



Statement before the House Budget Committee
On Restoring the Trust for America's Most Vulnerable

Work and Family: The Keys to Reducing Poverty

Robert Doar

Morgridge Fellow in Poverty Studies

American Enterprise Institute

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The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Price, Ranking Member Van Hollen, and other distinguished members of the committee, thank you for the opportunity to testify today on how to best help Americans living in poverty.

In my 18 years of experience in New York City and New York State administering many of our nation's major safety net programs, I found that the best strategies for fighting poverty and increasing opportunity focus on the importance of work and family. In New York, we were most successful at fighting poverty when we maintained the proper balance of strong work requirements and government assistance that supported – but did not replace – work. We also were unafraid to talk honestly about both the consequences of raising children in single-parent households and the responsibilities for parents, including fathers, which come with raising a child.

My testimony today will be about how focusing on work and family can help poor Americans and reduce poverty, and on what Congress can do to improve our nation's safety net programs to help more vulnerable Americans move up.

I will lead with my summation:

- I. New statistics reveal that poverty rates remain elevated compared to the past 20 years.
- II. These disappointing poverty numbers have been partially caused by a decline in work.
- III. Another reason low-income families are struggling is the breakdown of the two-parent family.
- IV. Improvements to some of our most vital safety net programs could help address these issues:
 - a. Supplemental Nutritional Assistance Program
 - b. Temporary Assistance for Needy Families
 - c. Child Support Enforcement
 - d. Supplemental Security Income
 - e. Earned Income Tax Credit
- V. Conclusion

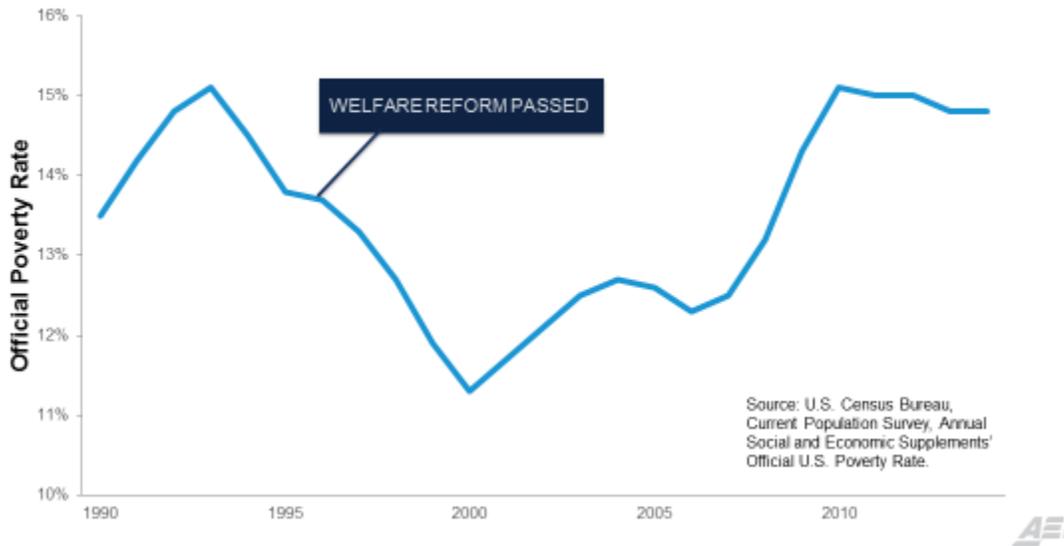
I. Low-Income Americans are struggling to earn success and move up.

The Census Bureau report on poverty released last month was extremely disappointing for all who care about the well-being of low-income Americans. The economic recovery began back in 2009, yet this report showed that 46.7 million Americans still lived in poverty in 2014. The official poverty rate, now 14.8 percent, remains two full percentage points above what it was in 2007 and three and a half percentage points above rates seen in 2000. If the poverty rate in 2014 had been the same as in 2000, nearly 11 million fewer Americans would have been in poverty. Moreover, the poverty rate for black Americans is 26.2 percent – 3.7 percentage points higher than in 2000.¹

The combination of the passage of the Personal Responsibility and Work Opportunity Reconciliation Act, or welfare reform, in 1996, the expansion of the earned income tax credit, and a strong economy led to dramatic reductions in poverty in the 1990s. Unfortunately, as Figure 1 shows, we have lost those gains. As I'll argue in Section II, this unfortunate and disappointing reversal is, in part, the result of our safety net programs not encouraging work strongly enough.

