

The Importance of a Credible Counterfactual: An Explanation for the American Enterprise Institute

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The Trump administration recently finalized a rule tightening work requirements for able-bodied adults without dependents (ABAWDs) receiving food assistance from the Supplemental Nutrition Assistance Program (SNAP). SNAP limits able-bodied adults aged 18 to 49 without children to three months of benefits in any 36-month period, unless they are employed or in a work or training program for at least 20 hours a week. States do not have to offer these individuals a work or training program slot, and most do not, so this provision is more appropriately seen as a time limit rather than a “work requirement.” The law also allows states to request and the U.S. Department of Agriculture (USDA) to grant waivers to the time limit in areas with high unemployment. The rule revises the conditions under which the USDA would waive the ABAWD time limit, including “the criteria to demonstrate ‘lack of sufficient jobs’ and what constitutes an ‘area’ are defined for the purposes of ABAWD time limit waiver requests and approvals.”²

In “SNAP changes promote work,” Matt Weidinger and Angela Rachidi of the American Enterprise Institute (AEI) express support for this rule because they believe it is designed to “strengthen work requirements” and can help promote employment and raise incomes.³ Their support is based, at least in part, on the experiences in several states that “recently turned off waivers”:

Several states have recently turned off waivers and started to successfully engage ABAWDs in work. The early effects in those states support the fact that ABAWDs can work, which will raise their income in the long run. That is the intent of the longstanding federal policy, and it’s past time, as the economic expansion continues now in its 11th year, for the ABAWD waiver policy to finally catch up.

Within this statement, they include three links to “studies” by the Foundation for Government Accountability (FGA) that they seem to believe support their claims. These reports provide limited and highly selective data about the experiences of ending waivers and restoring the ABAWDs requirement in Florida,⁴ Mississippi,⁵ and Arkansas.⁶ As a former AEI staffer and an evidence-based conservative, I was astounded and disappointed that AEI would use “junk science” to justify a policy that has potentially severe consequences for some of the nation’s poorest individuals. Policy should be based on careful attention to policy details and credible evidence – something that is not evident in the SNAP ABAWDs requirement.

In an email to the authors about their statement, I wrote:

This statement include links to three studies by the Foundation for Government Accountability (FGA). Anyone who has looked at the FGA studies should realize they have no credible counterfactual. The FGA’s reports are fundamentally flawed and no serious researcher has ever cited them. If you want to be considered serious evidence-

based scholars, you would do well to reconsider this posting – or at least this part of the posting.

One of the authors replied:

Thanks Peter but I was very careful in how we wrote that section and it is a true statement. ABAWDS in those states went to work. We didn't claim that the requirement is what caused their employment. Thanks for reading.

If the goal is to show that ABAWDs receiving SNAP are capable of work, then Rachidi and Weidinger could have picked a more appropriate citation, one that examines patterns of participation using longitudinal data. For example, Dorothy Rosenbaum and Ed Bolen of the Center for Budget and Policy Priorities (CBPP) note: “At least a quarter of households with childless adults work while receiving SNAP, and about 75 percent work in the year before or the year after receiving SNAP.”⁷

Saying, “We didn't claim that the requirement is what caused their employment,” is disingenuous. Using a term like “early effects” suggests a causal relationship. The dictionary definition of “effect” is: “a change which is a result or consequence of an action or other cause.” And, why choose three reports by the FGA that make causal claims about the ABAWDs requirement? Moreover, the FGA reports cited by Rachidi and Weidinger don't actually provide direct data to show that ABAWDs actually did go to work and nothing to suggest that incomes rose if one includes the value of SNAP benefits along with earnings.

This response elaborates on my concerns about AEI's reliance on the FGA's “studies.” The ABAWDs requirement most certainly reduces caseloads and costs, as the impact is so large and in such a short period time, but a more careful examination of data in other states (Kansas and Maine) suggests it does little to increase employment and may well lower incomes for those pushed off SNAP without work.

The FGA's “Studies” in Florida, Mississippi, and Arkansas

AEI chose to focus on three FGA reports that have almost no data on employment and income – and certainly have no counterfactual to judge the “effects.” The reports range from 11 pages to 15 pages, including footnotes, graphics, and highly selective stories about “real world impact.” All three describe income (really wage) gains over time, but given the fact that the initial wages are likely to be very low, the average dollar impacts are small and likely reflect regression to the mean (which is why there is a need for a credible counterfactual – a control or comparison group).

