty programs is that they financed the breakdown of traditional family structure by enabling parents with children (mostly women) to become financially independent from their child's second parent (mostly men). My AEI colleague Nicholas Eberstadt ably articulates this critique in his recent essay, "The Great Society at 50: The Triumph and the Tragedy."

Regardless of whether one accepts this line of argument as valid--or if one contends that other factors have caused this breakdown--we must be honest about the clear benefits of two-parent married families when talking about poverty and how policy can be reformed to foster family formation. The consensus of academic research is that married parents are good for children. A recent study by Harvard economist Raj Chetty and colleagues looked at the best available community-level data on mobility in America, seeking the strongest predictor of upward mobility for children. They found that,

*"The fraction of children living in single-parent households is the strongest correlate of upward income mobility among all the variables we explored"*¹⁶

Family structure was more predictive of mobility than race, income inequality, or educational opportunity. The authors' findings are consistent with a large body of academic work showing that children are most likely to thrive in a stable two-parent, married family; for instance, Child Trends noted that "research clearly demonstrates that family structure matters for children, and the family structure that helps children the most is a family headed by two biological parents in a low-conflict marriage."^{17,18}

¹⁵ Magg, Elaine; Steuerle, C. Eugene; Chakravarti, Ritadhi; Quakenbush, Caleb, "How Marginal Tax Rates Affect Families At Various Levels of Poverty," *National Tax Journal*, December 2012, Vol. 65 (4), pp. 759-782. <<http://www.urban.org/UploadedPDF/412722-How-marginal-Tax-Rates-Affect-Families.pdf>>.

¹⁶ Chetty, Raj; Hendren, Nathaniel; Kline, Patrick; Saez, Emmanuel, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *NBER*, Working Paper 19843, May 2014 <http://obs.rc.fas.harvard.edu/chetty/mobility_geo.pdf>.

¹⁷ Moore, Kristin Anderson; Jekielek, Susan M.; Emig, Carol, "Marriage from a Child's Perspective: How Does Family Structure Affect Children, and What Can We Do about It?," *Child Trends*, June 2002. <<http://www.childtrends.org/wp-content/uploads/2013/03/MarriageRB602.pdf>>.

If we are serious about addressing the ability of children to rise out of poverty, we must be willing to talk honestly about the role of one of its most influential predictors: family structure.

Marriage penalties

Recognizing that married, two-parent families help poor children succeed, we must address policies that make marriage hard—especially on low- and middle-income Americans. Marriage penalties embedded in public assistance programs can be especially discouraging for those individuals who have the least freedom to forego income. As Eugene Steuerle and colleagues have explored in detail, policies aimed at assisting low- and moderate-income households with children often penalize marriage. Take this example:

“A single parent with two children who earns \$15,000 enjoys an EITC benefit of about \$4,100. The credit decreases by 21.06 cents for every dollar a married couple earns above \$15,040....[I]f the single parent marries someone earning \$10,000, for a combined income of \$25,000, the EITC benefit will drop to about \$2,200. The couple faces a marriage tax penalty of...\$1,900.”¹⁹

Similar penalties are embedded in Medicaid, Temporary Assistance for Needy Families (TANF), food stamps, housing assistance, and child care—all of which apply to low- and moderate-income Americans. Efforts to mitigate marriage penalties have largely taken the form of tax cuts directed toward married couples. But according to Carasso and Steuerle’s analysis, 81 percent of that relief flowed to couples earning more than \$75,000.

A host of reforms could alleviate this burden. As Carasso and Steuerle describe, implementing a maximum marginal tax rate for low-income families would tamp marriage-induced rate spikes. Providing a subsidy on individual earnings—not combined earnings (like the EITC)—would enable a low-wage American to marry someone with a child, but do so without sacrificing significant income or transfer payments. And mandatory individual filing, as done in Canada, Australia, Italy and Japan, would either require or allow low-income individuals to avoid income tax penalties.

The first step, however, is to recognize that tax policy and social services program structures hinder an institution that is vital to the flourishing of poor children. We need to find a way to address it.

Public Messaging

It is not just policymakers who must consider the benefits of married two-parent families. The public must do the same. No government program can replace a missing parent. In New York City, this led me to initiate an aggressive public relations campaign about the consequences of teen pregnancy, employing research pioneered by Ron Haskins and Isabel Sawhill of the Brookings Institution: If you first

¹⁸ Amato, Paul R., “The Impact of Family Formation Change on the Cognitive, Social, and Emotional Well-Being of the Next Generation,” *The Future of Children*, Fall 2005, Vol. 15 (2), pp. 75-96.

