

**FEB 15,  
2018**

# Three myths about the welfare cliff

**Sam Adolphsen**  
Senior Fellow

**Jonathan Ingram**  
Vice President of Research



[TheFGA.org](http://TheFGA.org)

# KEY FINDINGS

1

## MYTH:

MOST WELFARE ENROLLEES ARE NEAR THE WELFARE CLIFF AND LIMIT THEIR WORK IN ORDER TO KEEP BENEFITS

## FACT:

FEW PEOPLE ARE NEAR THE WELFARE CLIFF BECAUSE 62% AREN'T WORKING AND JUST 8% WORK FULL-TIME



2

## MYTH:

GOING OVER THE CLIFF LEAVES ENROLLEES WORSE OFF



## FACT:

ENROLLEES MORE THAN DOUBLE THEIR INCOMES AND REPLACE LOST BENEFITS AFTER LEAVING WELFARE



3

## MYTH:

ENROLLEES ARE THROWN OFF THE LEDGE WITHOUT A PARACHUTE



## FACT:

MAJOR WELFARE PROGRAMS PROVIDE OFF-RAMPS OR TRANSITIONAL BENEFITS FOR INCOME CHANGES

**BOTTOM  
LINE:**

WORK PROVIDES THE BEST PATH OUT OF DEPENDENCY, INTO SELF-SUFFICIENCY, AND UNLOCKS LIMITLESS POTENTIAL FOR INDIVIDUAL ACHIEVEMENT.

## What is the welfare cliff?

The theory of the welfare cliff is built on the belief that, if welfare recipients move into work and earn more money, they reach a certain point—the edge of eligibility—where they “fall off a cliff,” lose their welfare benefits, and are left worse off. The theory largely assumes that welfare enrollees are working, earning right up to the edge of eligibility, and hovering at that point to avoid falling off the benefit cliff. According to the theory, enrollees will avoid higher income in order to keep their welfare.

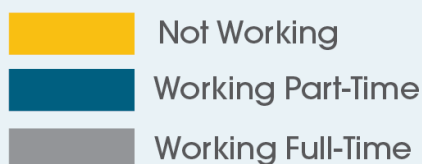
While the welfare cliff theory is not entirely without merit, it is largely based on three myths: that welfare enrollees are near the cliff and reduce or limit their work in order to keep their benefits, that going over the cliff leaves enrollees worse off, and that enrollees are thrown off the ledge without a parachute.

■ **MYTH: Most welfare enrollees are near the cliff**

■ **FACT: Few able-bodied adults are near the cliff because most of them do not work**

Data from the U.S. Department of Agriculture show that very few individuals are near the welfare cliff because very few of them have meaningful employment. In fact, of the 21 million able-bodied adults enrolled in food stamps, nearly 62 percent do not work at all—compared to just 8 percent working full-time.<sup>1-2</sup>

