



Select Committee on Economic Disparity and Fairness in Growth
U.S. House of Representatives

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Memorandum

To: Members, Select Committee on Economic Disparity and Fairness in Growth
From: Select Committee Majority Staff
Subject: July 28, 2022, Select Committee Hearing entitled, **“Building a Modern Economic Foundation: Economic Security and Income Support for 21st Century America”**

The Select Committee on Economic Disparity and Fairness in Growth will hold a hybrid hearing entitled “Building a Modern Economic Foundation: Economic Security and Income Support for 21st Century America,” on Thursday, July 28, 2022, at 10 am ET in Room 210 of the Cannon House Office Building. There will be one panel with the following witnesses:

- **Ms. Sharon Parrott**, President, Center on Budget and Policy Priorities (CBPP)
- **The Honorable Marc Morial**, President and CEO, National Urban League
- **Ms. Michele Evermore**, Deputy Director of the Office of Unemployment Insurance Modernization, U.S. Department of Labor
- **Mr. Indivar (“Indi”) Dutta-Gupta**, President and Executive Director, The Center for Law and Social Policy (CLASP)
- **Ms. Heather Reynolds**, Managing Director, Lab for Economic Opportunities, University of Notre Dame

Overview

This hearing will examine the impact and benefits of existing “safety net” programs that serve households based on economic need. Witnesses will discuss where programs generate positive net economic benefits at both household and national levels, and where programs have fallen short of adequately serving intended populations – whether demographically or related to form of need. Witnesses will evaluate how existing programs performed during the “stress test” of the COVID-19 pandemic recession, explain the key lessons learned, and will recommend ways to modernize, revitalize, or reform programs to make them more effective, efficient, and resilient to economic crises in the future.

The Safety Net and Who They Are Meant to Benefit

Social safety net programs address the needs of people in poverty and those experiencing financial insecurity. The official poverty rate in America in 2020 was 11.4%, or 37.2 million Americans, but that is just one snapshot in time: around 70 percent of Americans reporting having benefitted from safety net programs at some point in their lives.¹ Financial insecurity affects even more Americans, with a third of adults are not able to cover a \$400 emergency expense.² These events impact many families, with 20% of adults reporting major and unexpected medical expenses in the prior 12 months (median amount between \$1,000 and \$1,999) and 16% of adults experiencing financial hardship from a severe weather event or

¹ Shrider, Emily A., et al. “[Income and Poverty in the United States.](#)” U.S. Census Bureau. September 14, 2020.

Steinberg, Sarah Ayres. “[The Safety Net is Good Economic Policy.](#)” Center for American Progress. March 31, 2014.

² Federal Reserve Board. “[Survey of Household Economics and Decision-making.](#)” May 23, 2022.

natural disaster in the prior year.³ And these individual figures belie a larger societal cost: Research on the annual aggregate cost of child-poverty to the U.S. is over \$1 trillion, representing 5.4% of U.S. GDP.”⁴

Social safety net programs fall under one of two categories: “social insurance,” triggered by a change in work status related to retirement, disability, death in household, or involuntary employment; or “means-tested” transfers, which individuals and households, who meet certain criteria, can qualify for when income falls below a certain threshold.⁵ These programs are intended to provide benefits to people experiencing economic hardship, which manifest as low consumption, low standards of living, and food insecurity — particularly for families with children. A recent analysis finds that consumption volatility is highest for low-income workers and their families,⁶ and another shows this results in food insecurity, not just lower consumption of non-necessity goods.⁷

The U.S. social safety net is comprised of programs administered by state, local, and federal agencies that annually assist millions of Americans based on economic need.⁸ This hearing will focus on the cash and near-cash social safety net programs serving non-elderly, non-disabled, low-income people and households. Programs provide benefits for nutrition assistance (Supplemental Nutrition Assistance Program (SNAP)), shelter assistance (Public Housing, Section 8 Housing Choice Vouchers, Section 8 Project Based Rental Assistance), cash assistance (Temporary Assistance for Needy Families (TANF)), and unemployment benefits through the unemployment insurance (UI) system. The Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) programs are also important parts of the U.S. safety net that provide economic support for low- and middle-income families during periods of individual and macroeconomic hardship.⁹ This memorandum will use the phrase “economic security programs” when referring to the suite of U.S. social safety net programs.

Overview of Economic Security Programs: Reach, Participation, and Funding

Each economic security program receives billions in funding annually, with divergent reach (number of beneficiaries) and participation rates. The largest programs in terms of cost and reach tend to be the near-cash medical and food assistance programs, and the refundable tax credits.¹⁰ These programs are designed to primarily support low-income, working-age households with children over other types of individuals or households. This means that among the programs considered in this hearing, SNAP, CTC, and the EITC benefit the largest number of people (in 2017, an estimated 52 million, 50 million, and 48 million, respectively), and have the biggest impacts on poverty reduction. While other assistance programs such as TANF and housing subsidies are more sharply targeted to households who fall *below* the poverty threshold, they are much smaller in cost and overall impact on poverty reduction and serve a smaller number of people (4 million and 10 million, respectively).¹¹

³ Ibid.

⁴ McLaughlin, Michael and Rank, Mark. “[Estimating the Cost of Childhood Poverty in the United States](#).” March 30, 2018.

