

Work Requirements Do Not Work And Have Harmful Consequences

Executive Summary

The evidence from nearly two decades of rigorous research does *not* support the argument that work requirements have a meaningful effect on increased employment or wages. In fact, work requirements have largely had the opposite effect. They increase hardship and severe poverty for those who are unable to comply by taking away needed assistance with no commensurate increase in wages. The most effective anti-poverty results are found in states that sustain a sufficient safety net, invest in education and training opportunities, and offer families essential work supports like child care, transportation and health care needed to move toward greater economic security.

This report finds:

- **Work requirements are unnecessary and undermine the purpose of Medicaid by putting administrative barriers between a person and needed health coverage.** The vast majority of people receiving assistance who can work are already working. Those who do not, typically face significant work barriers or are managing necessary family obligations.
- **Maine's own experience demonstrates that work requirements fail to increase work rates:**
 - **Temporary Assistance to Needy Families (TANF).** A study of Maine families that lost TANF because they were unable to find employment at the end of program's time limit, found that one-in-three had no wages *at any time* in the next five years; two-in-three had no earnings at all five years out.
 - **Supplemental Nutrition Assistance Program (SNAP).** Similarly, a Maine SNAP study showed that employment increased by only four percentage points by the end of the year following termination from food assistance for those not meeting the program's work requirement. Two-thirds of those terminated were unemployed at the end of that year with neither wages nor food assistance.
- **A large majority of families and individuals subject to work requirements remain poor, and some become even poorer.**
- **Medicaid coverage itself supports employment; work requirements undermine that role and are counterproductive.** Medicaid helps thousands of Mainers stay healthy, gain employment and remain employed. Experience from other programs shows that work requirements would undermine those achievements, causing thousands to lose coverage and making it harder for people with physical and mental health conditions, including substance use disorders, to gain and maintain employment.

- **Exemptions from work requirements intended to protect those most vulnerable are often ineffective, leaving people to face extreme hardship with no assistance.** Program applicants are often not effectively screened for exemptions causing many who should qualify to fall through the cracks losing needed assistance. These requirements also add layers of bureaucracy and red tape to a system that is already complicated and difficult to navigate.

Discussion

Introduction. The Trump Administration has recently issued unprecedented guidance allowing states to require people to work, or prepare for work, in order to receive health coverage through Medicaid. Congress is reportedly considering imposing similarly harsh work requirements across programs that support low-income families. However, decades of evidence, including experience in Maine, shows that work requirements have not been successful — and for many have caused significant harm.

Work requirements are not needed—the great majority of people who can work are already working. National data shows that nearly 80 percent of adult Medicaid beneficiaries live in a working family. Of those not working, 36 percent report that illness or disability is the main reason, 30 percent are taking care of family responsibilities, 15 percent are in school, 9 percent are retired, and 6 percent can't find work.ⁱ For these beneficiaries, a work requirement likely won't help them find and keep a job, instead it will impose ongoing administrative burdens along with the risk of losing coverage, threatening their health and undermining their ability to work.

Work requirements can be counterproductive, harming children and families. A work requirement could harm many by obstructing other important family responsibilities, including parents caring for children or aging relatives. If a work requirement is imposed on parents, like the one proposed in Maine's pending Medicaid waiver, it could harm both parents and children as well. When parents lose coverage, they don't get needed care, and can become ill — with both physical or mental health issues. Their ability to care for their children can be compromised despite their best efforts; for example, a parent suffering with depression who loses care, including needed medications, may be less able to effectively perform parenting duties. Moreover, research shows that children are more likely to have health insurance if their parents are covered.ⁱⁱ If parents lose coverage due to inability to satisfy rigid work requirements, more children will likely become uninsured. Finally, when parents or children lack coverage, they can become more strapped financially, with higher out-of-pocket health care costs and debt creating a downward spiral toward economic insecurity.

A considerable body of evidence shows that work requirements fail to help people climb out of poverty and do little to increase employment and earnings over the long run. This evidence, from both TANF and SNAP, is reviewed briefly below and shows that work requirements are more likely to cause people to lose assistance than gain employment or see meaningful increases in wages.