¹⁹ Carasso, Adam; Steuerle, C. Eugene, “The Hefty Penalty on Marriage Facing Many Households with Children,” *The Future of Children*, Fall 2005. Vol. 15(2), pp. 157-75.
<http://futureofchildren.org/futureofchildren/publications/docs/15_02_09.pdf>.

graduate from high school, then get a job, then get married, and then have kids, there is a 98 percent chance that you will *not* be in poverty²⁰.

With messages about the poor employment prospects and school performance of children raised by unmarried teen parents, we created subway and bus posters that told the truth in a way that kids and adults would see and understand. We received pushback from many commentators and politicians, but independently-conducted focus groups with low-income teenagers found that the people we were trying to reach understood and agreed with what we were saying. Though the federal fatherhood initiative does conduct some PR messaging, policymakers would do well to consider more comprehensive ways of communicating the difficulties of single parenthood and the benefits of the success sequence to low-income youth and young adults.

4. Targeted Programs for the Most Vulnerable

Programs for young men

Young minority men are disproportionately poor and unemployed, have higher rates of crime, and drop out of high school at higher rates than their white peers. Programs—often joint public-private efforts at the local level—need to tackle that problem and connect young minority men to educational, employment, and mentoring opportunities.

Mayor Bloomberg's Young Men's Initiative in New York City is one such program. A coordinated program across thirteen separate agencies, the initiative works to prepare young men of color to compete with their peers in the classroom and in the workplace, equip them to be responsible fathers, and help a run-in with the criminal justice system from defining a young man's life through mentoring, case management, and therapy²¹.

Chicago has pioneered a highly successful “Becoming a Man” initiative targeting at-risk males grades 7-12. That program focuses on developing the social-cognitive skills that reduce violence and anti-social behavior²². In a randomized trial conducted by the University of Chicago Crime Lab, B.A.M. was shown to reduce violent crime arrests by 44 percent; reduce the likelihood of attending school in a juvenile justice setting by 53 percent; and increase graduation rates by 10-23 percent.

The Doe Fund in New York City helps largely minority men get back to work more directly with a 9-12 month program that fosters a strong work and drug free environment. It offers and enforces a contract: If you get up every day and go to work and stay drug free, we will pay you and house you and feed you²³. And its average graduate has a starting wage of \$10.88 per hour.

²⁰ Haskins, Ron, “Getting Ahead in America,” *National Affairs*, Fall 2009, Iss. 1. <<http://www.nationalaffairs.com/publications/detail/getting-ahead-in-america>>.

²¹ “Young Men's Initiative.” *Young Men's Initiative New York City*, Accessed 23 February 2014. <<http://www.nyc.gov/html/yimi/html/home/home.shtml>>.

²² “B.A.M. – Becoming A Man.” *Youth Guidance*, 2012, Accessed 23 February 2014. <<http://www.youth-guidance.org/our-programs/b-a-m-becoming-a-man/>>.

²³ “Ready, Willing & Able.” *The Doe Fund*, Accessed 19 February 2014. <<http://www.doe.org/>>.

President Obama has announced a broader initiative, “My Brother’s Keeper,” which seeks to target the same population on a larger scale. Though the details of this program have yet to be fully fleshed out, it is encouraging to see thoughtful engagement of the issue at the federal level that leverages private foundation and corporate support.

5. Encouraging Job Growth and Mobility

President Johnson explicitly made his support for President Kennedy’s package of tax cuts a fundamental and essential part of the War on Poverty. On 27 November 1963, President Johnson addressed a joint session of Congress with these words:

“No act of ours could more fittingly continue the work of President Kennedy than the early passage of the tax bill...That bill, if passed without delay, means more security for those now working, more jobs for those now without them, and more incentive for our economy.”

President Johnson realized that in order to address poverty, he needed to foster a policy climate conducive to economic growth. What low-income Americans need most is work. Rapid job growth in the 1990s played a key role in welfare reform’s success. It must be a key component of renewed efforts to address poverty in America.

The impact of public policy on work

At this particularly difficult time for American families we cannot be indifferent to the effect on the labor market of our public policies.