⁵ Moffitt, Robert A. and Ziliak, James P. “[COVID-19 and the U.S. Safety Net](#),” 2020.

⁶ Fisher, Jonathan and Hardy, Bradley. “[Consumption volatility across the U.S. income distribution is highest among low-income workers and their families](#).” Washington Center for Equitable Growth. February 3, 2022.

⁷ Rubinton, Hannah and Isaacson, Maggie. “[How Income Volatility Affects Food Volatility](#).” July 27, 2021.

⁸ King, Michael D. “[New Interactive Data Tool Shows Characteristics of Those Who Receive Assistance From Government Programs](#).” United States Census Bureau. May 24, 2022.

⁹ Kearney, Melissa S. “[Six Reasons Why An Expanded Child Tax Credit or Child Allowance Should Be Part of the U.S. Safety Net](#).” Brookings Institution. October 12, 2021.

¹⁰ Congressional Research Service. “[Need-Tested Benefits: Who Receives Assistance?](#)” CRS Report R46823, June 30, 2021.

¹¹ Ibid.

Table 1: Overview of Economic Security Programs covered in this memo and hearing.

Program	Description and Administration	Funding FY2019 ¹²	Funding FY2020 ¹³
EITC	The EITC is a benefit for low- to moderate-income workers. Eligibility for the tax credit is based on various factors including family size, filing status, and income. When the EITC exceeds the amount of taxes owed, it results in a tax refund for those who claim and qualify for the credit.	\$59.21 billion	\$57.6 billion
CTC	The CTC is a tax benefit of up to \$2,000 granted to American taxpayers for each qualifying dependent child. If the taxpayer’s tax liability is less than the value of their child tax credit, they may be eligible for a refundable credit. Designed to help taxpayers support their families, this credit was greatly expanded for 2021 by the American Rescue Plan Act of 2021.	\$28.9 billion	\$27.8 billion
SNAP	SNAP is the largest federal nutrition assistance program, designed primarily to increase the food purchasing power of eligible low-income households. SNAP is administered by the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service, which is periodically reauthorized by the farm bill omnibus legislation.	\$59.9 billion	\$78.97 billion
TANF	TANF provides grant funds to states and territories to provide families with financial assistance and support services. State-administered programs may include childcare assistance, job preparation, and work assistance. TANF is administered through the U.S. Department of Health and Human Services (DHHS).	\$5.4 billion	\$5.4 billion
Unemployment Insurance	Created in 1935 through the U.S. Department of Labor (U.S. DOL), but run by the states, Unemployment Insurance system (UI) is a form of social insurance where taxes, collected from employers, are paid into the system on behalf of working people to provide them with income support if they lose their jobs. The basic program in most states provides up to 26 weeks of benefits to unemployed workers, with states providing most of the funding of actual benefits while the federal government pays the administrative costs.	\$26 billion ¹⁴	\$27 billion ¹⁵
Section 8 Project-Based Rental Assistance	The Section 8 Project-Based Rental Assistance Program, through the U.S. Department of Housing and Urban Development (U.S. HUD), provides rental assistance to low-income families in privately owned and managed rental units. The subsidy stays with the building, rather than with renters themselves. This program helps people avoid various types of housing instability.	\$11.96 billion	\$13.5 billion
Public Housing	Public housing was established by the U.S. HUD to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single-family houses to high rise apartments for elderly families. There are approximately 1.2 million households living in public housing units, managed by some 3300 public housing agencies.	\$7.7 billion	\$7.7 billion
Section 8 Housing Choice Voucher Program	The housing choice voucher program is the federal government’s major program for assisting very low-income families, the elderly, and the disabled to afford decent safe, and sanitary housing in the private market. Section 8 Housing Choice Vouchers are administered locally by public housing agencies, which receive federal funds by the U.S. HUD to administer the voucher program.	\$22.6 billion	\$25.2 billion

These programs reduce poverty for millions of low-income eligible recipients annually, but a wide gap exists between the number of eligible Americans and actual participation rates. In 2018, the Department of Health and Human Services (HHS) found that one out of every five people in the U.S. – 64.4 million people – were eligible for SNAP benefits, yet benefits reached only 40.9 million people – a 63.4%

¹² Landers, Patrick A. et al. “[Federal Spending on Benefits and Services for People with Low Income: FY2008-FY2020.](#)” December 8, 2021.

¹³ Ibid.