Figure 1

Official Poverty Rate Since 1990



While the recent trend shown in Figure 1 is disappointing, and suggests that the federal government's approach in fighting poverty has become less effective since the late 1990s, I cannot say that our antipoverty programs do not do some good. More accurate measures of poverty that take into account all that government does to help poor Americans, such as the Supplemental Measure produced by scholars at Columbia University or the consumption poverty rate produced by Bruce Meyer and James

¹ Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2014," US Census Bureau (September 2015), <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>. (Tables 3 & B-1).

Sullivan, indicate that government programs substantially improve material well-being, especially for those who work.² In 2013, the poverty rate for female-headed families with children would have been 47.6 percent if based on earned income alone, but by adding in government benefits, their poverty rate fell to 29.2 percent.³

While we should celebrate this material impact, Americans want a safety net that does more than just make poverty less painful. We want to help people move up and no longer have to depend on government assistance to provide for their families. We aspire for low-income Americans to be able to earn their success and experience upward mobility. In these areas, our antipoverty programs' performance is not good enough. The official poverty measure in Figure 1, by leaving out much of what government does to help the poor, focuses on what low-income Americans are able to earn for themselves. By this measure, we have lost substantial ground compared to the recent past, and progress over the last few years has been minimal.

Data on upward mobility are also discouraging. All Americans should be disappointed that equal opportunity is not a reality. As documented by a Pew Charitable Trusts study in Figure 2, the children of poor kids are disproportionately likely to get stuck at the bottom of the income ladder. Children from middle quintile families wind up in the bottom quintile as adults 14 percent of the time, while kids from bottom quintile families remain stuck in at the bottom of the income distribution 43 percent of the time.⁴ And a recent study from Raj Chetty found that someone born in 1971 in the bottom fifth of the income distribution had only an 8.4 percent chance of reaching the top quintile.⁵

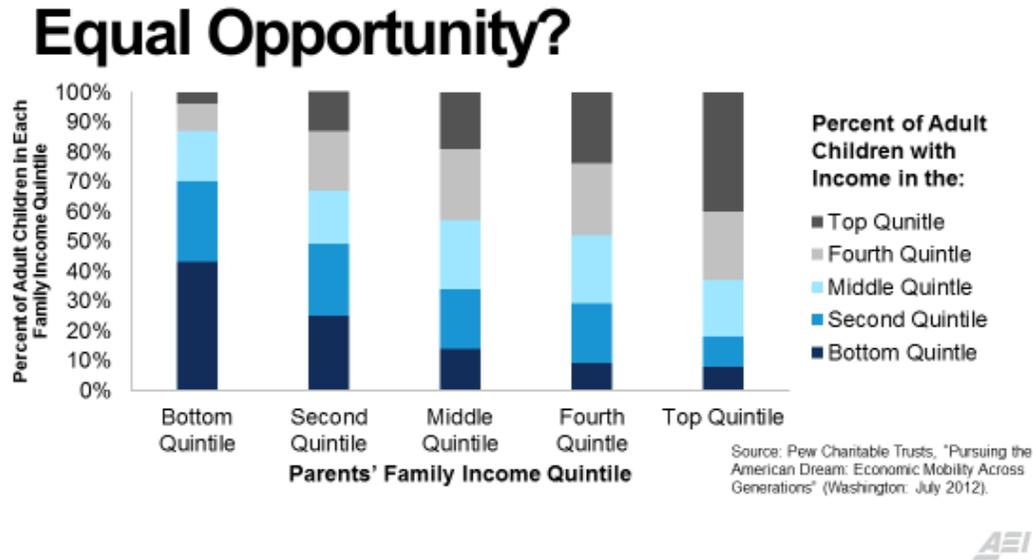
² Christopher Wimer, Liana Fox, Irv Garfinkel, Neeraj Kaushal, Jane Waldfogel, "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center (2013), http://socialwork.columbia.edu/sites/default/files/file_manager/pdfs/News/Anchored%20SPM.December7.pdf; Bruce Meyer and James Sullivan, "The Material Well-Being of the Poor and the Middle Class Since 1980," AEI Working Paper #2011-04 (2011), <http://www.aei.org/wp-content/uploads/2011/10/Material-Well-Being-Poor-Middle-Class.pdf>.

³Thomas Gabe, "Welfare, Work, and Poverty Status of Female-Headed Families with Children: 1987-2013," *Congressional Research Service* (2014), <https://www.fas.org/sgp/crs/misc/R41917.pdf>. (Table C-11).

⁴Pew Charitable Trusts, "Pursuing the American Dream: Economic Mobility Across Generations," (2012), http://www.pewtrusts.org/~media/legacy/uploadedfiles/wwwpewtrustsorg/reports/economic_mobility/pursuingamericandream.pdf. (Figure 3).

⁵ Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner, "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," National Bureau of Economic Research Working Paper (2014), http://www.equality-of-opportunity.org/images/mobility_trends.pdf.