States generally project savings from imposing work requirements—these “savings” are far more likely to result from people losing assistance than from leaving programs because of increased employment and earnings. The Congressional Budget office also predicted in its analysis of the Medicaid work requirement in the recent Graham-Cassidy bill that “some states would use work requirements...to reduce enrollment and associated costs.”ⁱⁱⁱ

A good job can provide a clear path out of poverty, and supporting work should be a priority. But work requirements fail to help individuals find jobs. Moreover, higher employment rates are not achieved by taking health care, food or other basic needs away from people unable to meet rigid work requirements. Instead, years of experience now show that promoting sustainable employment and reducing poverty takes real investment in education, training, child care, and other services needed to help families get and keep a job.

Those most likely to be penalized by work requirements typically face serious barriers to employment.

Those facing the greatest difficulties are most likely to lose assistance for inability to comply with work requirements. Research examining the characteristics of those sanctioned in the TANF program for failing to meet work requirements found these families were more likely to be less educated, have a physical or mental health problem or a learning disability.^{iv} Similarly, SNAP studies show that those terminated for failing to meet work requirements also have limited education lacking the skills to qualify for anything but low-wage, unstable jobs that don't lift them out of poverty. Many face multiple barriers to employment including physical and mental health limitations and homelessness.^v

Work requirements don't work, according to rigorous evaluations of the Temporary Assistance for Needy Families (TANF) program. The 1996 welfare law required cash assistance recipients to participate in work activities as a condition of eligibility. Some proponents of work requirements now point to that experience as the basis for extending similar requirements to other public assistance programs. However, two decades of research examining TANF work requirements have shown that^{vi}:

- The large majority of individuals subject to work requirements remained poor, and some became poorer. Earnings gains weren't enough to lift families out of poverty, and were offset by loss in assistance;
- Work requirements failed to increase long-term employment;
- Job training programs largely didn't help people who have significant barriers to work; and
- Few programs have capacity to provide sufficient job search, education and training, and other support services needed to help people who could work rejoin the workforce.

Maine experiences with work requirements. Governor LePage's Office of Policy and Management (OPM) has published two reports touting the "success" of time limits and related mandatory work requirements in the TANF and the SNAP programs. Both reports have provided ammunition for groups like the Heritage Policy Center and the Foundation for Government Accountability to praise these policies and promote them as national models. However, a careful review of both show that they do not support the success of mandatory work requirements and, in fact, they support the opposite result. Moreover, both are methodologically flawed, ignore key data, and cherry pick "facts" to support the Administration's philosophical bias.

1. **The OPM TANF study reveals that most families who were terminated had *no earnings at the end of the study period, and those with earnings still lived in poverty.*** A report issued by the Governor's Office of Policy and Management (OPM) in May 2017, claimed that Maine's mandatory five-year TANF time limit and related work requirements have successfully increased earnings and employment among TANF families and that terminated families have fared better over the four-year period following imposition of the time limit.^{vii} (The study period included the year prior to time-limit implementation through four years after implementation). However, a more careful look at data included in this report reveals a very different picture:^{viii}

- One-in-three TANF families terminated by time limits had *no earnings* throughout the entire 5-year study period;
- On average, approximately 2-in-3 terminated families did *not* have work in any given quarter in the fifth year;
- While the study highlights an 84% increase in the average number of people working in any quarter during the fourth year of the time limit compared to the year before implementation, it neglects to mention that this represents only 285 individuals, or only 15% of all those terminated. To put this in perspective, 663 terminated families *never had* earnings during the entire study period.
- Of terminated families with earnings in the last year of the study period, quarterly earnings averaged \$3,459, or only 69% of the federal poverty level for a typical size TANF family.
- The study made no effort to examine what the work rates or earnings of these families would have been in the absence of time limits given the improving economy and other considerations.^{ix}

These facts revealed by the OPM study are consistent with the widespread hardships facing terminated TANF families found by UMaine’s Professor Sandy Butler in a longitudinal study of families in the year following their termination:^x

- Most terminated families did **not** include a working adult;
- The household head in **more than half** of all terminated families **did not** have a high school diploma or GED. Included in that number were 219 non-English speakers;
- Nearly one in three families lost their homes after losing TANF; nearly half reported running out of heating fuel and most relied on food banks for enough to eat;
- The “hardship” extensions included in the time limit law to protect the most vulnerable families were ineffective. While an earlier Maine study^{xi} found that nearly 90% of families receiving TANF for at least five years had a disability themselves or were caring for a disabled family member, only 17% of families terminated by time limits received a disability-related extension. Only 1% of all families received an extension based on domestic violence, despite previous findings that nearly 25% of TANF families applied for TANF after leaving an abusive relationship.

