

Work versus Welfare

Social wealth and prosperity result from the productivity of individuals. To the extent that society's individual members contribute their labor, knowledge and ingenuity in productive ways, society grows richer.

However, the incentive structure facing individuals has a substantial impact on their observed willingness to contribute their productive capacities. This means policymakers can have a meaningful impact on social prosperity by providing the correct incentives that induce individuals to contribute their skills and energy.

The level and availability of public support has a direct and meaningful impact on individuals' decisions to pursue knowledge, skill development and career advancement. Overly generous public subsidy for unemployment can discourage individuals from seeking entry-level positions and working toward achieving their full potential. This is not to say that some form of safety net is undesirable, but policymakers must strike a balance that does not discourage productive activity and which recognizes that communities succeed only when individuals achieve.

Key Points

Nevada offers one of the nation's most generous welfare packages. According to a state-by-state comparison of the generosity of welfare packages completed in 2013, Nevada offers the nation's 15th most generous welfare package, if households enroll in every program for which they are eligible. Valued at \$31,409 annually, Nevada's total welfare package is significantly higher than in neighboring states like Arizona, Idaho and Utah, where welfare packages amount to \$21,364, \$17,766, and \$19,612, respectively.¹

Nevadans can receive all basic needs without working. Food, housing, utilities, health care and spending cash are all available through the various government programs that distribute them, including: SNAP, WIC, TEFAP, LIHEAP, TANF, Medicaid, and Section 8.

Welfare can subsidize black market activities. Eligibility for participation in most welfare programs is determined by reportable income. This provides an incentive for

individuals to pursue only income that is non-reportable, so as not to compromise program eligibility. Thus, welfare programs can have the effect of promoting an underground, illicit economy.

The hourly wage equivalent of welfare benefits is higher than is available at entry-level jobs. When Nevada's total welfare package is broken down into an hourly wage equivalent, assuming a 40-hour work week, it amounts to \$14.34 (2013 dollars).² This amount is higher than what is offered at most entry-level jobs and encourages individuals to forego entry-level positions in order to retain superior welfare benefits – even though entry-level positions may serve as a springboard for later career advancement and income growth.

Very few welfare recipients participate in work activities. Despite the acclaimed federal welfare reforms of the 1990s that imposed some work requirements on welfare recipients, records indicate that few Nevada beneficiaries actually fulfill these requirements. Only 49.1% of welfare recipients participate in any form of "work activities." Comparatively, the figure is 87.9% in neighboring Idaho. Further, fewer than half of those who do participate actually work in a traditional job. Others satisfy the requirement through more nebulous "work activities," including "work preparation" or "job search."³

Recommendations

Limit availability of welfare. If policymakers truly wish to eradicate poverty and promote social prosperity, they cannot make individuals comfortable in their poverty. Entry-level work in the legal marketplace must become more rewarding than public support.

While most welfare programs are created by Congress and administered by states, state policymakers still have wide flexibility within several programs. Lawmakers in a number of states, for instance, have reduced housing subsidies available to TANF recipients and encouraged them to use their cash benefits to finance their own housing.

¹Michael Tanner and Charles Hughes, "The Welfare Versus Work Trade-Off: 2013," Cato Institute, October 2013.

²Ibid.

³U.S. Department of Health and Human Services, "National TANF Datafile."

Total Value of Welfare Benefits, by State (2013)

