Mending Our Safety Net: Building Our Workforce

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August 2017
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Labor force participation in our country has fallen to 63%. Millions of working-age Americans (in particular males 25-54) are neither working nor seeking work. The laws, regulations, and administration of safety net, workforce, and related programs discourage work – especially when individuals and households benefit from more than a program. Yet as Pope Francis has noted, “Work is a necessity, part of the meaning of life on this earth, a pathway to growth, human development, and personal fulfillment. Helping the poor must always be a provisional solution in in the face of pressing needs. The broader objective should always be to allow them a dignified life through work.”

Safety net, workforce, and related programs include the Department of Health and Human Services Temporary Assistance for Needy Families block grant program (which replaced the Aid to Families with Dependent Children entitlement program), the Community Services Block Grant program, child care programs, and permanent supportive housing programs; the Department of Agriculture Supplemental Nutrition Assistance Program (formerly the Food Stamp program) and housing assistance programs; the Social Security Administration Disability Insurance and Supplemental Security Income programs; the Department of Veterans Affairs Temporary Disability Individual Unemployability program, Veterans Employment and Training, and permanent supportive housing programs; the Department of Labor Adult, Dislocated Worker, and Youth programs; state Unemployment Insurance programs (which usually are not counted among “safety net” programs); Department of Education Adult Education and Literacy, Vocational Rehabilitation, and Career and Technical Education (vocational education) programs as well as Pell grants; the Department of Housing and Urban Development programs for homeless people, public housing, housing vouchers (formerly the Section 8 program) and other rent supplement programs, and the Community Development Block Grant program; the Internal Revenue Service Earned Income Tax Credit, Child Care Tax Credit, and Low Income Housing Tax Credit programs; and many state earned income tax credit programs. Though these programs are often helpful, it can be difficult and time-consuming for potential recipients to establish and maintain eligibility.

America's intergovernmental safety net is poorly coordinated. It does an inadequate job of helping low-income people and often discourages employment and wastes tax dollars. The laws and regulations governing safety net and related programs produce high implicit tax rates in these programs – especially when individuals and households benefit from more than one program. Individually and in combination, many of these programs discourage recipients from seeking to join or rejoin the labor force. Federal and state regulatory reforms and administrative actions should be taken to remove impediments and increase work incentives in safety net, workforce, and related programs. In many cases, actions by Congress and state legislatures will be required.

This paper presents research findings on major disability programs and on the Earned Income Tax Credit program to illustrate what could be done to reform safety net, workforce, and related programs – and put more Americans back to work. We recommend five actions that federal, state, and local governments should take to reform and better manage America's safety net, workforce, and related programs to reduce welfare dependency and increase employment and earnings. Some of the needed reforms could save tax dollars.

Disability programs

The pillars of America's disability system are the Social Security Administration Disability Insurance program (DI), which provides payments to people who are permanently and totally disabled and thus unable to work, and the Supplemental Security Income (SSI) program, which provides payments to very low income aged, blind, and disabled people: both adults and children with disabilities. States make the initial determinations of eligibility under both DI and SSI. The Department of Veterans Affairs (VA) provides Total Disability Individual Unemployability (TDIU) benefits to disabled veterans who are unable to maintain employment above the federal poverty guidelines due to service-connected disabilities. These three programs dispensed $256 billion to over 20 million people in fiscal year 2015. Though each of these programs is important and needed, the workings of all three can discourage recipients from seeking to join or rejoin the labor force. It can be difficult and time-consuming for people to establish eligibility for these programs and even more difficult and time-consuming to reestablish eligibility if recipients have taken jobs or exceeded limits on allowable earnings.

Each of these three programs operates in a way that can waste tax dollars. In the 2017 update to its High-Risk Series, the Government Accountability Office (GAO) identified Improving and Modernizing Federal Disability Programs as one of the 34 areas currently on its high-risk list due to their vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges. GAO noted that these programs are grappling with large workloads and struggle to make timely decisions on who is eligible for benefits and that both agencies rely on outdated criteria to determine which individuals should receive benefits – continuing to emphasize medical conditions without sufficiently considering whether beneficiaries could work because of changes in technology and the work environment.

Recommendations:

1: The federal government should act to remove impediments and increase work incentives through reforms in – and better management of – safety net, workforce, and related programs: thus increasing employment and earnings. State and local governments should be consulted in crafting these federal-level reforms.

2: The federal government should stimulate similar reforms in state and local programs. Governors and state legislatures should act to remove impediments and increase work incentives through reforms in – and better management of – safety net, workforce, and related programs: thus increasing employment and earnings. Cities and counties should be consulted in crafting these state-level reforms.

3: Federal agencies and state and local governments should use waiver authority to merge funding streams, remove impediments, and increase work incentives in safety net, workforce, and related programs: thus increasing employment and earnings.

Earned income tax credit programs

The federal earned income tax credit program (EITC) is a benefit for working individuals and couples who have children and who have low- or moderateincome as well as a much-smaller benefit for very low income individuals and couples without children. Many state governments have their own earned income tax credit programs. Earned income tax credit programs are known to increase labor force participation.

Two ways to increase labor force participation would be to increase the EITC benefit – especially for individuals and couples without qualifying children – and to lower the eligibility age for workers without children from 25 to 21. Another way to increase labor force participation would be to publicize the EITC program more broadly.

On the other hand, each year the Internal Revenue Service issues billions of dollars in improper payments through the EITC, including improper payments due to identity theft (IDT). In the 2015 update to its High-Risk List, the Government Accountability Office (GAO) expanded its Enforcement of Tax Laws high-risk area to include IRS efforts to address tax refund fraud due to IDT. Congress has accelerated W-2 filing deadlines to January 31 to provide IRS earlier access to W-2 data. This could save a substantial part of the billions lost due to IDT, but more needs to be done.

Recommendation 4: The federal government should increase work incentives through reform and expansion of the federal Earned Income Tax Credit program and should better publicize the EITC program. State governments should take related actions in their own earned-income tax credit programs.

<u>Networks, collaborations, partnerships, performance partnerships</u>

Few important outcomes can be achieved by any single organization. Government agencies are increasingly delivering public services through collaborative efforts that may involve private firms, nonprofit organizations, networks of such organizations, or formal public-private partnerships. In <u>performance partnerships</u> (also known as <u>collective impact initiatives</u>), two or more organizations agree to take joint accountability for achieving specific outcomes, agree to allocate some of their resources to partnership efforts, and take responsibility for producing specific outputs (products and services) to help achieve the intended outcomes. Performance partnerships can be created through intra-agency or cross-agency consultation, legislation, the appropriations process, or other actions by potential partners.

Examples of performance partnerships include the partnership among federal agencies aimed at achieving the cross-agency goal “No homeless veterans” as well as partnerships among federal agencies, state and local governments, and nonprofit organizations aimed at achieving the same goal. Although only a small number of states, cities, and counties have eliminated veterans’ homelessness and gone on to help veterans reenter the labor force, these initiatives illustrate the progress that can be made through intergovernmental and public-private partnership efforts to help low-income people.

Recommendation 5: Federal, state, and local governments should use strategic planning, performance management, and performance partnerships to reform and better manage safety net, workforce, and related programs – and thus reduce welfare dependency and increase employment and earnings.

Conclusion

Our country’s safety net, workforce, and related programs are poorly coordinated, do an inadequate job of helping poor people, and often discourage employment and earnings and waste tax dollars. Federal, state, and local governments should work together to mend our intergovernmental safety net and build our workforce: reducing welfare dependency and increasing employment and earnings.

Notes

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