The OPM SNAP study reveals that employment rates increased by only four percentage points among those terminated because of the Administration’s newly imposed work requirement. The LePage Administration’s Office of Policy and Management also issued a report touting the success of time limits and related work requirements that caused 80% of all childless adults between the ages of 18 and 49 to lose SNAP (formerly Food Stamps) benefits beginning in 2015.^{xii} This report, too, is methodologically flawed and ignores prevailing labor market trends during the study period.^{xiii} Instead, data in this report reveal the following:^{xiv}

- Over the one-year period in the OPM report, only an additional four percentage points of the 6,866 people who lost their SNAP benefits for failing to meet the work requirements gained employment (30% compared with 34%, or 275 people). This increase was most likely due to Maine’s improving economy with the unemployment rate dropping sharply from 5.2% to 3.9% in that year. Moreover, this means that 2/3rds (66%) of those terminated remained unemployed with neither wages nor food assistance at the end of the year following termination.
- While the study notes that average quarterly earnings for former SNAP recipients who found employment increased by \$1,530 during the study period, it fails to acknowledge that the average increase in quarterly earnings for all Mainers during this same period was greater, at \$1,547.

Like the experience of TANF families described above, SNAP recipients also encountered difficulty accessing exemptions from the work requirements intended to protect those most vulnerable from loss of assistance.^{xv} Another recent Maine study found that while a qualifying disability can exempt a person from the SNAP work requirement/time limit, low-income people often lack access to a regular health care provider who could certify a disabling condition. This means obtaining the required documentation to qualify for an exemption can be an uphill battle.

Given the impact of Maine’s work requirements described above, there is little doubt that they have contributed to Maine’s alarming trend in deep child poverty relative to the rest of the nation. Since 2011, the percent of all U.S. children living in deep poverty *decreased* by 4.2 percent, but in Maine it actually *increased* by 13.6 percent during this period.^{xvi}

Work requirements in Maine’s SNAP program have likely also contributed to Maine’s high rate of food insecurity relative to other states.^{xvii} The most recent United States Department of Agriculture study of food insecurity found that 16.4% of Mainers are food insecure. This means that these households had difficulty at some time during the year in providing enough food for all their members due to a lack of resources. Maine’s percentage of food insecure households is a striking *26% higher than the national average*. Maine now has the *7th worst food insecurity ranking in the nation*, dropping two spots from last year’s ranking of 9th worst.

More troubling still, 45% of these households face an even more severe circumstance described as “very low food security”. This equates to more severe hunger as food intake for these individuals is reduced and normal eating patterns are disrupted at times during the year due to limited resources. By this measure, *Maine ranks third worst in the nation*.^{xviii}

How Medicaid work requirements would impact Maine families and individuals

Medicaid helps thousands of Mainers stay healthy and remain employed; work requirements would undermine these achievements, weakening the program and causing thousands to lose coverage. Listening to the voices of people hoping to receive Medicaid through Maine’s ballot initiative this fall is a powerful reminder of how important health care coverage is to people striving to stay healthy and remain employed. In this video clip Kathy Phelps who will soon finally receive Medicaid makes this powerful point:
<http://mainersforhealthcare.org/watch-kathleens-story/>

Based on the experience in other public programs, and Maine’s own experience, we know that mandatory work requirements create barriers to needed services, are ineffective in improving employment rates, and drive many into deeper poverty and greater hardship.

Most MaineCare members live in working households; those not working typically face serious barriers to employment. As noted earlier, most Medicaid adults live in families where someone is working, those not working typically have physical or behavioral health conditions creating significant barriers to work, including substance use disorders. For these individuals, imposing a work requirement would be counterproductive to Medicaid’s most fundamental purpose: providing vital health care to people who need it.

