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## Commentary

# Cato Gets It *Very* Wrong: The Safety Net Supports, Rather Than Discourages, Work

By Sharon Parrott and LaDonna Pavetti

In a new version of its report from 1995, the Cato Institute claims, “[t]he current welfare system provides such a high level of benefits that it acts as a disincentive for work.” Cato’s analysis has several fatal flaws, rendering its conclusions meaningless.

The report lumps together a set of safety net programs — including Temporary Assistance for Needy Families (TANF) cash assistance, SNAP (formerly food stamps), Medicaid, housing assistance, and WIC (a nutrition program for pregnant and postpartum women, infants, and young children) — under “welfare.” Cato assumes — incorrectly — that (1) all poor families in which the parents aren’t working receive *all* of these benefits and, (2) if a parent works, the family does not receive *any* forms of assistance for which it would qualify except refundable tax credits.

That’s how it can justify the claim that “[t]he current welfare system... acts as a disincentive for work.” Quite the contrary, however, these programs provide important supports for working families.

Here, specifically, are some of the ways that Cato gets it wrong:

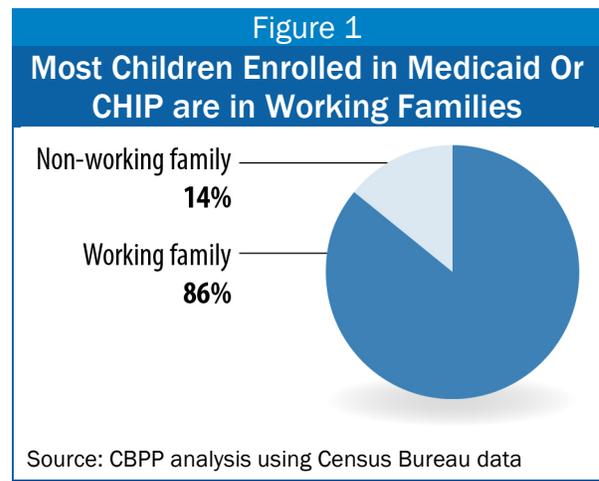
**Cato ignores the fact that low-income working families are eligible for, and receive, assistance through programs such as SNAP, Medicaid, housing assistance, and WIC.** When considering the assistance that low-income *working* families receive, Cato assumes they receive *none* of these benefits and only get help from the Earned Income Tax Credit (EITC) and Child Tax Credit.

In fact, large numbers of low-income working families receive assistance through these programs — and fewer jobless families receive these benefits than Cato assumes:

- In 2011, 86 percent of low-income children receiving health coverage through Medicaid or the Children’s Health Insurance Program (CHIP) were in *working* families (see chart). (Although, in many states today, low-income working *parents* often are ineligible for Medicaid or other forms

of health coverage even if their earnings are less than the poverty line, that won't be true any longer in states that adopt the Medicaid expansion under health reform.)

- More than half of able-bodied adults in households with children receiving SNAP work while receiving assistance, and some 87 percent worked in the prior year or will work in the subsequent year.<sup>1</sup>
- Cato assumes that jobless families that receive TANF also receive SNAP, but that working families do not. In fact, just 16 percent of SNAP households with children received TANF in 2011.<sup>2</sup>
- Similarly, CATO assumes that jobless families that received TANF also receive WIC, but that working families do not. In fact, in 2010, just 8 percent of WIC participants received TANF.<sup>3</sup>
- While only a small share of TANF recipients receives housing assistance — less than 16 percent, according to Cato's own data — those who do receive it remain eligible if they get a job unless the job pays substantially more than most former welfare recipients earn. Cato counts housing assistance for families that are not working but assumes that they lose this entire benefit if they find a job.



Cato explains that it disregards benefits such as SNAP and Medicaid that are available to working families because the share of eligible low-income working families who participate in these programs is lower than the share of jobless families receiving these benefits. While that's true to some degree, many of these families *do* receive assistance through SNAP and Medicaid. While more could be done to make these supports more accessible to working families, over the past 15 years, policies and procedures have changed to reduce access barriers.

The federal Agriculture Department estimates that 65 percent of people in all working poor households eligible for SNAP benefits received them in 2010.<sup>4</sup> (Moreover, while precise figures are not available, the participation rate among working households *with children* — who qualify for larger

<sup>1</sup> Dottie Rosenbaum, "The Facts on SNAP, Part 2: SNAP Supports Work," *Off the Charts*, Center on Budget and Policy Priorities, May 9, 2013, <http://www.offthechartsblog.org/the-facts-on-snap-part-2-snap-supports-work/>.