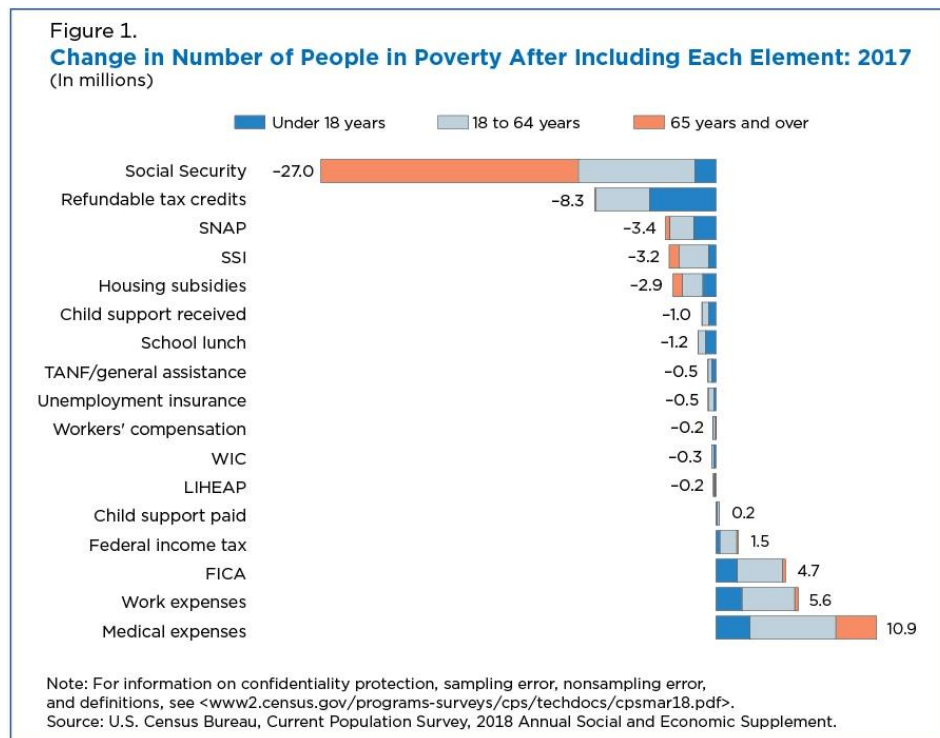
¹⁴ U.S. Department of Labor. “[Unemployment Insurance Program – Outlook President’s Budget.](#)” 2020.

¹⁵ Ibid.

participation rate.¹⁶ Similarly, the EITC had one of the highest participation rates among all economic security programs, with the IRS reporting 78% participation among qualified households in recent years.¹⁷ On the other hand, in 2018, over 10 million people were eligible for TANF benefits, but only 2.8 million individuals (2 million of whom were children) received a cash benefit – a participation rate of 28%.¹⁸ Likewise, federal rental assistance programs (Section 8 rental assistance and public housing), benefitted 11 million people out of 51 million eligible – a 22% participation rate.¹⁹

Funding for these programs have also varied over time. In 2015, Robert Greenstein testified before Congress on the decline in federal spending on economic security programs since the Great Recession. Outside of health care, total spending for programs focused on low- and middle-income people peaked at 2.9% of GDP in 2010, but has since declined.²⁰ In 2015, total spending stood at 2.3% of GDP, and projections at that time put 2020 spending at 1.9% of GDP. When looking at spending on these programs as a share of the federal budget, expenditures for low-income programs peaked at 13% in 2010 but were slated to fall to 10.4% of the budget in 2020, and 9% in 2025 – well below the average of 11.2% over the last 40 years.²¹ This decline in federal spending coincided with declines in poverty as the U.S. recovered from the Great Recession. However, more research is needed to evaluate the longer-term consequences of reduced spending on economic security programs and whether and to what extent funding reductions cause high poverty rates to persist.

Poverty Alleviation Across Individual Economic Security Programs



22

¹⁶ Macartney, Suzanna and Ghertner, Robin. DHHS: “Participation in the U.S. Social Safety Net: Coverage of Low-Income Families.” 2018.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Greenstein, Robert. “Examining the Safety Net.” November 3, 2015.

²¹ Ibid.

²² Fox, Liana and Mykta, Laryssa. “Supplemental Poverty Measure Shows Who Benefits From Government Programs.” United States Census Bureau. September 12, 2018.

Refundable tax credits serve as important economic security programs during recessionary and non-recessionary times. IRS data show 25 million families received EITC benefits in 2018,²³ lifting 5.6 million people out of poverty (including 3 million children).²⁴ Moreover, the EITC lessened poverty for another 16.5 million people, including 6.1 million children.²⁵ As previously stated, the CTC benefitted 50 million people individually in 2017,²⁶ lifting approximately 4.3 million people out of poverty (including 2.3 million children), and alleviated poverty for an additional 12 million people (including 5.8 million children).²⁷ The American Rescue Plan Act (ARPA) expanded both programs until the end of 2021,²⁸ and advocates have sought to introduce legislation to make expansions permanent.

Among all programs, SNAP has one of the largest antipoverty impacts for low-income working families, older adults, and people living with disabilities on fixed incomes. Over two-thirds of SNAP participants are families with children, with the rest comprised of households with older adults or people living with disabilities.²⁹ CBPP finds that “92 percent of SNAP benefits go to households with incomes at or below the poverty line, and 54 percent go to households at or below half of the poverty line,” and add that when correcting for underreporting, “SNAP kept nearly 8 million people above the poverty line annually before the pandemic,” making SNAP a powerful antipoverty tool meriting expansion in non-recessionary times.

