

Hearing on Lessons Learned from Welfare Reforms in Other Countries

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Hearing on Lessons Learned from Welfare Reforms in Other Countries

Tuesday, November 17, 2015

U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:03 p.m., in Room 1100, Longworth House Office Building, Hon. Charles Boustany [chairman of the subcommittee] presiding.

Chairman Boustany. Good afternoon, everyone. Welcome to this hearing. This hearing is the final hearing in a series we began earlier this year on how can we move America's families forward. In February of this year, I announced that the subcommittee would undertake a top-to-bottom review of our Nation's safety net in how welfare policies can better support work, strengthen families, help individuals escape poverty, and move up the economic ladder.

In the months since, we have held hearings on using evidence to fund what works, reforming Temporary Assistance for Needy Families to make it more successful, and protecting taxpayers from fraud and waste. We have held our first joint hearing in at least 20 years with our colleagues on the Agriculture Committee to discuss how programs can better reward work. We reviewed the complicated array of programs designed to help people in need, highlighting how this maze makes the welfare system confusing for States to operate, and frustrating for families to navigate. But most importantly, we have actually heard from real people, those who are experiencing our safety net programs firsthand to find out what they really need to find work to escape poverty and hopefully move up the economic ladder.

In the mid-1990s, this subcommittee was instrumental in developing and passing legislation to reduce welfare dependence by supporting and encouraging work. The resulting 1996 welfare reforms, passed by a Republican Congress and signed by a Democratic President, brought about major changes in how the Federal programs assisted those in need. As a result of those reforms, a number of people receiving welfare

declined significantly, employment rates rose for those most likely to be in poverty, and the percentage of children living in poverty fell as well.

Other countries took note of these changes and many began experimenting with ways they could reform their systems as well to help more people move off of welfare and into work. While welfare reform in the United States spurred other countries to undertake their own reforms, in many cases other countries have now gone well beyond the reforms we have made in the 1990s.

For example, other countries have implemented policies such as requiring work or work preparation in exchange for benefits in multiple programs, revising eligibility standards to target benefits to those most in need, consolidating and coordinating programs to simplify their systems, working with nongovernmental groups to deliver key benefits and services, and holding programs accountable for achieving real outcomes.

Today's hearing will highlight specific changes other countries have made to modernize their safety net so more people get the help they need to get back on their feet. We will also hear how the lessons learned in other countries can help us develop ideas to further reform the welfare system here in the U.S.

So we certainly welcome our guests, our distinguished panel today, and look forward to their testimony.

At this time, I would like to yield to Mr. Davis for the purpose of an opening statement.

Mr. Davis. Thank you very much, Mr. Chairman. And I welcome this hearing, and I certainly want to thank our witnesses for being here with us this afternoon.

While there may be some promise in welfare, the work experiments going on around the world, our experiences offer a cautionary tale about declaring victory too soon. In the Temporary Assistance for Needy Families program, called TANF, for example, after an early burst of innovation and investment, States began to burden their welfare block grants to fill State budget holes instead of investing in work and getting families out of poverty.

In 2014, only 8 percent of TANF funds were used for work activities, and less than half supported its full purpose. TANF continues to measure caseload reduction but didn't hold States accountable for employment outcomes. As a result, more than three-fourths of families in poverty got no help at all from TANF. A recent study found that as many as 3 million American children live on less than \$2 a day. There are lessons we can learn from other countries, and I hope my Republican colleagues will work with us to implement them. For example, Great Britain set a goal for cutting child poverty in half, and then they changed their public policies to meet that goal. My Child Poverty Reduction Act would allow us to follow their good example.

We can also learn a lot from other nations about public policies that support work. The United States is the only developed country that provides zero weeks of paid, parental leave. Just this year, our committee failed to even take up the Family and Medical Insurance Leave Act when it was referred to us. The United States ranks close to dead last in terms of investment in child welfare. As a percent of GDP, Denmark invests seven times more than we do in quality child care. The Netherlands, five times more; Great Britain, four times more.