Figure 2



The fact that poor Americans are struggling to such a great extent to support themselves with earnings and that we have yet to achieve our ideal of equal opportunity for all compels us to find ways to do better.

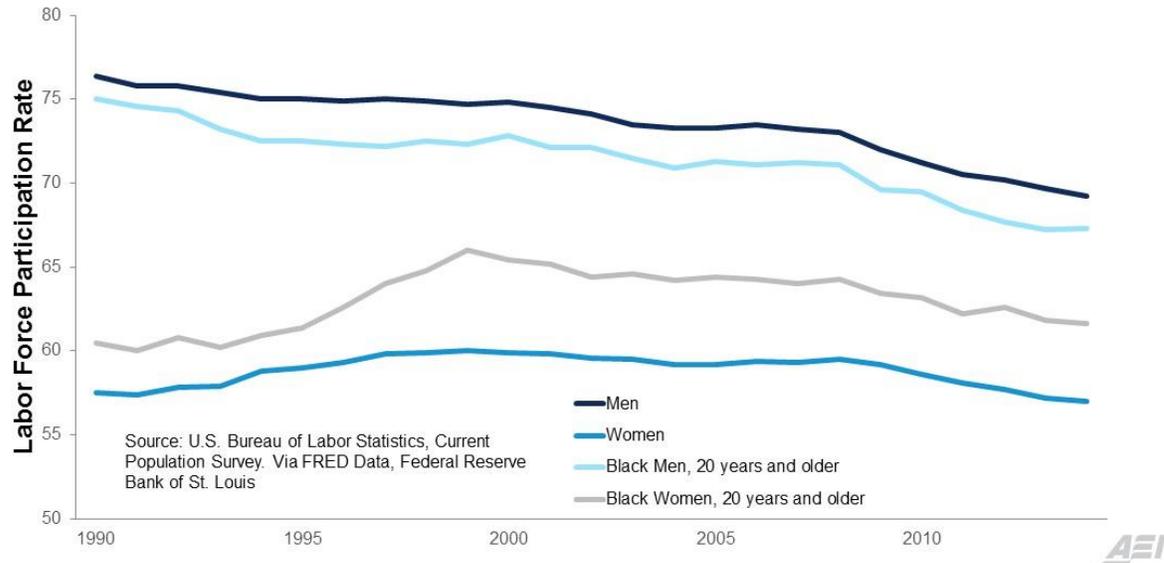
II. Declines in work and increases in poverty.

It is clear that the most reliable way to escape poverty is full-time work. In 2014, the official poverty rate for 18 to 64 year olds who worked full-time, year-round was only 3.0 percent compared to 33.7 percent for adults who did not work at all.⁶ This reality makes the changes in labor force participation rates illustrated in Figure 3 even more concerning.

⁶Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2014," US Census Bureau (September 2015), <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf> (Table 3).

Figure 3

Labor Force Participation Since 1990



These trend lines lead to several interesting observations. The effect of welfare reform and a booming economy in boosting labor force participation for black women can be seen in the 1990s, but the recession and slow recovery has reversed much of this progress. For black males, and men in general, labor force participation has continued its downward trend, but the declines since 2007 have hit these men especially hard, as well as their families and communities. And research shows that when work decreases, poverty increases.⁷ Today, the fact that too many Americans are living in poverty is at least partly explained by the fact that too many Americans are not working. Furthermore, upward mobility requires stepping on to the first rung of the economic ladder, and when employment rates are low, too many struggling Americans are denied that opportunity.

These troubling labor market statistics are in part caused by the still sluggish economy, and this is why one of the most important things government can do to fight for poor Americans is to promote pro-growth economic policies. It is also true that our aging population is playing a role. But our safety net programs could also be better designed for helping poor Americans connect with the labor market.

Antipoverty programs may create “benefit cliffs” and high implicit marginal tax rates which could deter work. Oren Cass of the Manhattan Institute has discussed the importance of maintaining an “income gap” between what can be earned through work and can be gained through public benefits.⁸ We should always make sure that full-time employment pays more than non-work supported by government

⁷Bruce Meyer and James Sullivan, “Consumption and Income Poverty over the Business Cycle,” *NBER* working paper No. 16751 (2011), <http://www.nber.org/papers/w16751>.