UI played a critical role alleviating poverty during the COVID-19 pandemic.³⁰ CBPP finds that around 5 million more people would have fallen into poverty in 2020, and potentially another 6 million in 2021, without expansions provided through pandemic relief programs.³¹ Close to 46 million individuals received UI benefits in 2020, with notable poverty reductions among Black individuals – who experienced “declines of 2.5 percentage points, compared with 1.4 percentage points for the population overall.”³² Significant coverage gaps remain for workers in non-traditional forms of employment (gig work, part-time, and low-wage occupations).³³

In FY2019 and FY2020, \$5.4 billion in TANF benefits were distributed to states, helping 1.06 million families in 2020. However, research shows that TANF’s design allows its funds to be used by states for reasons outside of cash assistance, which has led to states shifting dollars away from aiding its intended recipients.³⁴ Since its enactment, TANF’s “national caseload has declined by 76 percent because the program reaches so many fewer families than the AFDC program did.” Another statistic shows that 68 out of 100 families received TANF benefits in 1996 compared to just 21 out of 100 families in 2020, with 2.38 million families missing out on benefits.³⁵

Federal rental assistance serves as a critical economic security program by limiting costs so families can allocate resources towards food, medicine, and other basic expenses. CBPP finds three major programs — Housing Choice Vouchers, Section 8 Project-Based Rental Assistance, and Public Housing — assist about 84 percent of the households receiving federal rental assistance.³⁶ Although rental assistance makes housing affordable for over 10 million people – including 4 million children – 3 in 4 eligible renters did

²³ IRS: “[Statistics for Tax Returns with Earned Income Tax Credit \(EITC\)](#).” 2020.

²⁴ CBPP: “[Policy Basics: The Earned Income Tax Credit](#).” December 10, 2019.

²⁵ Ibid.

²⁶ Congressional Research Service: “[Need-Tested Benefits: Who Receives Assistance?](#)” June 30, 2021.

²⁷ CBPP: “[Policy Basics: The Child Tax Credit](#).” December 10, 2019.

²⁸ CRS: “[The “Childless” EITC: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021](#).” May 3, 2021.

²⁹ CBPP: “[Policy Basics: Supplemental Nutrition Assistance Program](#).” June 9, 2022.

³⁰ CBPP: “[Policy Basics: Unemployment Insurance](#).” October 4, 2021.

³¹ Ibid.

³² Ibid.

³³ Gwyn, Nick. “[Historic Unemployment Programs Provided Vital Support to Workers and the Economy During Pandemic, Offer Roadmap for Future Reform](#).” CBPP. March 24, 2022.

³⁴ CBPP: “[Policy Basics: Temporary Assistance for Needy Families](#).” March 1, 2022.

³⁵ Shrivastava, Aditi and Thompson, Gina Azito. “[TANF Cash Assistance Should Reach Millions More Families to Lessen Hardship](#).” February 18, 2022.

³⁶ CBPP: “[Policy Basics: Federal Rental Assistance](#)” January 11, 2022.

not receive assistance in 2019, with over “7.8 million renter households not receiving rental assistance even though they paid more than half their income on housing, lived in substandard housing, or both.”³⁷

Economic Security Programs and Long-Term Well-Being

Economic security programs have both short-term antipoverty alleviation effects and intergenerational impacts for recipients.³⁸ Hilary Hoynes, et al., show that among the different economic security programs, SNAP benefits reduced the incidence of food insecurity among low-income families in the short-term and decreased the rate of metabolic syndromes (diabetes, high-blood pressure, heart disease) in adulthood.³⁹ This is significant because these diseases are shown to affect educational attainment and IQ, which in turn affect an individual’s long-term economic well-being.⁴⁰ Additionally, studies of the EITC and other antipoverty welfare to work pilot programs in the 1990s show improvements in health outcomes at birth, increased educational attainment in college, and increased earnings in adulthood.⁴¹ Research reveals this is because “children experiencing poverty tend to be worse off in a range of ways, including being more likely to enter school behind their peers... and having worse health outcomes.”⁴² Moreover, “the weight of evidence indicates that economic security programs not only open doors of economic opportunity for participating low-income children, but also lift their future health, productivity, and ability to contribute to their communities and the economy in ways that benefit society as a whole.”⁴³ While economic security program benefits lift adults (with children living in poverty) out of poverty in the short-term, they also increase their economic mobility in the long-term. The rate of economic self-sufficiency for women after accessing economic security program benefits increases sharply.⁴⁴

How Our “Nets and Ladders” Systems Compare with Other Countries

The U.S. tends to rank below average compared with other developed countries on measures of the scope and effectiveness of economic security programs. According to the Organization for Economic Development and Cooperation (OECD), the U.S. ranked last among the 37 OECD countries in the share of people living in relative poverty, meaning living on half the median income or less, at 17.8%, compared with countries like Iceland, Denmark, the Czech Republic and Finland that have relative poverty rates of less than 6%.⁴⁵ The smaller overall size of government (and lower rate of taxation) explains some of this low ranking.⁴⁶ The fact that U.S. benefit programs are delivered through public policies or business operations tied to employment relationships is another big contrast with countries who provide more of their social supports unconditionally (whether people are working or not).⁴⁷

Scholars offer several reasons why the rate of child poverty in the U.S. is still higher than in most OECD countries: 1) the U.S. spends less on assistance for families with children than other countries; 2) child advocacy and racial/gender equity organizations tend to have less political power than other advocacy groups; 3) targeting benefits to *children* is inherently complex (when households are headed by adults);

³⁷ Ibid.