At least so far, the Affordable Care Act has done little to foster the participation of low-income Americans in the work force. The Congressional Budget Office estimates that the ACA will reduce full-time equivalent employment by 2.3 million jobs by 2021²⁴. Policies, like the ACA, that reduce labor supply and total hours worked in the economy are indifferent at best and harmful at worst to the goal of full-time, year-round work that is the most proven poverty-protection mechanism.

Recent proposals to raise the minimum wage would not help the prospects of poor Americans in a highly targeted fashion. A recent study by Joseph Sabia and Richard Burkhauser found that only 11.3 percent of individuals who would benefit from raising the minimum wage to \$9.50 per hour were living below the poverty line. 42.3 percent of those who would benefit live in households with incomes at least three times the poverty line²⁵. And a recent study released by the Congressional Budget Office

²⁴ “The Budget and Economic Outlook: 2014 to 2024,” *Congressional Budget Office*, 4 February 2014. Accessed 23 February 2014. <<http://www.cbo.gov/publication/45010>>.

²⁵ Sabia, Joseph J.; Burkhauser, Richard V., "Minimum Wages and Poverty: Will a \$9.50 Federal Minimum Wage Really Help the Working Poor?," *Southern Economic Journal*, 2010, Vol. 76 (3), pp. 592-623. <<http://www.people.vcu.edu/~lrizzolini/GR2010.pdf>>.

estimated that raising the minimum wage to \$10.10 per hour could lead to lost jobs for hundreds of thousands of workers²⁶.

Direct work supports, such as an expanded EITC, provide a much better avenue for raising the incomes of working families without damaging a tenuous job market. They might cost a little more for American taxpayers, but they do not lower the number of jobs available for those who need them.

Work Relocation Vouchers

We also need to do a better job of physically connecting individuals with work. While some regions have a strong demand for workers, others do not. We need to acknowledge that, and help Americans take advantage of better opportunities. My colleague Michael Strain has proposed work relocation vouchers as one way to lower barriers to work for low-income Americans.

In the U.S. today many communities are plagued by very high levels of unemployment, such as Yuma, Arizona, whose April 2014 unemployment rate was 23.8 percent. Unemployment in other areas, like the Riverside area, California, is less severe but still well above the national average: 8.3 percent versus 5.9 percent nationally. In contrast, regions with strong job growth have very low levels of unemployment. Midland, Texas, for example, has an unemployment rate of 2.3 percent, and Oklahoma City, Oklahoma, 3.8 percent²⁷. Unemployed workers in high unemployment regions will have a much more difficult task of finding and maintaining full time work than they would in low unemployment regions, where jobs are more plentiful.

The problem is that many unemployed workers—especially the long-term unemployed—lack the financial resources and information about the labor market that would allow them to move to areas where job growth is stronger and the chances of securing employment are higher. Relocation vouchers would target unemployed workers in areas with elevated levels of unemployment and provide them with a grant – potentially using funds from the unemployment insurance pool—to move to an area with a lower than average unemployment rate.

VI. Conclusion

50 years after the War on Poverty began, too many low-income Americans are still struggling. Labor force participation has fallen, poverty rates have risen, and median incomes have stagnated. The best and most proven path out of poverty is work, and our policies should do a better job of encouraging it.

The principles behind welfare reform—the most successful antipoverty reform in recent history—suggest that fostering a reciprocal relationship between the benefit recipient and society is critical. Single mothers had been told that they were not capable of work. Given the opportunity though, millions rose to the challenge, and their lives were better for it.

²⁶ “The Effects of a Minimum-Wage Increase on Employment and Family Income,” *Congressional Budget Office*, 18 February 2014, Accessed 19 February 2014. <<http://www.cbo.gov/publication/44995>>.

²⁷ “Metropolitan Area Employment and Unemployment Summary- April 2014” *Bureau of Labor Statistics*, 28 May, 2014. <<http://www.bls.gov/news.release/pdf/metro.pdf>>.

At the center of reforms to public assistance programs must be the understanding that those in poverty want more met than just material needs. They want access to the pursuit of happiness described by President Johnson. Efforts to reform the troubled social safety net must focus on firming the foundations of mobility—family and work—while also fostering the economic growth that creates new and better opportunities.

Thank you for the opportunity to share my views on this important issue.