⁸Oren Cass, “The Height of the Net,” *National Review*, October 14, 2013, <https://www.nationalreview.com/nrd/articles/359589/height-net>.

assistance, so that Americans are incentivized to reconnect to the labor market. Unfortunately, that gap appears to be shrinking. Full-time, year-round young workers (25-34 years old) with just a high school diploma earned 11.3 percent less in 2013 they did in 2000 in inflation-adjusted annual income.⁹

Similarly, Casey Mulligan at the University of Chicago has documented the changes in assistance programs that have made it easier for benefits to replace work. In a 2011 paper, Mulligan found that before the recession began, the combination of unemployment insurance and other transfer programs on average replaced less than 13 percent of a prime-aged unemployed worker's earnings. By 2009, his estimate of the "average replacement rate" had doubled to 26 percent.¹⁰ I am not an economist, but in my experience as a practitioner, I could see on the ground that our assistance programs were too often replacing work, rather than supporting it. We must pay more attention to the ways the status quo is discouraging work.

I have found that antipoverty programs too often get in the way of poor Americans increasing their work effort. Penalties to increased work effort, such as "benefit cliffs" and high implicit marginal tax rates, are not just hypothetical. A 2007 study by Steve Holt and Jennifer Romich that used actual tax and administrative data in Wisconsin found that more than a quarter of single-parent families between 100% of the poverty line and 250% of the poverty line faced an implicit marginal tax rate of over 50%.¹¹ In my experience, child care subsidies are especially disjointed and prone to large benefit cliffs that need to be mitigated.

Policymakers must find ways to better coordinate programs so that these drop-offs in benefits are more rational and don't interfere with low-income Americans accepting a raise or working more hours. This challenge in social policy may be impossible to tackle using different federal programs, with different rules and authority structures. Coordination problems may be easier to mitigate if states and localities were given greater authority to structure the right approach for those in need. This is a major reason why, in the long-run, Congress should move in the direction of the Opportunity Grant proposed by Chairman Ryan or the Flex Fund proposal from Senator Rubio, which would merge uncoordinated programs into one funding stream.

III. Another reason low-income families are struggling is the breakdown of the two-parent family.

The other major reason too many Americans are living in poverty and not enough are moving up is the breakdown of the two-parent family. As seen in Figure 4, the percentage of births to unmarried women has risen substantially over the past few decades. As of 2013, 40.6 percent of births were to unmarried

⁹National Center for Education Statistics, "Digest of Education Statistics," (2014), http://nces.ed.gov/programs/digest/d14/tables/dt14_502.30.asp. (Table 502.30).

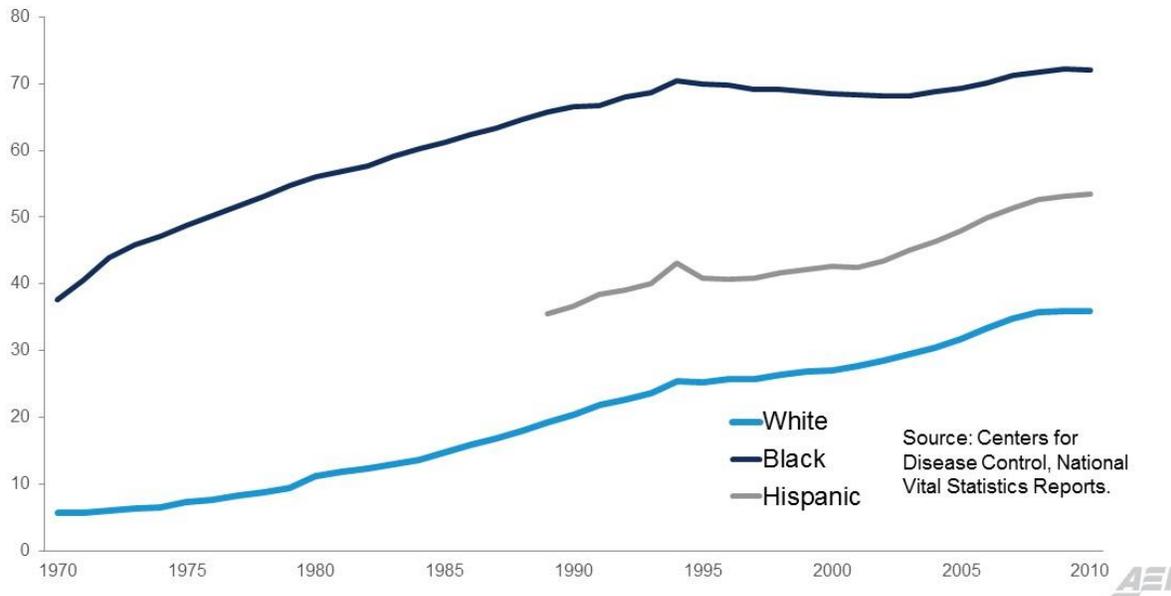
¹⁰Casey Mulligan, "Means-Tested Subsidies and Economic Performance Since 2007," *NBER* working paper No. 17445 (2011), <http://www.nber.org/papers/w17445.pdf>.