Moreover, people need to be healthy to work. The Medicaid program supports that goal by providing access to preventive care, medical management and prescription drugs to help them cope with chronic conditions that would otherwise make stable employment far less attainable.^{xix}

Who would be at risk of losing coverage should a Medicaid work requirement be imposed? Research recently published in Health Affairs looked at those who would be at risk of losing Medicaid coverage under the work requirement included in the American Health Care Act (AHCA), defeated by Congress earlier this year. It found that nationwide, about 22 million adults covered by Medicaid would have been subject to work requirement under the AHCA. This analysis assumed that half of those were already working, so presumably would meet the requirement (although we know that many of these workers face fluctuating hours and periods of unemployment and thus may be subject to bureaucratic hurdles that still cause them to lose assistance). Of the 11 million not currently working, 3 million (27%) are looking for work, and another five million (46%) have serious health problems preventing or limiting their ability to work, but do not yet receive disability benefits. These health problems include physical or mental limitations caused by illnesses such as diabetes, arthritis, cancer, heart disease, or mental illness.

Consistent with poor health, non-working Medicaid beneficiaries potentially subject to a work requirement need more health care than those who are working. The data indicate that they are three times as likely as working beneficiaries to have seen a mental health professional in the past year, twice as likely to have been hospitalized, and have 50 percent more doctor visits in a year.^{xx} While most proposals being discussed include “exemptions” for people that are not “able-bodied”, those exemptions often fail to protect those they intend to safeguard. As shown above, administrative obstacles often prevent people from receiving the exemptions for which they qualify. The consequence for those impacted would be poorer health and diminished inability to work. Moreover, once uninsured, the cost for their care would be passed on to others raising costs for all health care stakeholders.

Additionally, among those at risk of losing Medicaid under the AHCA:

- Almost two-thirds (63 percent) were women;
- Slightly more than half are racial and ethnic minorities, while 44 percent are non-Hispanic whites;
- Two-fifths (39 percent) are middle-aged (45 to 64) adults, who are at greater risk of serious medical problems;
- Nearly one-third were caring for a family member and 17% were enrolled in school; and
- About 30 percent lack a high school diploma, meaning that in today’s economy, they have sparse employment prospects.

Studies of Medicaid expansion states confirm that Medicaid supports work. Studies show that Medicaid coverage promotes and supports work.^{xxi} Focus groups, state studies, and anecdotal reports highlight examples of Medicaid coverage supporting work and helping enrollees transition into new careers. For example, individuals report that receiving medication for conditions like asthma or rheumatoid arthritis through Medicaid is critical in supporting their ability to work.^{xxii}

Work Requirements do not promote the objectives of the Medicaid Program. We argue that CMS does not have the legal authority to permit states to implement work requirements and, working with the National Health Law Program and private counsel, are prepared to challenge any decision by CMS to allow such a waiver in court. Because work requirements are inconsistent with Medicaid’s objectives, such proposals have consistently been rejected in the past. The purpose of Medicaid is to provide medical care to low-income individuals who cannot afford the costs of medically necessary services and to furnish “rehabilitation and other services to help [such individuals] attain or retain capability for independence or self-care.”^{xxiii} A work requirement will not help anyone improve their health.

Over one hundred comments were submitted to CMS on Maine’s proposed waiver, nearly all in opposition. Here is a sampling of comments opposing the mandatory work requirement:

Maine Medical Association: “It [the waiver] would also undoubtedly lead to a decrease in the number of individuals covered... while encouraging work or community engagement is a worthy goal, it should be done by offering voluntary incentives (e.g., access to child care, job training and education, job search assistance, etc.) rather than a punitive and cumbersome process that has, in other programs such as SNAP, led to a majority of people formerly covered losing their eligibility. This requirement will be a confusing mess with people coming on and off MaineCare with great frequency and people ending up giving up.”

Maine Hospital Association: “It is unclear how recipients would respond to these new requirements, but it seems safe to say that they are created and designed to further reduce the number of people receiving MaineCare coverage...It would most certainly result in more people becoming uninsured in the State of Maine.”