The following statements from each of the FGA reports highlight the statements that come closest to supporting AEI's claim that the “early effects in those states support the fact that ABAWDs can work, which will raise their income in the long run.”

Florida. The following is the FGA's main statement about employment in their Florida “study”:

“Individuals found jobs in 1,104 different industries, touching virtually every corner of Florida’s economy”

The authors of the report assert a causal relationship, stating “Florida’s commonsense welfare reform is helping boost the state’s economy, providing new workers for businesses that desperately need them, freeing up limited resources for truly need Floridians, and creating new taxpayers.”

The report also notes that in January 2016, 450,000 ABAWDs were receiving SNAP and two years later (December 2017) enrollment declined to “just 27,000, a drop of more than 94 percent.”

Mississippi. The following are the FGA’s statements about employment in their Mississippi “study”:

“Able-bodied adults went back to work in more than 700 diverse industries.”

“Incomes more than doubled after leaving welfare, more than offsetting lost benefits.” Specifically, “wages grew by an average of 64 percent within three months of leaving welfare. ... Incomes continued to rise in later quarters reaching a 121 percent increase 18 months after leaving food stamps.”

The authors of the report assert a causal relationship, stating “Mississippi has proven once again that work requirements are key to reducing dependency and helping move able-bodied adults from welfare to work.”

The report also notes that enrollment in SNAP by ABAWDs dropped by 72 percent between January 2016 and October 2018.

Arkansas. The following are the FGA’s statements about employment in their Arkansas “study”:

“After leaving welfare, Arkansans’ incomes more than tripled.” And, “Within three months of leaving welfare, wages for these able-bodied adults nearly doubled, spiking by 87 percent, on average. ... Within two years of leaving welfare, Arkansans’ incomes had more than tripled, rising by 204 percent, on average.”

The authors of the report assert a causal relationship, stating “Arkansas’ historic welfare reform produced immediate results. The reform has moved thousands of able-bodied adults from welfare to work and earnings soared, leaving those exiting welfare financially better off than they were before.”

The report also notes, “Enrollment began to drop immediately and fell by 70 percent within a year, freeing up resources for the truly needy” –from 19,125 in January 2016 to 5,730 by December 2016.

A Question for AEI

Where in any of the three reports is there direct evidence that employment (not earnings) rose? As discussed below, the FGA has provided more detail in a similar report about Kansas that shows increases in wages, but no meaningful gains in quarterly employment rates. The fact that individuals had jobs in hundreds of different industries is meaningless – it’s possible that even before implementation of the requirement SNAP ABAWDs were employed in this many industries. Where is the baseline data?

A standard evaluation of a welfare-to-work program would include a counterfactual – a control group (RCT) or comparison group (quasi-experiment). It would present employment rates quarter by quarter starting with the baseline quarter. It would examine impacts on total income, not just earnings, and include the value of other income sources, such as SNAP benefits. It would also include a process study that examines the implementation of work programs. The FGA reports do none of this. Moreover, they assert that the ABAWDs requirement led to earnings gains of 100 to 200 percent in a relatively short period of time. There is no precedent for this kind of impact in any rigorously evaluated welfare-to-work intervention. Doesn’t this kind of claim raise concerns about the methodology?

A Closer Look at the FGA’s “Research” in Kansas and Maine

The Florida, Mississippi, and Arkansas reports provide almost no data to judge the effectiveness of the SNAP ABAWDs requirement. Fortunately, an earlier report by the FGA of the ABAWDs requirement in Kansas and a related report in Maine provides just enough data to *suggest* that it is not effective in raising employment, though it too can hardly be considered an evaluation.

Kansas. When Kansas removed the waiver and reinstated the ABAWDs requirement, the FGA produced a report making similar claims.⁸ It asserts, “The data shows that the less time these able-bodied adults spend on welfare, the quicker they can get back into the workforce once they are freed from welfare and the more money they will make. These Kansans are discovering new lives of independence and self-sufficiency that, in some cases, they haven’t known for more than two decades.” To support this claim, they add, “Nearly 60 percent found employment within a year of leaving food stamps.”

The employment rate is an important outcome in any welfare reform-related evaluation. Most random assignment evaluations show the employment rate for a baseline quarter (i.e., the quarter of random assignment), and then each quarter thereafter. This shows the status of program participants at a particular point in time and relative to a control group so as to permit credible estimates of employment impacts. The authors of the FGA report did not do this. Instead, they simply reported the number “ever-employed” through a particular quarter – not the employment rate for a particular quarter.