U.S. HUD Office of Policy Development and Research. “[Worst Case Housing Needs, 2021 Report to Congress](#).” July 2021.

³⁸ Hoynes, Hilary and Schanzenbach, Diane. “[Safety Net Investments in Children](#).” NBER. May 2018.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Sherman, Arloc and Mitchell, Tazra. “[Economic Security Programs Help Low Income Children Succeed Over Long-Term, many studies find](#)” July 17, 2017.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ McHugh, David. “[Pandemic shows contrasts between U.S., European safety nets](#).” May 10, 2020.

⁴⁶ Economic Policy Institute. “[The United States taxes a lot less, and spends a lot less, than almost every other country](#).”

⁴⁷ Valente, Samantha. “[Safety Nets: An International Comparison](#).” June 2019.

and 4) U.S. programs do not focus on the most sustainable ways to lift children out of poverty by failing to provide enough economic “ladders” (work supports more than work requirements).⁴⁸

COVID-19 as a “Stress Test” of Systems in the U.S.

The economic recession caused by the COVID-19 pandemic was steep and short-lived—the shortest one (2 months) in recorded history.⁴⁹ Because the economy came to a near full stop when stay-at-home orders were put in place, the economy experienced an unprecedentedly large and sudden decrease in employment across nearly all sectors (but especially service-providing industries).⁵⁰ At the same time, economists expected the recession to be short-lived and for employment and consumption to rebound as soon as people were permitted to return to normal activities.⁵¹ While the large COVID-19 economic rescue plans first enacted in the spring of 2020, and extended in 2021, were not designed to become permanent parts of the suite of economic security programs,⁵² they did largely build upon existing programs that were scaled up in both level of benefits and numbers of people eligible for benefits. Thus, the pandemic-related policy responses in a real sense provided a “stress test” of the existing economic security system—highlighting coverage gaps in the design of programs and ongoing challenges in the administration of programs.

In June 2020, economist Henry Aaron of the Brookings Institution expressed concern that existing economic security programs would be an insufficient response to the severity of the pandemic recession, because “[regular] benefits are low relative to most workers’ earnings...[and while] UI is quickly available, regardless of past income or assets, it normally serves only a minor fraction of the unemployed even in normal times. Most workers are not — or *think* they are not — eligible. Many find compliance requirements onerous and do not apply.”⁵³

In September 2020, economists found that: “Despite these efforts (meaning pandemic relief legislation passed in spring 2020 providing cash payments, expanded UI, and increased SNAP benefits), real time data show significant distress – notably food insecurity rates have increased almost three times over the pre-COVID rates and food pantry use has also spiked.”⁵⁴ They provided three explanations why there was so much unmet need: “1) timing - relief came with a substantial delay (due to overwhelmed UI systems/need to implement new programs); 2) magnitude – payments outside UI are modest; and 3) coverage gaps – access is lower for some groups and other groups are statutorily excluded.”⁵⁵

As part of the temporary response to the unprecedented job loss caused by the COVID-19 pandemic, federal and state UI programs provided a large stabilizing influence on the economy, as they were dramatically expanded in terms of the level of benefits and qualifications to receive benefits.⁵⁶ The number of people receiving UI benefits (“continuing claims”) at any point in time reached an all-time peak on May 9, 2020—at over 23 million workers—but was down to around 3.5 million by May 2021, and by May 2022 had dropped to 1.3 million, the lowest number since 1969.⁵⁷ Economists argue that only the SNAP and UI programs automatically respond (expand) in a meaningful way during recessions, and the state-based administration and financing of regular UI benefits constrains the system’s ability to ramp

⁴⁸ Aizer et al., “[Children and the U.S. Safety Net – Balancing Disincentives for Adults and Benefits for Children](#).” NBER. February 2022.

⁴⁹ Radin, Charles. “[US Business Cycle Expansions and Contractions](#)”. July 19, 2021.

⁵⁰ Zandi, Mark. “[Pandemic Economy](#).” January 2021.

⁵¹ Ibid.

⁵² Congressional Research Service. “[Pandemic Related Provisions Expiring in the 117th Congress](#)”. May 25, 2021.

⁵³ Aaron, Henry J. “[The social safety net: The gaps that COVID-19 spotlights](#)”. Brookings Institution, June 23, 2020.

⁵⁴ Bitte, Marianne, et al. “[The Social Safety Net in the Wake of COVID-19](#).” NBER. September 2020.

⁵⁵ Ibid.

⁵⁶ Congressional Research Service, “[How Did COVID-19 Unemployment Insurance Benefits Impact Consumer Spending and Employment?](#)” June 24, 2022; and Gwyn, Nick. “[Historic Unemployment Programs Provided Vital Support to Workers and the Economy During Pandemic. Offer Roadmap for Future Reform](#).” CBPP. March 24, 2022.

