



Do 'common welfare programs' pay the equivalent of a \$20.83-per-hour job?

By C. Eugene Emery Jr.

February 1st, 2015

Rhode Island's minimum wage just rose to \$9 an hour. There's a push by Democrats to raise the federal minimum wage from \$7.25 to \$10.10.

That's chump change if you believe a Jan. 10 tweet by the Rhode Island Center for Freedom and Prosperity. It said you can earn the equivalent of \$20.83 an hour by not working and being on welfare.

The conservative think tank reported: "RI should make working more attractive than welfare! Common welfare programs give income of \$43,330 or \$20.83 an hour."

That struck us as very attractive. We wondered if it were true.

First we asked the center's CEO, Mike Stenhouse, if there were any important caveats omitted from the tweet, which is restricted to 140 characters.

With more characters available, he said in an email, the statement would have been something like: "Estimating the combined value of certain public assistance programs available in Rhode Island, common welfare programs can give recipients a pretax income equivalent of up to \$43,330 or \$20.83 an hour."

Neglecting to say "up to" and "equivalent to" are important omissions. So the \$43,330 represents the maximum value of the benefits, not actual cash income that recipients can spend as they wish.

The source for the claim, said Stenhouse, is a report from the libertarian Cato Institute called "The Work Versus Welfare Trade-Off: 2013." It examined the value of various welfare programs by state.

The Rhode Island total comes from starting with the \$6,648 a year in cash welfare that a single parent with two children could receive, which is the only unrestricted cash that recipients would see. (It's also 34 percent less than what recipients got in 1995, adjusted for inflation, according to Cato.)

Then you add in \$6,249 per year in food stamps (now called the SNAP program), \$12,702 in housing subsidies, \$11,302 as the cost of buying health care coverage comparable to Medicaid, \$275 in heating assistance, \$300 a year under the Emergency Food Assistance program (TEFAP), and \$1,156 in food under the Women, Infants, and Children (WIC) program for pregnant women, new mothers and children up to age 5.

The total -- \$38,632 -- is equivalent to what a single parent with two children would get to keep after taxes if the parent earned \$43,330 a year, or \$20.83 an hour for a 40-hour work week, Cato said.

"Many welfare recipients, even those receiving the highest level of benefits, are doing everything they can to find employment and leave the welfare system," the Cato report concludes. "Still, it is undeniable that for many recipients -- especially long-term dependents -- welfare pays more than the type of entry-level job that a typical welfare recipient can expect to find. As long as this is true, many recipients are likely to choose welfare over work."

But there's a problem: There's nothing typical about this amount because very few poor people are eligible for -- or take advantage of -- all these programs.

The Cato report acknowledges that most people won't be getting close to the \$38,632. For example, welfare recipients aren't eligible for WIC benefits unless they have children under age 5. Another example: Many poor people can't get a housing subsidy -- only 1 in 4 Rhode Islanders receiving cash welfare are also receiving housing assistance.

Anticipating such criticism, Cato did another calculation, looking only at the welfare, food stamp and Medicaid programs that, they said, nearly all poor people would be eligible for. Cato found that the value of just those benefits was equivalent to being paid \$17,347 a year, or \$8.34 an hour.

That's a far cry from \$20.83 an hour.

On the other hand, \$8.34 an hour is still only 66 cents below the current Rhode Island minimum wage, with no need to punch a time clock, find child care, or arrange for transportation to and from a job.

It's not clear how many welfare recipients are actually enrolled in the food stamp and Medicaid programs. Cato, the liberal Center on Budget and Policy Priorities and the Economic Progress Institute, a liberal think tank at Rhode Island College that studies poverty and other economic issues, didn't have that number.

Finally, the Rhode Island Center for Freedom and Prosperity uses the value of the benefits to argue that the state "should make working more attractive than welfare."

But Linda Katz, policy director of the Economic Progress Institute, argued there's already a huge incentive to working instead of being on welfare. She said a family of three, with the parent earning \$13 per hour, can still receive food stamps, heating assistance, housing assistance and other benefits that Cato values at \$28,000.

"Instead of having \$6,000 in your welfare check, you have \$27,000 in your paycheck. And you still keep everything else," she said.

That's not true, said Justin Katz (no relation), the Center for Freedom and Prosperity's research director. The food stamp allotment, for example, would be cut dramatically for someone making \$13 an hour full time.

We confirmed that with the state's SNAP administrator. A single mother at that pay level would not even be eligible for food stamps unless other expenses were taken into account. With monthly bills of \$1,000 in rent, \$60 in utility costs, and a friend or relative caring for the children, that mother would get about \$2,000 in food stamps per year, far less than the \$6,000 she would get if she has no income.

The same with a housing subsidy. A single mother in Providence making \$13 an hour would potentially be paying \$8,112 a year for subsidized housing (if she could get it). That same mother with no income would have to pay just \$600 a year for that apartment, according to Michael V. Milito, deputy assistant director of Rhode Island Housing.

In a subsequent email, Linda Katz acknowledged that she had erred.

Our ruling

The Rhode Island Center for Freedom and Prosperity tweeted that "Common welfare programs give income of \$43,330 or \$20.83 an hour."

It's not income as most people think of it. It's how much a poor single parent with two children under age 5 would have to earn to get the equivalent value of all programs, including food stamps, medical care, heating assistance and housing subsidies, plus \$6,648 a year in cash assistance.

But that's a hypothetical maximum that only a small fraction of welfare recipients reach because they're not eligible for those specific benefits, they didn't apply for them, or a benefit is not available.

The Center's tweet suggests the scenario is more common than it is.

It could have added the caveats and still stayed within Twitter's 140-character limit. For example: "RI should make working more attractive than welfare! Common welfare programs give income up to \$43,330 or \$20.83/hr for single parent of 2."

Because the statement contains some element of truth but ignores critical facts that would give a different impression, we rate it Mostly False.