¹¹Stephen D. Holt and Jennifer L. Romich, "Marginal Tax Rates Facing Low- and Moderate-Income Workers Who Participate in Means-Tested Transfer Programs," *National Tax Journal* 60 (2007), <http://www.ntanet.org/NTJ/60/2/ntj-v60n02p253-76-marginal-tax-rates-facing.pdf>.

women, and 71 percent of births to black women were to unmarried mothers.¹² This is particularly discouraging because we know that the married, two-parent family is one of the best weapons we have in the fight against poverty. The poverty rate for single mother-led families in 2014 was almost *five times* the poverty rate for married-couple families (30.6 and 6.2 percent).¹³

Figure 4

Percentage of Births to Unmarried Women, 1970-2010



Moreover, growing up with two engaged and consistent parents providing stability is key for helping poor children experience upward mobility. A child is better prepared for life, on average, coming from a household with two sets of hands to teach, help, provide, and love. This fact materializes in economic outcomes. An analysis by Richard Reeves of the Brookings Institution compared economic mobility by income quintile of origin and found substantial differences between children coming from married and unmarried parent families. For children coming from households where their parents were married throughout their childhood, four out of five rose out of the bottom quintile as adults. In contrast, children raised by a single parent in the bottom quintile had a 50 percent chance of staying there and only a 5 percent chance of reaching the top quintile.¹⁴

¹²Joyce Martin, Brady Hamilton, Michelle Osterman, Sally Curtin, and T.J. Matthews, "Births: Final Data for 2013," *National Vital Statistics Reports* 64 (2015), http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_01.pdf.

¹³Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2014," US Census Bureau (September 2015), <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf>. (Table 4).

¹⁴Richard V. Reeves and Joanna Venator, "Saving Horatio Alger: The Data Behind the Words (and the Lego Bricks)," Brookings Social Mobility Memos (2014), <http://www.brookings.edu/blogs/social-mobility-memos/posts/2014/08/21-data-behind-saving-horatio-alger-reeves>.

One of the foremost scholars studying how what happens at home impacts the economy is Brad Wilcox, a sociologist at the University of Virginia and my colleague at the American Enterprise Institute. Wilcox's most recent study, coauthored with economists Robert Lerman and Joseph Price, found that, even after controlling for a host of relevant factors, states that had a higher share of married families had more economic growth, higher rates of upward mobility, and less child poverty.¹⁵ This finding is consistent with Raj Chetty's finding that the strongest predictor of upward mobility is the extent to which children grow up in neighborhoods with fewer single parent families.¹⁶

But what can be done to change the culture around family and marriage? Government can only make an impact around the margins; civil society must take the lead. But policymakers could help by eliminating marriage penalties in benefit programs and by improving the economic position of low-skilled males. And most importantly, leaders need to talk honestly and clearly about the importance of delaying childbearing until after marriage for the benefit of the children. A public information campaign, like those waged against smoking or teen pregnancy, should be used to communicate this message directly.

IV. Policy Proposals to Reduce Poverty and Increase Self-Sufficiency

The most comprehensive approaches for improving the safety net involve merging funding streams and allowing states to redesign their antipoverty system from one stream of dollars with fewer strings attached. These plans are promising because they can harness state creativity and be designed to mitigate problems that have plagued federal programs, such as benefit cliffs. However, in order to get such a big change right, this model will require years of careful experimentation. In the meantime, we have to work to improve our existing safety net to help those who are hurting under our current system.

Policymakers serious about fighting poverty and expanding opportunity must recognize the flaws in our current safety net and fight to improve each major program with an approach focused on the importance of work.

a. Supplemental Nutrition Assistance Program (SNAP)

The SNAP program, formerly known as Food Stamps, is a valuable program that provides needed assistance in a targeted way. It reduces poverty by 16 percent in one estimation and is particularly effective at combatting deep poverty.¹⁷ And after welfare reform, it also came to be thought of as a critical work support for those who can work. However, this intended work support does not do enough to promote full-time employment.

¹⁵W. Bradford Wilcox, Robert I. Lerman, Joseph Price, "Strong Families, Prosperous States: Do Healthy Families Affect the Wealth of States?" American Enterprise Institute and Institute for Family Studies (2015), <https://www.aei.org/wp-content/uploads/2015/10/IFS-HomeEconReport-2015-FinalWeb.pdf>.

¹⁶Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez, "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *Quarterly Journal of Economics* 129 (2014), http://www.equality-of-opportunity.org/images/mobility_geo.pdf.