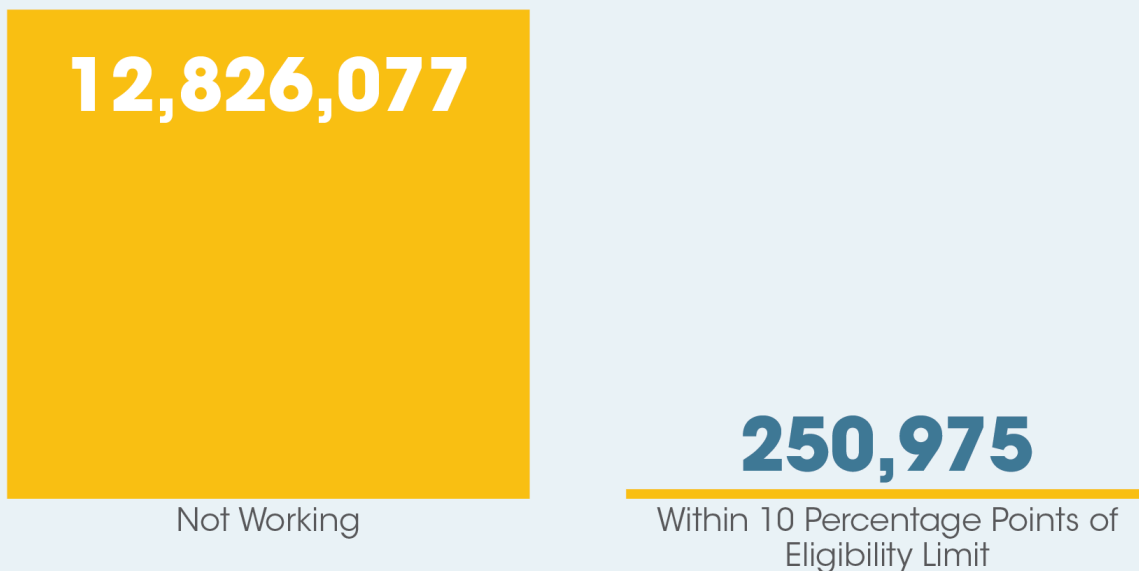
### MOST ABLE-BODIED ADULTS ON FOOD STAMPS DO NOT WORK



Source: US Department of Agriculture

In addition, fewer than one percent of able-bodied adults on food stamps—slightly more than 250,000 adults nationally—are within even 10 percentage points of the eligibility limit.<sup>3</sup> But many of these individuals are also a safe distance from the cliff, with room to earn thousands of dollars in additional income and still remain eligible. For example, a single mom with two kids in Wisconsin who is within 10 percentage points of the eligibility limit could still earn an additional \$2,100 on top of her current salary before she hit the cliff.<sup>4</sup> A family of four in Mississippi within 10 percentage points of the eligibility limit could earn more than \$2,500 in extra income before hitting the cliff.<sup>5</sup> Even for a single, childless adult in Alaska, those 10 percentage points mean room for another \$1,500 in income before reaching the eligibility line.<sup>6</sup> The number of able-bodied adults who are actually at the cliff, where even a small raise or a few extra hours of work would change eligibility, is a great deal smaller.

## FEW ABLE-BODIED ADULTS ARE NEAR ELIGIBILITY CLIFFS



Source: U.S. Department of Agriculture

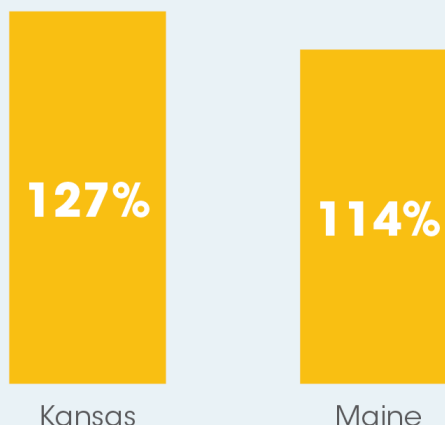
- **MYTH:** Losing welfare leaves enrollees worse off than they were
- **FACT:** Enrollees more than double their incomes and more than replace lost benefits after leaving welfare

The cliff theory also presumes an economic disadvantage for able-bodied adults to begin working and leave welfare. According to the theory, even though an individual's income may go up, the loss of their welfare benefits will outweigh their increased income.

But the reality is far different—moving from welfare to work causes incomes to skyrocket, more than offsetting lost welfare benefits.

After Kansas implemented work requirements for able-bodied, childless adults on food stamps, individuals who left welfare went back to work in more than 600 different industries and saw their incomes more than double on average.<sup>7</sup> Even better, this increased income more than

### ABLE-BODIED ADULTS SAW THEIR INCOMES DOUBLE AFTER LEAVING WELFARE IN KANSAS AND MAINE



offset their lost welfare benefits.<sup>8</sup> When Maine implemented the same work requirements, it saw similar impressive results: incomes of former enrollees more than doubled.<sup>9</sup>

States have seen the same outcomes after work requirements and time limits were implemented for able-bodied parents on other welfare programs. In Kansas, for example, stronger work requirement sanctions in cash assistance were followed by lower caseloads, more employment, and higher incomes.<sup>10</sup>