<sup>2</sup> Mark Strayer, Esa Eslami, and Joshua Leftin, "Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2011," United States Department of Agriculture, November 2012, <http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/2011Characteristics.pdf>.

<sup>3</sup> Patty Connor, Susan Bartlett, Michele Mendelson, Kelly Lawrence, Katerine Wen, et al., "WIC Participant and Program Characteristics 2010," United States Department of Agriculture, December 2011, <http://www.fns.usda.gov/Ora/menu/Published/WIC/FILES/WICPC2010.pdf>.

<sup>4</sup> Karen E. Cunningham, "Reaching Those In Need: State Supplemental Nutrition Assistance Participation Rates in 2010," United States Department of Agriculture, December 2012, <http://www.fns.usda.gov/ora/menu/Published/snap/FILES/Participation/Reaching2010.pdf>.

benefits — would be higher.) Similarly, Census data show that Medicaid or CHIP cover about 70 percent of children in working poor families that do not receive TANF.

The share of working families that participate in SNAP and Medicaid is *far higher* than the share of jobless families that receive TANF or housing assistance, which Cato assumes are readily available.

**When adding up the benefits that jobless families receive, Cato assumes that these families all receive TANF, housing assistance, and WIC despite the fact that very few such families would receive all of these benefits.** Consider TANF. Due to changes that states made in their welfare programs after the 1996 federal welfare law was enacted, very few families receive TANF cash assistance and those that do often work or participate in employment programs and are subject to time limits on their receipt of assistance.

Nationally, for every 100 families in poverty, just 27 families receive TANF cash assistance.<sup>5</sup> In eight states, fewer than ten of every 100 families in poverty receive TANF. In most states, families must have incomes well below the poverty line to receive TANF. Even among those families with incomes low enough to meet their state's eligibility criteria, just one-third receive assistance, according to the federal Department of Health and Human Services.<sup>6</sup>

Nor do families typically receive TANF for very long. In fiscal year 2010, 14 years after the advent of time limits, 60 percent of adults receiving TANF had accumulated 24 months or less on their 60-month lifetime limit.<sup>7</sup>

Cato's report doesn't just overstate TANF's availability. Cato's own data show that just 16 percent of families receiving TANF also receive housing assistance. Yet, Cato assumes that in most states families have ready access to both types of assistance.

Cato also assumes that jobless families receive WIC for two children. While many jobless families may receive WIC at some point, it is not a long-term support. WIC is only available to low-income pregnant women, postpartum and breastfeeding women, infants, and children under the age of 5. In 2010, fewer than one in four individuals (adults and children) receiving TANF also received WIC.

**Cato ignores large changes to the nation's safety net.** Policymakers have changed the safety net substantially over the past three decades, as we explained recently. Contrary to Cato's assertions, these programs now do much more to promote work and support low-income working families — and *much less* to help poor families in which parents are out of work (leading to rising numbers of very poor children).<sup>8</sup>

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<sup>5</sup> LaDonna Pavetti, Ife Finch, and Liz Schott, "TANF Emerging from the Downturn a Weaker Safety Net," Center on Budget and Policy Priorities, March 1, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3915>.

<sup>6</sup> "Indicators of Welfare Dependence: Twelfth Report to Congress," US Department of Health and Human Services, <http://aspe.hhs.gov/hsp/13/Indicators/rpt.pdf>.

<sup>7</sup> "TANF Ninth Report to Congress," US Department of Health and Human Services, <http://www.acf.hhs.gov/sites/default/files/ofa/ar9appendix.pdf>.

<sup>8</sup> Arloc Sherman, "The Safety Net: Supporting Working Families and Promoting Work," *Off the Charts*, Center on Budget and Policy Priorities, July 31, 2013, <http://www.offthechartsblog.org/the-safety-net-supporting-working-families-and-promoting-work/>; Danilo Trisi, "New Research Shows SNAP, Facing Big Cuts in the House, Reduces

**Cato's various errors create a misleading portrayal of the trade-off between work and welfare receipt.** Cato wrongly assumes that a non-working family can count on TANF and housing assistance. Cato also wrongly assumes that a family that leaves welfare for work does not receive Medicaid and SNAP and would lose housing assistance if the family had received it previously.

To be sure, many working families struggle because their earnings are low and the assistance they receive often isn't enough to make ends meet, particularly if they have significant child care or transportation costs. But Cato doesn't propose policy steps that would help these families work and care for their children — instead prescribing policies that would deepen poverty for many already poor children.

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Extreme Poverty," *Off the Charts*, Center on Budget and Policy Priorities, June 17, 2013, <http://www.offthechartsblog.org/new-research-shows-snap-facing-big-cuts-in-the-house-reduces-extreme-poverty/>.