¹⁷Laura Tiehan, Dean Jolliffe, and Timothy Smeeding, "The Effect of SNAP on Poverty," *Institute for Research on Poverty* (2013), <http://www.irp.wisc.edu/publications/dps/pdfs/dp141513.pdf>.

While it is true that most of the 45 million people receiving SNAP today cannot work because they are children, seniors, or disabled, an increasing number of working age adults are receiving SNAP and have no earnings. Although official data on employment rates are hard to come by, it appears that the number of working age, non-disabled adult recipients who are not working while receiving SNAP has grown significantly since 2000 and has not returned to prerecession levels. In New York, I was a strong supporter of promoting SNAP as a work support (that is, a government benefit that can support low wages). But as I worked in the program more, I came to believe that SNAP can't be an honest work support if the recipient is not reporting earnings. An analysis by Dottie Rosenbaum of the Center on Budget and Policy Priorities shared with AEI showed that the number of nonelderly, nondisabled adult recipients who report no earnings has risen from 3.1 million in 2000 to 11.3 million in 2013 – a more than tripling of the total.¹⁸ Large numbers of non-working SNAP recipients may have been justifiable during the economic downturn, but six years into a recovery, we should be doing better getting recipients into work.

SNAP should be reformed to help more Americans enter into full-time work in order to reduce poverty and increase opportunity. I have had the honor of serving on the Congressionally-established National Hunger Commission and when we talked with low-income Americans this year, we often heard that SNAP was good at giving out EBT cards, but was not good at helping them get a job. While the ten ongoing state-level SNAP demonstration projects focusing on employment will hopefully identify new evidence-based policies for encouraging work, we know the most effective way to move recipients of all public assistance programs, including SNAP, into employment is a clear expectation of work. The federal government should encourage states to refer all able-bodied, adult clients who are not on TANF to an employment program, and states should be given freedom to experiment with new ways to use their SNAP Employment and Training funding.

b. Temporary Assistance to Needy Families (TANF)

After welfare reform of 1996 created TANF, cash welfare has been a much more effective program in combatting poverty and helping individuals move from dependency to self-sufficiency than under the Aid for Families with Dependent Children (AFDC) system. Many politicians and scholars thought welfare reform would be a disaster, but the poverty rate among single mothers and their children fell from 44 percent in 1994 to 33 percent in 2000 – a decline of 25 percent.¹⁹ While this number has risen to 39.8 percent since, it is still lower than at its pre-welfare reform peak.²⁰

The work-first approach of TANF was central to the poverty reductions of the 1990s. However, after twenty years, there is a need for improvements that refocus the program on helping poor Americans find work. For instance, states should be forced to meet a real work participation rate (WPR) that is not subject to state manipulation. “Excess Maintenance of Effort” exemptions allow states to engage fewer recipients in work if the state spends more than is required. And some states provide very small benefits

¹⁸ CBPP Analysis of USDA Quality Control Data.

¹⁹US Census Bureau, Current Population Survey, Annual Social and Economic Supplement, Historical Table 4, <https://www.census.gov/hhes/www/poverty/data/historical/families.html>.

²⁰Ibid.

to workers in order to artificially boost their work engagement numbers. These loopholes should be closed. Strengthening the WPR as a meaningful accountability measure would push states to engage more recipients in work.

Also, incorporating outcome measures that track job placement and retention into state evaluations would keep states focused on what matters most: moving individuals into work. The federal government should also provide for demonstration projects to collect information on new policy ideas and push states towards policies that the evidence shows will get more recipients into work.

While these would be meaningful improvements, policymakers should be especially wary of proposals that would weaken work requirements. For example, eliminating the distinction between work and non-work activities would allow states to move away from a work-first approach and toward education and training approaches that have not been successful. This would be a mistake, as evidence shows that a work-first approach is more successful in increasing employment and earnings and reducing welfare receipt.²¹ Education and training can be helpful and can be used in addition to employment. But employment must remain the first focus.

c. Child Support Enforcement

One effective antipoverty program that emphasizes personal responsibility over government dependency is child support enforcement. The program holds nonresident parents responsible to provide for their children, results in valuable cash payments to single parents, usually mothers, and has been linked to declines in non-marital births.²² Despite the importance of child support payments, in 2011 only 47.7 percent of custodial mothers living in poverty had child support orders, which is down from 56 percent in 2001.²³

An improved child support enforcement program would place greater emphasis on encouraging states to collect from noncustodial parents who are not supporting their children, while also doing a better job of helping the noncustodial parent find work. Part of the recent decline in the number of custodial parents receiving support is the result of decreasing TANF rolls. Single mothers on TANF must identify the noncustodial parent and cooperate in establishing an order of support as a condition of receiving the cash benefit.