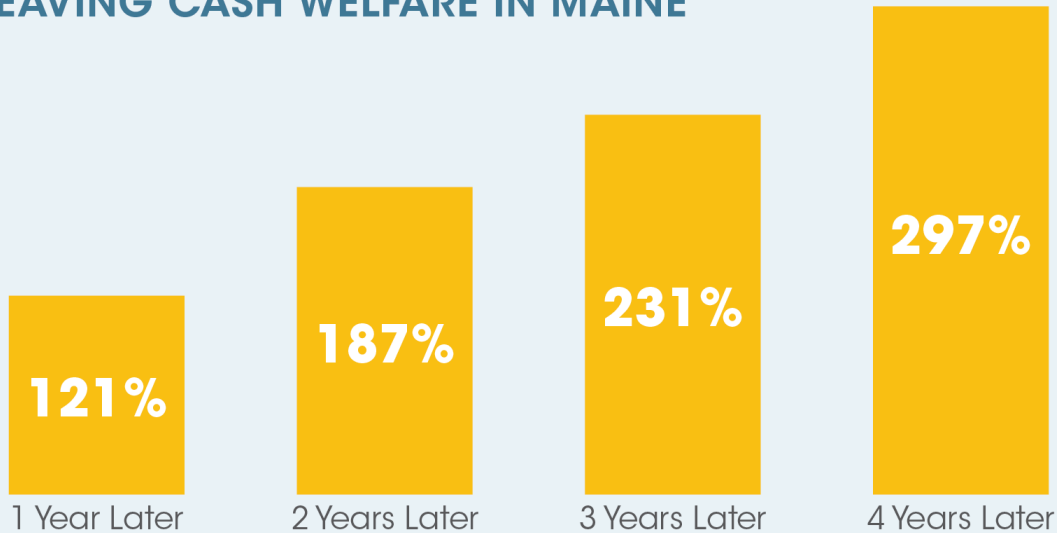
### FAMILIES SAW THEIR INCOMES DOUBLE AND THEN TRIPLE AFTER LEAVING CASH WELFARE IN KANSAS



Source: Foundation for Government Accountability

In Maine, families removed from the program after the state instituted a five-year time limit saw rapidly growing employment and wages. Within four years, those leaving welfare had their incomes more than triple.<sup>11</sup>

## FAMILIES SAW THEIR INCOMES MORE THAN TRIPLE AFTER LEAVING CASH WELFARE IN MAINE



Source: Maine Governor's Office of Policy and Management

In both states, higher wages more than offset lost welfare benefits.<sup>12-13</sup>

Economic considerations aside, work provides powerful benefits. Work can help build new or helpful social relationships. It can help individuals gain new skills. It creates new experiences that can help future employment opportunities. Work creates a natural path to higher wages through raises or promotions. And it is the best path out of poverty, with 97 percent of full-time workers above the poverty line.<sup>14</sup>

Four out of five unmarried women say a potential partner having a steady job was very important to them—the single most important issue for them.<sup>15</sup> Having a job is a top predictor of whether someone with a criminal history will re-offend.<sup>16</sup> And work is one of the best predictors of recovery and lasting sobriety among individuals with substance abuse problems.<sup>17</sup>

Welfare conveys none of these benefits. Simply put, earned income is intrinsically more valuable than welfare, even if welfare income were nominally the same as wages.

---

■ **MYTH: Enrollees are thrown off the cliff without a parachute**

■ **FACT: Major welfare programs provide off-ramps**

Although few able-bodied adults on welfare are anywhere near the welfare cliff, the reality is that most major welfare programs already deal with income changes in a variety of ways.

