



THE WAR ON WORK

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In 1965, President Lyndon Johnson famously declared a War on Poverty. Half a century later, the poverty rate, the percentage of people the government declares to be living in poverty, has barely changed. Why? Are we not spending enough money?

The federal government funds 126 separate anti-poverty programs. Seventy-two of these provide benefits either directly or indirectly to individuals. The cost? \$680 billion in 2013. Add in state and local government spending on poverty programs, another \$280 billion, and the total comes to nearly \$1 trillion. That's for one year.

If just spending money was the solution, our poverty problem should be solved. But clearly it's not. We need a better answer. And that answer, upon a few moments of reflection, should be obvious. Work.

Only 2.5% of Americans working full time are, by government standards, considered poor. Given, then, that work is the road out of poverty, shouldn't we be doing everything we can to encourage people to get on that road? Of course, we should.

Unfortunately, however, we are doing just the opposite. Our welfare benefits are frequently so generous that they discourage people from working. We have created, perhaps with the best of intentions, what economists call a perverse incentive - in this case, against work. This is not to suggest that poor people are lazy. Most certainly aren't. But they also aren't stupid.

In a recent study for the Cato Institute, we looked at what a typical family on welfare could receive in benefits and compared that to what that recipient would need to earn in wages to maintain the same income. Our study looked at a typical welfare family with two children under the age of five. We assumed that this family receives benefits from the 7 most common welfare programs: Temporary Assistance for Needy Families (TANF) - a straight cash program, Medicaid, Food Stamps, Women Infants and Children nutrition program or WIC, public housing vouchers, utilities assistance, and the Commodity Supplemental Food Program or CSFP which provides staples such as cheese, milk, canned vegetables and other basic dietary items.

Of course, not every welfare recipient gets all these benefits, but some get benefits from even more programs. With 72 programs involved, there is a buffet of options. For example, if our hypothetical family had children older than 5, they wouldn't receive benefits from the Women Infants and Children program, WIC. Instead, they would get free school breakfasts and lunches. Our study found that the value of these benefits vary from a low of \$16,984 in Mississippi to an astonishing high of \$49,175 in Hawaii.

And keep this in mind: welfare benefits are not taxed, while wages are. That means that in many states welfare recipients would have to earn even more by working than they receive in benefits for not working in order to come out even.

In fact, taking taxes into account, in 33 states a welfare recipient would receive more income through benefits than a worker could from working full time at a minimum wage job. In 13 states a mother on welfare with two children would receive more in benefits than by earning \$15 per hour at a job. And, in the 8 most generous states, she could get more in benefits than by working at a \$25 per hour job. And that's without having to get to a place of business at a specific time, having to work eight hours, or deal with a boss and fellow employees.

But don't people who receive many of these benefits have to be working in some capacity or at least actively searching for work? Not really. In 2009, work requirements, the centerpiece of the Republican Congress/Clinton Administration Welfare Reform Bill of 1996, were severely eroded. Nationwide, fewer than 42 percent of recipients are participating in what are called, "work activities." In some states, such as Missouri and Massachusetts, fewer than one out of five welfare recipients are "working." And that uses a very broad definition of "work activity."

Going to college can be considered work. Job training can be considered work. Even just looking for work can be considered work. Yet, less than half of welfare recipients meet even these definitions.

Many poor people are making what would seem to be a rational economic decision by not working. It's pretty simple: If welfare pays better than work, why choose to work? But in the long run that tempting choice is a bad one - because it will end up keeping those in the welfare system trapped in poverty. Only working for wages -- even minimum wages - (or marrying someone who works) puts you on a path out of poverty.

If we are serious about reducing welfare dependency and helping Americans climb out of poverty, we need to establish a clear policy preference for work over welfare. But our current welfare benefits are so generous that not working too often seems like a better deal. It is no wonder, then, that even after 50 years of trying, we are still losing the War on Poverty.

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