As TANF enrollment has declined and enrollment in other assistance programs such as SNAP and Medicaid have increased, fewer single parent recipients of government assistance have been required to seek child support orders to ensure that their children get the support to which they are entitled from

²¹Gayle Hamilton et al, National Evaluation of Welfare-to-Work Strategies, "How Effective are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs." (2001) http://www.mdrc.org/sites/default/files/full_391.pdf.

²²Irwin Garfinkel et al, "The Roles of Child Support Enforcement and Welfare in Non-marital Childbearing," *Journal of Population Economics* (2003), <http://link.springer.com/article/10.1007/s001480100108>.

²³Committee on Ways and Means, Green Book Section 8, Table 8-6. <http://www.gpo.gov/fdsys/pkg/GPO-CPRT-108WPRT108-6/pdf/GPO-CPRT-108WPRT108-6-2-8.pdf>; Carmen Soloman-Fears, "Child Support: An Overview of Census Bureau Data on Recipients," Congressional Research Service (2013).

the absent parent. In the long run, this failure to see that children get the support they need does harm both to the single parent and the child. More of our assistance programs should require some interaction with the child support enforcement program for single parents seeking assistance.

If the child support enforcement program properly seeks responsibility from non-custodial parents, it must also provide them with a clear and realistic path to meet those obligations. An important way to meet this objective is to allow states to use federal child support enforcement funding to establish job-training programs for non-custodial parents, which the Obama administration has pursued. It is unfortunate that the administration pursued this goal through a proposed regulation and bypassed Congress in overturning long-standing policy. The policy goal is sound, though the methods are suspect. Congress should authorize the use of child support funding for evidence-based employment programs.

d. Supplemental Security Income (SSI)

One of the most critical, and worst performing, pieces of our safety net is SSI, a program designed for adults and children with disabilities and limited income, and the poor elderly. SSI has grown rapidly in recent years, almost doubling from 4.8 million recipients in 1990 to 8.4 million today.²⁴ This expansion is troubling because the program falls short in helping children and adults with impairments succeed in school, the workplace, and other important arenas central to American life.

The SSI program for youth with disabilities in particular is failing to foster positive life outcomes for children with disabilities. One-third of youth who receive disability payments as children will no longer qualify for benefits after redetermination at age 18, because eligibility criteria for children are looser than those for adults.²⁵ But evidence suggests that the program does not adequately prepare these youth for transition to adulthood and independence: More than 30 percent of SSI youth drop out of high school, and by age 19, about half have been arrested at least once.²⁶ Misperceptions and perverse incentives litter the program: parents and children may fear losing benefits tied to their child's disability,

²⁴Social Security Administration, "Monthly Statistical Snapshot, September 2015," https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/; Social Security Administration "Annual Statistical Supplement to the Social Security Bulletin, 2012," (2013), <https://www.ssa.gov/policy/docs/statcomps/supplement/2012/supplement12.pdf> (Table 7.A3).

²⁵Jeffrey Hemmeter et al, "Changing Circumstances: Experiences of Child SSI Recipients Before and After their Age-18 Redetermination for Adult Benefits," *Journal of Vocational Rehabilitation* (2009), <http://www.mathematica-mpr.com/~media/publications/PDFs/Disability/changingcircumstances.pdf>.

²⁶Ibid.

and they often lack information about how their benefit will change if they work.²⁷ In response, only 2,300 child SSI recipients age 14 or older report any countable earnings (0.4 percent).²⁸

Things aren't much better for adults, many of whom have been in the SSI program since childhood. SSI adults often have lengthy stays on the rolls with little earnings or hope of moving up. In 2013, only 5.9 percent of the working-age blind and disabled SSI recipients worked.²⁹

These low work rates are discouraging because the disabled are just as likely as their able-bodied peers to want a job.³⁰ There is also some evidence that many recipients could engage in the labor market more. An analysis of Social Security administrative data from Eric French and Jae Song found that if there was no option for further appeals, those denied SSI or SSDI benefits would raise their labor force participation by 35 percentage points.³¹ A program that better serves those with disabilities would encourage work for those that have capacity for it. That is what people with disabilities want and what our society should aspire to.

For the children's program, work could be made less burdensome by not requiring youth to report earnings. Very few currently work, and any experience such youth can accrue in the labor market will serve them well later in life. Children receiving SSI benefits who are identified as being likely to leave the program upon redetermination should also be required, with the help of an SSA counselor, to develop and follow a transition plan before turning 18, with an emphasis on successfully completing secondary education. And we should consider extending the Earned Income Tax Credit to transition-age youth leaving the program in order to encourage work.