The food stamp program, for example, reduces benefits gradually as incomes rise so that higher earnings accumulate faster than the speed at which benefits are reduced.<sup>18</sup> The program also has deductions for earned income and child care expenses which smooth out the decline even further.<sup>19</sup>

In the TANF cash welfare program, states disregard a portion of earned income in determining initial eligibility, calculating benefits, and continuing eligibility.<sup>20</sup> Oregon, for example, ignores 50 percent of earned income when determining whether someone initially qualifies for cash welfare.<sup>21</sup> Alabama ignores all earned income for the first 12 consecutive months of earnings when calculating benefits.<sup>22</sup> And Colorado ignores 67 percent of earned income for individuals already on the program when it is determining continued eligibility.<sup>23</sup>

Many states also provide “transitional” benefits for individuals who leave the program due to higher earnings.<sup>24</sup> Arkansas, for example, provides up to 24 months of transitional benefits.<sup>25</sup>

Families receiving Medicaid can also qualify for transitional benefits when earnings rise above eligibility limits. States provide at least six months of transitional benefits to families losing eligibility as a result of higher earnings, with many states offering up to twelve months of transitional benefits.<sup>26-27</sup> Parents moving back into the workforce may also qualify for employer-sponsored insurance or premium tax credits on the individual market.

---

## Conclusion

The number of able-bodied adults on welfare is at an all-time high.<sup>28</sup> But this is not because millions of adults are scaling back hours at work or forgoing raises just enough to keep benefits. The reality is that the vast majority of these able-bodied adults are sitting out of the workforce entirely. The real barrier is not a cliff but the fact that welfare pays able-bodied adults to not work at all.

Middle-age childless adults and parents are categorically exempt from the existing work requirement for able-bodied adults.<sup>29-31</sup> Worse yet, many states have used federal loopholes to waive work requirements even for able-bodied childless adults theoretically subject to the rules.<sup>32</sup>

Moving able-bodied adults from welfare to work changes lives for the better. Not only do they see higher earnings, they also gain important new skills, social networks, and opportunities for advancement. Work provides the best path out of dependency, into self-sufficiency, and unlocks limitless potential for individual achievement. Rather than focusing on a cliff that poses little threat, lawmakers should concentrate their efforts on moving able-bodied adults from welfare to work as quickly as possible.