The first three columns of Table 1 below come from Table 7 of the FGA report. The first column shows the time period and the second column shows the number of able-bodied adults with dependents exiting food stamps in December 2013 (i.e., receiving benefits in that month, but not the next), who have a “record of employment since Q4 2013” (i.e., the baseline quarter).

The third column reflects a *cumulative* employment rate, that is, the percent of leavers ever-employed at any time since the fourth quarter of 2013. (The term “cumulative” is added because an employment rate presented this way does not show the percent of leavers employed in any one quarter, but rather the percent employed at any time since a baseline period – the fourth quarter of 2013). The *cumulative* employment rate in the fourth quarter of 2014 is 58.9 percent. This forms the basis of the claim that “nearly 60 percent found employment within a year of leaving food stamps.”

The FGA’s characterization of the employment rate leaves the impression that the SNAP “work requirement” caused the increase, because the report provides no reference point. The authors don’t include the baseline employment rate, which would have been the fourth quarter of 2013. For a pre-post study, this is extremely sloppy and misleading. The fact that nearly 60 percent of leavers “found” employment would be impressive if none were employed during the baseline quarter (i.e., the fourth quarter of 2013). In addition, instead of reporting quarterly employment rates, the authors use an employment rate based on any “record of employment since Q4 2013.” Comparing a quarterly employment rate for the baseline (or “pre”) period to an “ever-employed” over the course of a year employment rate (or “post”) period would be comparing apples to oranges. Even with a simple pre-post study, what is needed is a comparison of the quarterly employment rate in the baseline quarter to a quarterly employment rate to a subsequent quarter.

Fortunately, a quarterly employment rate can be calculated from the FGA report, because it provides data on the average quarterly wages of “all disenrollees” and as well as those who are “current workers.” The quarterly employment rate can be computed by dividing the second figure by the first figure and is shown in the fourth column of Table 1 below. This calculation shows that 38.9 percent of able-bodied adults without dependents who exited SNAP in December 2013 were employed during the baseline quarter.

Table 1: Comparing Employment Rates: The FGA’s Big Exaggeration

	Record of employment since Q4 2013	Cumulative Employment Rate	Quarterly Employment Rate (NOT reported by FGA)
Q3 2013			36.4%
Q4 2013	?	?	38.9%
Q1 2014	4,920	38.8%	38.4%
Q2 2014	6,217	48.5%	42.1%
Q3 2014	7,012	54.8%	41.8%
Q4 2014	7,537	58.9%	42.1%
Q1 2015	7,870	61.5%	
Q2 2015	8,252	64.4%	

Source: Table 7 in Jonathan Ingram and Nic Horton, *The Power of Work: How Kansas’ Welfare Reform Is Lifting Americans Out of Poverty* (The Foundation for Government Accountability, February 16, 2016), available at: <https://thefga.org/download/PowerOfWork-KansasWelfareReform.pdf>. The last column is derived from Table 8 of the FGA report.

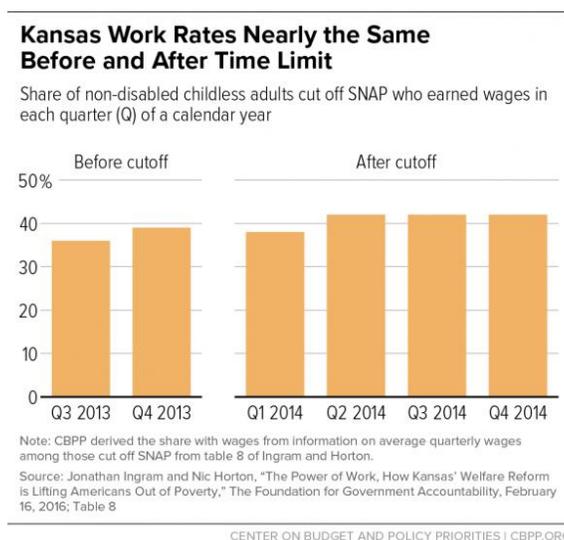
When quarter-by-quarter employment rates are examined, it is obvious that the FGA’s claims are exaggerated. By the fourth quarter, only 42.1 percent of those who exited SNAP in December 2013 were employed. So, even if one believes a simplistic pre-post study is appropriate, the

proper comparison would be 38.9 percent at baseline to 42.1 percent at the time of follow-up a year later – an impact of 3.2 percentage points (8 percent). Does this really justify a claim like, “These Kansans are discovering new lives of independence and self-sufficiency that, in some cases, they haven’t known for more than two decades”?