⁵⁷ FRED, Federal Reserve Bank of St. Louis. “[Continued Claims \(Insured Unemployment\)](#).” July 22, 2022.

up when most needed, since state funds are routinely exhausted during downturns and states are unable to deficit-finance their spending programs.⁵⁸ As a result, UI benefits provide some countercyclical stabilization to the economy—more than other economic assistance programs do— but the benefits are not set up to automatically scale up or down in response to recessions and recoveries and hence are not as effective as the authors believe they could and should be.⁵⁹

Nets But Not Cradles: Targeting Benefits without Discouraging Work

While economic security programs are intended to support people during periods of economic hardship, they are not intended to become a permanent state for those who have the capacity to earn or increase their income through work. Qualifications and benefits are “needs” or “means tested” based on an observable measure of level of need, typically measured by low income and sometimes low wealth. Different assistance programs have different sets of qualifications and phaseouts of benefits with income. This results in a complex pattern of effective marginal tax rates—decreases in net benefits per next dollar earned—over certain ranges of household income that can be quite high and can theoretically discourage work. At the same time, some programs *require* current work, active searching for future work, or established full-time work histories (*prior* work) in order to qualify, or continue to qualify, for benefits.⁶⁰

Work Requirements and Work Supports for Recipients of Means-Tested Benefits

A June 2022 report by the Congressional Budget Office (CBO) analyzes how work requirements and work supports in means-tested benefit programs affect the employment and income of former, current, and potential participants.⁶¹ CBO finds that:

“TANF’s work requirements have generally increased employment while having little effect (on net) on average income. Some recipients have earned more by getting a job, but others have lost benefits without finding work, which probably increased the number of people in deep poverty. Work requirements in SNAP and Medicaid have also reduced the benefits that people receive but have increased their employment or earnings less (for SNAP recipients) or maybe not at all (for Medicaid recipients). TANF recipients facing work requirements have been provided with strong work supports, unlike SNAP and Medicaid recipients.”

CBO also emphasizes that the small effect of TANF work requirements on the average income of single mothers obscures disparities within the group—that mothers who gained employment saw gains in income and refundable tax credit benefits, but many mothers merely lost benefits because they could not satisfy the work requirement and suffered large drops in income.⁶² The CBO report summarizes their findings in the table below. Note that increasing work requirements and/or decreasing work supports reduces federal spending, but at the cost of reducing household incomes, and vice versa for the effects of reducing work requirements and expanding work supports.⁶³

⁵⁸ Moffitt, Robert A. and Ziliak, James P. “[COVID-19 and the U.S. Safety Net](#),” 2020.

⁵⁹ Ibid.

⁶⁰ Hahn, Heather. “[Navigating Work Requirements in Safety Net Programs](#).” Urban Institute. January 2019.

⁶¹ Congressional Budget Office. “[Work Requirements and Work Supports for Recipients of Means-Tested Benefits](#),” June 9, 2022.

⁶² Ibid.

⁶³ Congressional Budget Office. “[Work Requirements and Work Supports for Recipients of Means-Tested Benefits](#).” June 2022.

Table S-1.

Typical Effects of Changing Work Requirements and Work Supports, by Broad Category of Options

Option Category	Typical Effects on People Subject to the Change		Typical Effect on Federal Spending
	Employment	Income and Expenses	
Expand Work Requirements	Increase	Average income would change little or decrease; more people would have very low income	Decrease
Reduce Work Requirements	Decrease	Average income would change little or increase; fewer people would have very low income	Increase
Expand Work Supports	Increase	Increase income and decrease expenses	Increase
Reduce Work Supports	Decrease	Decrease income and increase expenses	Decrease

Source: Congressional Budget Office.

The Earned Income Tax Credit (EITC) is uniquely structured as a “refundable” tax credit that encourages work with a phase-in of benefit levels with earned income, and the *non*-refundable versions or portions of the Child Tax Credit (CTC) or any other tax preference implicitly requires earned income to qualify.⁶⁴

Work Disincentives and Benefit Cliffs

“Benefit cliffs” are the reductions in benefit levels that come with increases in earned income for benefit recipients (especially for single-parent households with children), as they “means-test out” of qualifying for multiple low-income benefit programs. The vast majority of TANF and SNAP recipients qualify for other means-tested programs at the federal level (such as the EITC and CTC tax credits and Medicaid), even without considering additional programs at the state or local levels of government.⁶⁵

The layering of phaseouts across multiple programs can create high effective marginal tax rates on labor income, potentially discouraging work. As the National Council of State Legislatures explains: “Often, wage increases result in a net loss of income or only a small overall increase. Sometimes the cliff effect looks more like a slope or plateau, but it is still a disincentive to work. When lost benefits outpace a wage increase, many families “park” or fall off the cliff’s edge, stalling progression in their jobs and careers.”⁶⁶