Rank	State	TANF (\$)	SNAP (\$)	Housing (\$)	Medicaid (\$)	WIC (\$)	LIHEAP (\$)	TEFAP (\$)	Total (\$)
1	Hawaii	7,632	8,827	23,798	6,776	1,289	553	300	49,175
2	D.C.	5,136	6,081	21,775	8,136	1,071	600	300	43,099
3	Massachusetts	7,416	6,247	17,203	9,920	979	450	300	42,515
4	Connecticut	6,804	6,312	14,243	9,175	1,253	675	300	38,761
5	New Jersey	5,088	6,145	17,428	8,153	1,265	348	300	38,728
6	Rhode Island	6,648	6,249	12,702	11,302	1,156	275	300	38,632
7	New York	8,292	5,251	12,044	10,464	1,309	344	300	38,004
8	Vermont	7,980	4,999	13,083	9,988	1,154	200	300	37,705
9	New Hampshire	7,500	4,837	13,296	10,044	825	358	300	37,160
10	Maryland	6,780	5,881	13,056	7,884	1,320	450	300	35,672
11	California	8,676	4,994	14,821	4,459	1,170	868	300	35,287
12	Wyoming	6,924	6,312	9,044	9,612	799	128	300	33,119
13	Oregon	5,652	6,312	10,701	7,452	957	300	300	31,674
14	Minnesota	6,384	6,247	8,207	9,000	1,041	424	300	31,603
15	Nevada	4,596	6,312	12,475	6,455	908	363	300	31,409
16	Washington	6,744	5,164	11,040	6,400	999	169	300	30,816
17	North Dakota	5,724	6,312	8,568	8,280	1,163	335	300	30,681
18	New Mexico	5,364	6,312	8,711	8,467	936	345	300	30,435
19	Delaware	4,056	6,312	11,989	6,084	1,001	633	300	30,375
20	Pennsylvania	4,836	6,164	8,947	8,100	1,184	286	300	29,817
21	South Dakota	6,468	5,648	7,428	8,261	1,100	233	300	29,439
22	Kansas	4,836	6,312	8,197	8,309	962	480	300	29,396
23	Alaska	11,076	7,017	–	8,467	1,256	1,159	300	29,275
24	Montana	5,664	6,312	8,551	6,876	1,030	390	300	29,123
25	Michigan	5,868	6,312	8,344	6,618	980	450	300	28,872
26	Ohio	4,920	6,312	8,152	7,857	864	317	300	28,723
27	North Carolina	3,264	6,312	9,393	7,452	1,083	338	300	28,142
28	West Virginia	4,080	6,312	8,070	7,742	1,056	167	300	27,727
29	Indiana	3,456	6,312	8,827	6,534	912	550	300	26,891
30	Missouri	3,504	6,312	8,295	7,092	935	400	300	26,837
31	Oklahoma	3,504	6,312	8,061	7,342	959	306	300	26,784
32	Alabama	2,580	6,312	8,196	6,560	1,197	1,493	300	26,638
33	Louisiana	2,880	6,312	8,556	6,776	1,247	467	300	26,538
34	South Carolina	3,156	6,312	8,337	7,063	1,118	250	300	26,536
35	Wisconsin	7,536	5,919	–	6,540	1,035	153	300	21,483
36	Arizona	4,164	6,312	–	8,676	1,012	900	300	21,364
37	Virginia	4,668	6,312	–	8,640	786	178	300	20,884
38	Nebraska	4,368	6,312	–	8,388	1,055	375	300	20,798
39	Colorado	5,544	6,312	–	6,901	973	720	300	20,750
40	Iowa	5,112	6,266	–	7,024	883	516	300	20,101
41	Maine	5,820	6,312	–	6,000	989	450	300	19,871
42	Georgia	3,360	6,312	–	7,920	1,345	560	300	19,797
43	Utah	5,688	6,312	–	6,228	859	225	300	19,612
44	Illinois	5,184	6,301	–	5,961	1,146	550	300	19,442
45	Kentucky	3,144	6,312	–	7,560	973	474	300	18,763
46	Florida	3,636	6,312	–	6,196	1,077	600	300	18,121
47	Texas	3,156	6,312	–	7,337	703	229	300	18,037
48	Idaho	3,708	6,312	–	6,012	884	550	300	17,766
49	Arkansas	2,448	6,312	–	6,377	1,113	873	300	17,423
50	Tennessee	2,220	6,312	–	7,344	1,006	231	300	17,413
51	Mississippi	2,040	6,312	–	6,909	1,023	400	300	16,984

Source: Michael Tanner and Charles Hughes, "The Work Versus Welfare Trade-Off: 2013," Cato Institute, October 2013.