---



## REFERENCES

1. Authors' calculations based upon data provided by the U.S. Department of Agriculture on enrollment and employment among non-disabled adults between the ages of 18 and 64 in fiscal year 2015. See, e.g., Food and Nutrition Service, "Supplemental Nutrition Assistance Program quality control database," U.S. Department of Agriculture (2016), [https://host76.mathematica-mpr.com/fns/PUBLIC\\_USE/2015/qcfy2015\\_st.zip](https://host76.mathematica-mpr.com/fns/PUBLIC_USE/2015/qcfy2015_st.zip).
2. Approximately three percent of non-disabled adults between the ages of 18 and 64 had missing employment information in 2015.
3. Authors' calculations based upon data provided by the U.S. Department of Agriculture on household incomes among non-disabled adults between the ages of 18 and 64 in fiscal year 2015, income-to-poverty ratios among such households, and income eligibility levels for non-disabled adults in each state.
4. Authors' calculations based upon 10 percent of the federal poverty line for a household of three in Wisconsin.
5. Authors' calculations based upon 10 percent of the federal poverty line for a household of four in Mississippi.
6. Authors' calculations based upon 10 percent of the federal poverty line for a household of one in Alaska.
7. Jonathan Ingram and Nicolas Horton, "The power of work: How Kansas' welfare reform is lifting Americans out of poverty," Foundation for Government Accountability (2016), <https://thefga.org/wp-content/uploads/2016/02/Kansas-study-paper.pdf>.
8. Ibid.
9. Jonathan Ingram and Josh Archambault, "New report proves Maine's welfare reforms are working," *Forbes* (2016), <https://www.forbes.com/sites/theapothecary/2016/05/19/new-report-proves-maines-welfare-reforms-are-working>.
10. Nicolas Horton and Jonathan Ingram, "Work requirements are working for Kansas families," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/07/Work-Requirements-are-Working-for-Kansas-Families.pdf>.
11. Office of Policy and Management, "Wage and employment outcomes of TANF participants closed for time limits," Maine Office of the Governor (2017), <http://www.maine.gov/economist/docs/TANF%20Report%20Final%205-25-17.pdf>.
12. Nicolas Horton and Jonathan Ingram, "Work requirements are working for Kansas families," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/07/Work-Requirements-are-Working-for-Kansas-Families.pdf>.
13. Office of Policy and Management, "Wage and employment outcomes of TANF participants closed for time limits," Maine Office of the Governor (2017), <http://www.maine.gov/economist/docs/TANF%20Report%20Final%205-25-17.pdf>.
14. Jonathan Ingram and Nicholas Horton, "SNAP to it: Restoring work requirements will help solve the food stamp crisis," Foundation for Government Accountability (2015), <https://thefga.org/wp-content/uploads/2016/12/Snap-To-It-Restoring-Work-Requirements-Will-Help-Solve-the-Food-Stamp-Crisis.pdf>.
15. Wendy Wang and Kim Parker, "Record share of Americans have never married as values, economics, and gender patterns change," Pew Research Center (2014), <http://www.pewsocialtrends.org/2014/09/24/record-share-of-americans-have-never-married>.
16. Jared Meyer, "How occupational licensing inhibits economic opportunity," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/10/How-Occupational-Licensing-Inhibits-Economic-Opportunity-10-23-17.pdf>.
17. Stephen L. West, "The utilization of vocational rehabilitation services in substance abuse treatment facilities in the U.S.," *Journal of Vocational Rehabilitation* (2008), <https://content.iospress.com/articles/journal-of-vocational-rehabilitation/jvr00434>.
18. Randy Alison Aussenberg, "Supplemental Nutrition Assistance Program: A primer on eligibility and benefits," Congressional Research Service (2014), <https://fas.org/sgp/crs/misc/R42505.pdf>.
19. Ibid.
20. Administration for Children and Families, "Welfare rules databook: State TANF policies as of July 2015," U.S. Department of Health and Human Services (2016), [http://wrds.urban.org/wrds/data/databooks/2015%20Welfare%20Rules%20Databook%20\(Final%2009%2026%2016\).pdf](http://wrds.urban.org/wrds/data/databooks/2015%20Welfare%20Rules%20Databook%20(Final%2009%2026%2016).pdf).
21. Ibid.
22. Ibid.
23. Ibid.
24. Ibid.
25. Ibid.
26. 42 U.S.C. § 1396r-6 (2016), <https://www.gpo.gov/fdsys/pkg/USCODE-2016-title42/pdf/USCODE-2016-title42-chap7-subchapXIX-sec1396r-6.pdf>.
27. Carolyn L. Yocom, "Medicaid: Additional enrollment and expenditure data for the transitional medical assistance program," Government Accountability Office (2013), <https://www.gao.gov/assets/660/653058.pdf>.
28. Nicholas Horton and Jonathan Ingram, "The future of Medicaid reform: Empowering individuals through work," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/11/The-Future-of-Medicaid-Reform-Empowering-Individuals-Through-Work.pdf>.

29. Able-bodied adults over the age of 50 and able-bodied adults with dependent children are exempt from the work requirements that exist for able-bodied childless adults between the ages of 18 and 49. See, e.g., 7 U.S.C. § 2015(o) (3) (2016), <https://www.gpo.gov/fdsys/pkg/USCODE-2016-title7/pdf/USCODE-2016-title7-chap51-sec2015.pdf>.
30. Nearly 3.6 million able-bodied childless adults were exempt from the work requirement because they were between the ages of 50 and 64. See, e.g., Jonathan Ingram et al., "Building on Success: Congress should expand work requirements in food stamps," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/12/Building-on-Success-Congress-should-expand-work-requirements-in-food-stamps.pdf>.
31. Nearly 12.3 million able-bodied parents are exempt from the work requirements that exist for able-bodied childless adults between the ages of 18 and 49. See, e.g., Jonathan Ingram et al., "The case for expanding food stamp work requirements to parents," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/02/The-case-for-expanding-food-stamp-work-requirements-to-parents.pdf>.
32. Sam Adolphsen, "Three simple steps to fast-track the American comeback: How to free millions from food stamps and save up to \$50 billion over a decade," Foundation for Government Accountability (2017), <https://thefga.org/wp-content/uploads/2017/11/3-Simple-Steps-To-Fast-Track-The-American-Comeback-9-5-17.pdf>.