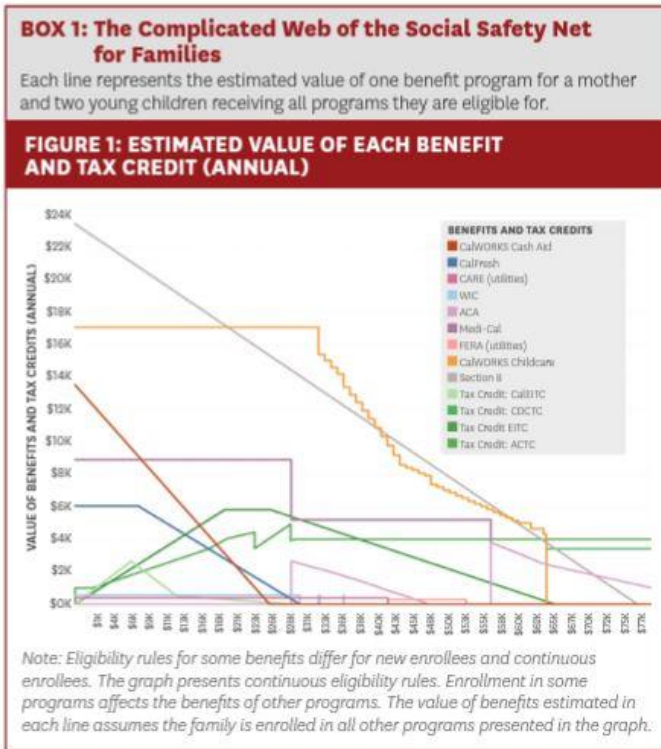
A report by the USC Sol Price Center for Social Innovation of the Sol Price Public Policy School illustrates how low-income support programs at different levels of government can stack up and phase out in ways that produce a “complicated web” of effective incentives or disincentives to work faced by a typical single-parent household.⁶⁷

⁶⁴ Tax Policy Center. “[What is the Earned Income Tax Credit?](#)” and “[What is the Child Tax Credit?](#)”

⁶⁵ Schmidt, Lucie, et al. “[Safety Net Program Interactions and Impacts on Low-Income Families.](#)” NBER. December 3, 2021.

⁶⁶ National Council of State Legislatures. “[Addressing Benefit Cliffs.](#)” August 20, 2019.

⁶⁷ Smith, Rebecca, et al. “[Examining the Complex Social Safety Net for Low-Income Working Families: How Benefits and Resources Respond to Increases in Wages.](#)” USC Sol Price Center for Social Innovation, October 2021.



The USC report finds that:

“[M]ost families receiving social benefits will experience lengthy resource plateaus, where an increase in earned income is met with the equivalent loss of some benefit. However, the ecosystem of social benefits is challenging to navigate and protects mainly families with extremely low incomes by providing childcare and housing benefits.”

“Policymakers must take immediate steps to simplify and streamline the benefits infrastructure in the U.S., encourage greater use and awareness of benefits among the public, and specifically improve access to housing benefits as they are proven to be the most effective in aiding families in poverty.”

While the reduction of benefits at increased incomes, which occurs in all means-tested (and phased-out refundable tax credit) programs, creates the *theoretical* disincentive to work more, there is not much

empirical evidence that this is a large effect given behavioral factors.⁶⁸ Most people are not aware of their effective marginal tax rate as they are making real-time decisions, given that they are realized only on a monthly or even annual basis.⁶⁹ Additionally, people’s ability to make decisions in response to them—for example, by reducing hours of work while retaining one’s job—is weak.⁷⁰

Moreover, there is less a concern about work disincentives during recessions, when it is low demand for labor rather than low worker participation (supply) that produces high unemployment. A CRS report notes that “[w]hile the recent research studies did find that the expanded UI benefits had disincentive effects on working, the impact was smaller than expected when compared to estimates based upon models from prior recessions and non-recessionary periods...labor demand was unusually depressed, and thus [Federal Pandemic Unemployment Compensation] FPUC had little impact on employment levels.”⁷¹

⁶⁸ Anderson, Theresa, et al. “Balancing at the Edge of the Cliff.” Urban Institute. January 2022.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ Congressional Research Service, “How Did COVID-19 Unemployment Insurance Benefits Impact Consumer Spending and Employment?” June 2022; and Marinescu, Ioana, et al. “The Impact of the Federal Pandemic Unemployment Compensation on Job Search and Vacancy Creation.” NBER. March 2021.

Modernizing Economic Security Programs to More Efficiently and Equitably Deliver Benefits

Closing Gaps

Existing programs have provided economic benefits to millions of low-income Americans.⁷² However, gaps between eligibility and participation in these programs suggest improvements and expansions must be made to extend benefits to more low-income people.⁷³ As previously stated, ARPA’s extensions and expansions of the EITC and CTC increased benefits, and access, for a greater number of low-income, eligible recipients, reducing poverty to historic lows as a result.⁷⁴ With their expiration at the end of 2021, experts at the Center for American Progress (CAP) advocate for passing legislation to make these expansions permanent, while also improving their design to close gaps in coverage. This can be done by addressing administrative burdens hindering low- or no-tax households from receiving benefits, shifting the burden of administration to the federal government by investing appropriately in systematically underfunded agencies that deliver benefits (IRS, Social Security Administration, etc.), and investing in outreach to eligible recipients.⁷⁵

To address gaps in coverage for existing federal rental assistance programs, The Urban Institute suggests investing in housing assistance for low income renters through a universal housing choice voucher program that would provide entitlement assistance to all cost-burdened households – estimated yearly cost of \$76 billion.⁷⁶ The TANF cash assistance program has been shown to be insufficient in meeting the cash assistance needs of low-income families, and scholars at CAP advocate for reforming TANF’s block grant structure to remove arbitrary funding limits, set minimum spending levels for cash assistance, and automatically easing individual requirements for participation during economic downturns.⁷⁷ Lastly, the pandemic stress test illustrated how limited the UI system is as a resilient automatic stabilization program, and showed how states and employers often undermine program integrity. Research by the Economic Policy Institute suggest future changes to the UI system must guarantee universal minimum standards for benefit eligibility and duration, update eligibility to encompass newer types of workers, expand benefit duration to serve as a more effective automatic stabilizer, and increase UI levels for recipients.⁷⁸

Modernization

Beyond gaps in eligibility and participation, COVID-19 helped illustrate how vulnerable these programs can be in times of economic crisis. Two areas of vulnerability stand out, including information technology (IT) infrastructure for governments delivering benefits, and administrative burdens facing those receiving economic security program benefits. Conversations around “modernizing” these programs center on these two main areas.