Dorothy Rosenbaum and Ed Bolen of the CBPP first noted this problem in a devastating critique of the FGA “analysis” in December 2016, stating:

... work rates before and after the time limit were very similar ... Almost 40 percent of those whose SNAP was cut off already worked in each of the last two quarters before the time limit returned (the third and fourth quarters of 2013). The share working each quarter in the year after the time limit was implemented rose slightly, to just over 40 percent. This modest increase could be explained by two factors: (1) low-wage workers are more likely to apply for and participate in SNAP when they lose a job or their incomes drop, so they often experience improvements in the future as their employment situation improves; and (2) Kansas’ economy was improving over 2014, so a slightly larger share of recipients may have been able to find jobs or higher pay. The time limit does not appear to have dramatically affected work rates for the group subject to it.

The figure below from the CBPP critique illustrates this point.



The authors of the FGA report had this data and they should have presented it. Their depiction of an increasing “ever-employed” rate is highly misleading and is not evidence of the impact of the SNAP “work requirement.”

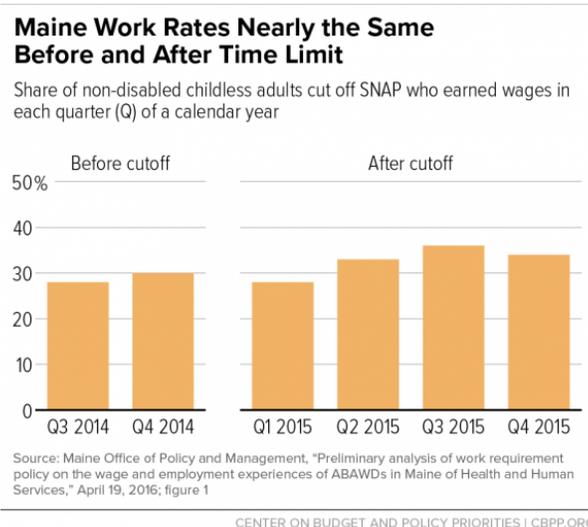
Maine. The Maine Office of Policy and Management issued a report using a similar methodology following the state’s decision in 2014 to no longer request a waiver from the federal ABAWDs requirement.⁹ Not surprisingly, the FGA promoted its findings and claimed a causal relationship between lifting the requirement and employment-related outcomes, e.g., see “New Report Proves Maine’s Welfare Reform Are Working.”¹⁰ In addition to the FGA, Marc

Thiessen of AEI did the same, relying on the FGA’s article, stating “work requirements in Maine have been a huge success”:

What Maine officials found was that, once work requirements were implemented, the number of citizens on food stamps plummeted from 13,332 in December 2014 to 1,886 by September of 2015. According to *Forbes* magazine:

“Within a year, these able-bodied adults saw their incomes rise by an average of 114%. That increase came as more able-bodied adults re-entered the labor force, worked more hours, or found jobs with higher wages. Thanks to this higher income, poverty rates have declined and now, working able-bodied adults are earning more than enough on average to bring them above the federal poverty line.”

It is notable that one of the authors of the Maine memo cautions, “Since this was just a preliminary analysis, we didn’t attempt to make any conclusions about causality.”¹¹ Even in the absence of a counterfactual, a closer look at the Maine data reveals little employment “effect,” as illustrated in the CBPP figure below.



If Rachidi and Weidinger want to defend the ABAWDs requirement, they could argue about the importance of mutual obligations or cost concerns, but they should not make unsubstantiated claims about positive employment “effects” based on junk science.

Note: economic theory suggests that reducing or terminating benefits of a welfare program would lead to more work; the problem is that the increase in employment pales in comparison to number that lose benefits (without employment) and are made worse off. For a more detailed assessment of the methodological problems of the FGA studies, see: “How Do the Foundation for Government Accountability’s Evaluations of Welfare Reform Measure Up? A Report Card (Hint: The FGA Fails),” June 24, 2018, at: <https://mlwiseman.com/wp->

<content/uploads/2016/05/Evaluating-Welfare-Reform.pdf>. An Appendix to this paper provides a more complete list of critiques of the FGA's "studies." Support for work requirements should be based on close attention to policy details and credible evidence, not junk science.