For the adult program, Congress should consider ways to have the Social Security Administration perform more regular, periodic reviews of recipients to ensure that work-capable adults are encouraged to maximize their work capacity. We should also be concerned about inflows of new recipients who are able to work, and who may work less once they join the program. This requires taking a careful look at the appeals process and medical evaluations to see if there are reforms that would not deny support for

²⁷Richard Burkhauser and Mary Daly, "Testing Education Tools to Demonstrate Returns to Work for Children Aging Out of the SSI-Disabled Children Program," Social Security Administration Working Paper (2011), http://www.rand.org/content/dam/rand/pubs/working_papers/2011/RAND_WR896.pdf. For anecdotal evidence, see: Patricia Wen, "Cruel dilemma over SSI for those on the cusp of adult life," *Boston Globe*, December 14, 2010, <http://www.bostonglobe.com/metro/2010/12/14/cruel-dilemma-over-ssi-for-those-cusp-adult-life/UvdLXUskjQQ8dmG3YTFEJK/story.html>.

²⁸AEI Calculation from 2013 SSI Annual Report. Number of children working comes from Table 23, by combining the number of children with only earned income and both earned income and unearned income. It's assumed that all of the children working are age 14 or older. http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2013/sect04.html#table28.

²⁹ U.S. Social Security Administration, SSI Annual Statistical Report 2013, Table 43, http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2013/sect07.html.

³⁰Mohammad Ali, Lisa Schur, and Peter Blanck, "What Types of Jobs Do People with Disabilities Want?" *Journal of Occupational Rehabilitation* 21(2) (2011). <http://link.springer.com/article/10.1007/s10926-010-9266-0#page-2>.

³¹Eric French and Jae Song, "The Effect of Disability Insurance Receipt on Labor Supply: A Dynamic Analysis," Working Paper, Federal Reserve Bank of Chicago, No. 2012-12 (2012), <http://www.econstor.eu/bitstream/10419/70595/1/731430174.pdf>.

those whose impairments prevent work, but also push those capable of work to participate in the labor force.

e. Earned Income Tax Credit (EITC)

The Earned Income Tax Credit is one of our nation's most effective anti-poverty programs. It provides substantial benefits to low-income Americans who work, and research shows that the program successfully encourages work and reduces poverty. One new study finds that a \$1000 increase in the EITC leads to a 7.3 percentage point increase in employment and a reduction in the after-tax poverty rate by 9.4 percentage points among single women with children.³² These twin successes have understandably led to calls to increase the credit for workers without dependent children, who currently get very little from the EITC. Young men in particular have struggled in the labor market over the last decade, and enhancing the credit for these workers could encourage more of them to work and increase their earnings.

Such proposals should be supported, but only if we also fix the EITC's main problem: its high rate of improper payments. A recent GAO report found that a shocking 27.2% of outlays were erroneous (\$17.7 billion).³³ Before expanding the program, it must be reformed to lower the mispayment rate. These public dollars can be put to better use, and a program that exercises such poor stewardship of taxpayer dollars undermines public support for the safety net. To increase compliance, some have proposed forcing self-preparers to answer the same eligibility questions as paid preparers. Others would shift the program out of the income tax system and integrate it with the payroll tax instead. Continued and focused study on how to solve this problem should be a priority.

V. Conclusion

From my experience administering antipoverty programs in New York and fighting to reduce poverty, I learned four lessons that policymakers should keep in mind when trying to improve the safety net:

1. Require work as a condition of assistance;
2. Reward work with government supports that help low-wages go further;
3. Talk honestly about the importance of family in avoiding poverty;
4. Promote economic growth that creates jobs.

This testimony has documented how many of our antipoverty programs have lost sight of these principles, and have left more Americans in poverty as a result. I have also offered specific policy proposals based on these ideas. Of course, there is more to be done than detailed here. For instance, Medicaid, our nation's health care program for the poor, has rampant cost growth that is clearly

³²Hilary Hoynes and Ankur Patel, "Effective Policy for Reducing Inequality? The Earned Income Tax Credit and the Distribution of Income," *NBER* (July 2015), <http://www.nber.org/papers/w21340.pdf>.

³³Daniel Bertoni and Beryl Davis, "Improper Payments," Government Accountability Office Testimony Before the Committee on Homeland Security and Governmental Affairs, U.S. Senate (March 16, 2015), <http://www.gao.gov/assets/670/669026.pdf>.

crowding out other ways we could help the poor, and provides unsatisfactory health care outcomes.³⁴ But any plan of action for reducing poverty, increasing self-sufficiency, and promoting upward mobility requires a renewed emphasis on work and two-parent families.

³⁴ Katherine Baicker et al, "The Oregon Experiment – Effects of Medicaid on Clinical Outcomes," *New England Journal of Medicine* 368 (2013), <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3701298/>.