American Diabetes Association: “For people who face major obstacles to employment, harsh Medicaid requirements will not help to overcome them...instituting a work requirement would lead to higher uninsured rates and higher emergency room visits by uninsured Americans who would have been eligible for Medicaid coverage.”

AARP: “If implemented, the waiver would likely worsen health outcomes, create significant financial hardship for many MaineCare members in need of coverage, increase administrative costs to the state, and result in increased uncompensated care costs for Maine’s health providers. The work and community engagement requirements in Maine’s waiver proposal would also present an unnecessary barrier to health coverage for a sector of the population that greatly needs coverage, including for the many individuals who have recurring periods of illness due to chronic and behavioral health conditions who may not be exempted from the work and community engagement requirements.”

Strategies that have proven successful in promoting work and reducing poverty

Even in this improving economy we frequently see Maine people with low incomes who want to work, but can't get a job because they lack the needed education, skills or work experience that employers require; or because transportation, child care, health conditions, or barriers prevent them from successfully gaining or retaining employment.

Maine's Parents as Scholars (PaS) Program, created by the King Administration in 1997, has demonstrated the success of post-secondary education in increasing access to stable employment and higher wages. This program has increased economic independence for thousands of Maine's low-income families and their children.^{xxiv} Work strategies that involve improving educational attainment for adults have also proven to dramatically increase the economic stability and well-being of children over their lifetimes.^{xxv}

Similarly, Maine's Competitive Skills Scholarship Program (CSSP) provides training in credential and degree granting programs for other groups of low-income individuals to help them gain access to high-wage, high-demand jobs. According to the Maine Department of Labor, those who complete CSSP significantly increase their opportunity for future advancement. The projected average starting wage for CSSP graduates with a college degree is \$20.50 per hour compared to their average wage of \$9.32 at entry to the program. A large percentage (35%) of CSSP enrollees enter health care occupations, helping to meet an area of significant employer demand in Maine.^{xxvi}

Both PaS and CSSP uniformly provide enrollees with essential supports such as childcare, transportation and the like. These have been key to ensuring the success of participants in these and similar programs.^{xxvii}

Other poverty-reduction strategies proven to successfully assist families enter and sustain employment include transitional jobs programs combining paid work, skills training and supportive services to help individuals facing barriers to employment succeed in the workforce. "Pathways" programs that provide a series of educational steps that build upon one another and lead to successively higher credentials and employment opportunities in growing occupations are also effective. Finally, it is widely recognized that well designed refundable tax credits such as the Child and Dependent Care Tax Credit and the Earned Income Tax Credit can have a dramatic impact on reducing poverty and promoting sustained employment. These programs provide real value to those enrolled. They do not rely on "requirements" that threaten needed assistance; people voluntarily seek genuine opportunities to improve their lives without pressure or penalty when they are available.

Rather than instituting counterproductive work requirements in the Medicaid program, or expanding them in programs where they have already shown to be ineffective and harmful, policymakers should increase economic opportunity through education and training and work supports. Providing families with the practical services and supports will ensure more enduring success throughout their lives and those of their children.

ⁱ <https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work/>

ⁱⁱ <http://ccf.georgetown.edu/wp-content/uploads/2016/12/Parents-and-Caregivers-12-12.pdf>

ⁱⁱⁱ <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/53126-health.pdf>

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- ^{iv} <https://aspe.hhs.gov/report/use-tanf-work-oriented-sanctions-illinois-new-jersey-and-south-carolina/imposing-tanf-sanctions-how-often-whom-and-what-outcomes>
- ^v <https://www.ers.usda.gov/webdocs/publications/84973/err-237.pdf?v=42979>
- ^{vi} <https://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>
- ^{vii} Wage and Employment Outcomes of TANF Participants Closed for Time Limits,” (Maine) Governor’s Office of Policy and Management, May 25, 2017, <http://www.maine.gov/economist/docs/TANF%20Report%20Final%205-25-17.pdf>.
- ^{viii} https://www.cbpp.org/research/family-income-support/research-note-contrary-to-maine-officials-claims-tanf-time-limit#_ftn1
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- ^x <http://www.mejp.org/content/tanf-time-limits-one-year-later>
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