The COVID-19 pandemic highlighted the outdated *information technology infrastructure* underlying the access and delivery of economic security program benefits. The House Budget Committee held a related hearing in 2020 that highlighted how “existing infrastructure in federal and state agencies that implement these programs and support citizens during emergencies failed due to underinvestment.” Indeed, a GAO report stated the “federal government spent more than \$90 billion on unclassified information technology

⁷² King, Michael B. “[Who is Receiving Social Safety Net Benefits?](#)” Census Bureau. May 24th, 2022.

⁷³ Cawthorne Gaines, Alexandra. “[How Weak Safety Net Policies Exacerbate regional and Racial Inequality.](#)” Center for American Progress. September 22, 2021.

⁷⁴ Parrott, Sharon. “[Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy.](#)” CBPP. June 14, 2022.

⁷⁵ Haider, Areeba and Hendricks, Galen. “[Now Is the Time to Permanently Expand the Child Tax Credit and Earned Income Tax Credit.](#)” Center for American Progress. May 21, 2021.

⁷⁶ Galvez, Martha, et al. “[Housing as a Safety Net.](#)” Urban Institute. September 2017.

⁷⁷ Schweitzer, Justin. “[TANF Must Be Able to Respond Faster and Stronger to Economic Crises.](#)” Center for American Progress. April 5, 2022.

⁷⁸ Bivens, Josh, et al. “[Reforming Unemployment Insurance: Stabilizing a System in Crisis and Laying the Foundation for Equity.](#)” Economic Policy Institute. June 2021.

in 2019, with about 80% spent on the operations and maintenance of existing systems.”⁷⁹ The GAO report highlights that much of the investments in IT spending were using outdated software languages and hardware parts that are unsupported, resulting in crashing web servers located on decades old hardware, and the need to hire programmers for outdated programming languages, leaving states scrambling to respond to the need of millions of eligible recipients during the pandemic.

CAP describes *administrative burdens* as government-imposed roadblocks that inhibit eligible recipients from accessing and receiving poverty relieving economic security program benefits.⁸⁰ Administrative burdens include: “learning costs,” which includes systemic knowledge necessary to apply and receive eligible benefits as well as awareness of program existence and eligibility; “psychological costs” which stem from the social stigma associated with receiving government assistance, while navigating the system itself acts to reinforce this stigma; and “compliance costs” involving everything from paperwork to interviews, work requirements, and travel, all which require time spent by eligible recipients. These burdens impose economic harm on low-income benefit recipients by disadvantaging those without physical or financial means to afford these “costs,” hindering economic stability and growth in communities that do not receive benefits.

Reports note that workforce and human-centered design principles are also key to modernizing economic security programs.⁸¹ Strategies for modernization across administrative burdens, information technology, workforce, and human-centered design are discussed briefly below:

- 1) Streamlining processes to reduce administrative burdens.** Reducing time consuming, rigid, and confusing processes with an active set of economic security program is important for enabling wider reach of economic security program benefits. Ways to streamline include reducing the use of face-to-face interviews, simplifying eligibility and verification requirements, extending eligibility.
- 2) Improving and updating information technology infrastructure.** Better economic security program systems start with modern software, hardware, and system development practice. Improvements would ensure resilience during times of economic crises and system wide stress. These improvements will allow states to automate some tasks and improve efficiency while allowing frontline workers more dedicated time to customer service delivery.
- 3) Tailoring services to the user.** Economic security programs must treat eligible applicants based in their individual needs and circumstances. This can be done through expanded outreach to underserved communities, integrating services, and deploying multiple paths for accessing, applying, and receiving benefits. This also includes assessing individual’s needs and providing them with easy-to-use services, such as making identification and payments frictionless, and anticipating individuals’ service needs.
- 4) Enabling agile workforces.** Many human service organizations find it difficult to prepare their employees to meet rising and evolving demands of social service delivery. These organizations often need more skilled staff, achievable by first defining required skills and provide training opportunities to prospective staff.

⁷⁹ House Budget Committee. “[COVID-19 Exposes Need for Federal Investments in Technology](#).” September 3, 2020.

⁸⁰ Schweitzer, Justin. “[How to Address the Administrative Burdens of Accessing the Safety Net](#).” Center for American Progress. May 5, 2022.

⁸¹ The Rockefeller Foundation. “[Modernizing Access to the Safety Net](#).” March 2021.

Hahn, Heather and Adams, Gina. “[Strategies for States to Improve Safety Net Program Access and Efficiency](#).” Urban Institute.

Hjartarson, Josh, et al. “[Reweaving the Social Safety Net](#).” Deloitte. February 23, 2022.