Policymaking Based on Rigorous Evidence is a Blessing

Thiessen ends his post about Maine's ABAWDs requirement with a short sermon about the "blessing" of work:

Some oppose work requirements because they see them as a way to punish welfare recipients or deny them benefits. But work is not a punishment. Work is a blessing. And work requirements are a critical tool to help rescue our fellow Americans from the misery of idleness – so they can achieve meaning and happiness in their lives through the power of honest, productive work.

As AEI's president, Arthur Brooks, puts it: "We understand that when society empowers people to work for social assistance, we help those people twice. First, through welfare, we are helping meet their immediate material needs. And second, through work, we are helping them earn success – the key to a fulfilling and dignified life."

I agree about the value of work, but it is important to evaluate our programs and policies rigorously to determine whether they are achieving their objectives. Too often, today, conservatives are willing to accept the findings from simplistic studies that confirm their viewpoint. Even a cursory examination of any of the FGA's "studies" should raise red flags. As a "think tank," one would think AEI would do better.

¹ The views in this document reflect my own as a citizen and do not reflect the views of any organization I am now or have ever been affiliated with. By way of background, I consider myself a conservative and have worked on welfare issues for the Heritage Foundation, the American Enterprise Institute, and the White House under both President Reagan and President George H.W. Bush.

² U.S. Department of Agriculture, “SNAP – Final Rulemaking: Requirements for Able-Able-Bodied Adults Without Dependents, Questions and Answers – December 4, 2019,” available at: <https://fns-prod.azureedge.net/sites/default/files/media/file/SNAP%20-%20ABAWD%20Final%20Rule%20QA%20Set%201.pdf>.

³ Matt Weidinger and Angela Rachidi, “SNAP changes promote work,” American Enterprise Institute, December 4, 2019, available at: <https://www.aei.org/poverty-studies/snap-changes-promote-work/>.

⁴ Jonathan Ingram and Nicholas Horton, “Commonsense Welfare Reform has Transformed Floridians’ Lives,” March 4, 2019, available at: <https://thefga.org/research/commonsense-welfare-reform-has-transformed-floridians-lives/>.

⁵ Jonathan Ingram and Nicholas Horton, “Welfare Reform is Moving Mississippians Back to Work, November 1, 2019, available at: <https://thefga.org/research/mississippi-food-stamps-work-requirement/>.

⁶ Jonathan Ingram and Nicholas Horton, “Work Requirements are Working in Arkansas: How Commonsense Welfare Reform is Improving Arkansans’ Lives,” January 9, 2019, available at: <https://thefga.org/research/work-requirements-arkansas/>.

⁷ Dorothy Rosenbaum and Ed Bolen, “SNAP Reports Present Misleading Findings on Impact of Three-Month Time Limit,” Center on Budget and Policy Priorities, December 14, 2016, available at: <http://www.cbpp.org/research/food-assistance/snap-reports-present-misleading-findings-on-impact-of-three-month-time>.

⁸ Nic Horton, Jonathan Ingram, and Josh Archambault, “First-Of-Its-Kind Study Shows The Power Of Work,” *Forbes*, February 19, 2016, available at: <https://thefga.org/wp-content/uploads/2016/12/Forbes-First-Of-Its-Kind-Study-Shows-The-Power-Of-Work.pdf>. The study they refer to is: Jonathan Ingram and Nic Horton, *The Power of Work: How Kansas’ Welfare Reform Is Lifting Americans Out of Poverty* (The Foundation for Government Accountability, February 16, 2016), available at: <https://thefga.org/download/PowerOfWork-KansasWelfareReform.pdf>.

⁹ Maine Office of Policy and Management, “Preliminary analysis of work requirement policy on the wage and employment experiences of ABAWDs in Maine,” April 19, 2016, http://www.maine.gov/economist/opm/pub/ABAWD_analysis_final.pdf.

¹⁰ Jonathan Ingram and Josh Archambault, “New Report Proves Maine’s Welfare Reforms Are Working,” *Forbes*, May 19, 2016.

¹¹ Darren Fishell and Michael Shepherd, “Have LePage’s food stamp cuts led to higher incomes?,” *Bangor Daily News*, May 11, 2016, available at: <http://bangordailynews.com/2016/05/11/the-point/have-lepages-food-stamp-cuts-led-to-higher-incomes/>.