Last year, Republicans have blocked the funding needed to make quality child care available to working families, leaving millions of families on waiting lists instead of at work.

We know health care is a key work support, one that is guaranteed around the world. But despite all advances the Affordable Care Act brought, Republican governors in 19 States are blocking health care for millions, and Republicans in Congress have voted 61 times to undermine or repeal the ACA. Democrats are serious about the work that lifts families out of poverty. That means building on successes like our earned-income tax credit, and it means providing real support to working parents as they try to make a better life for their families.

So we welcome this hearing. Thank you very much, Mr. Chairman, and I yield back.

Chairman Boustany. Thank you, Mr. Davis.

Chairman Boustany. At this time, I would like to welcome the newest member of our committee, the Ways and Means Committee, the gentleman from South Carolina, Mr. Rice. Tom, welcome. Glad to have you on the committee. I know we will work out subcommittee assignments, but we certainly welcome you here today.

Without objection, each member will have the opportunity to submit a written statement and have it included in the record. At this point, I would like to remind our witnesses to limit your oral statements to 5 minutes to keep us on time here with the -- but your full written testimony will be made part of the record.

Chairman Boustany. On the panel today, we have three very distinguished witnesses. We have Douglas Besharov, the Norman and Florence Brody Professor School of Public Policy, University of Maryland. Welcome. Melissa Boteach, vice president of Poverty to Prosperity Program, Center for American Progress. Welcome. And Richard Burkhauser, Sarah Gibson Blanding Professor of Policy Analysis, Cornell University College of Human Ecology.

We welcome all three of you.

And, Mr. Besharov, thank you. You may begin your testimony. Please turn your microphone on.

STATEMENT OF DOUGLAS BESHAROV, PROFESSOR, SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND

Mr. Besharov. There we are. Sorry about that.

Thank you very much for having me. This is an important topic, because I think there is a great deal to learn from other countries. It is a tricky process, because some people like this part of a program, some people like that part of a program, and to get a fuller picture is extremely difficult, especially in 5 minutes. So I am going to pick one topic, and I am going to do what my wife suggested, which is no numbers.

I think you have heard that although unemployment is down, labor-force participation and all its ways is also down. It is a process that started long before the recession. In fact, for African-American men and for low-skilled white men it started in the 1970s. It is partially a function of our safety net, and the question is, what we do about it as the numbers get larger.

The Europeans face a similar situation. They have a much more generous safety net, or at least they did until recently. Unemployment benefits were for 5 years in some countries, in some countries unlimited. And what they found was, unfortunately, human nature being what it is, the temptation of unlimited unemployment benefits was a great attraction, even for the most productive members of our society. So starting about 15 years ago, they systematically started changing their social welfare system.

Now, as Melissa is going to point out, there is a little bit of a difference here, because their systems start more generously than ours do. But I think that is part of the lesson here, which is, you can't make our system more generous without addressing its negative effects on labor-force participation. It is a little bit like the immigration problem, do we close the borders first and then go to legalization and citizenship? Do we do them both at the same time? And that is for the politicians. What the Europeans had was a system of very generous benefits and decreasing labor force participation. So in my testimony -- and I have a picture, nice little chart, with all the countries that do it -- they have basically done three things: Number one, they have synchronized benefits. And this is both a left and a right issue.

In our country, someone runs out of unemployment benefits and it is a second step and often a different step to get on TANF. It is a second step and often a different step to get on food stamps and so forth. So what they are doing in return for limiting unemployment benefits, is making it easier to get on the equivalent welfare, and in welfare, imposing work requirements, what we call work requirements.

The second thing they are doing -- so that is synchronization. The second thing they are doing is imposing across almost all of their programs, and you can see the countries that are doing it. France is actually close to doing it already, and that is mandating some kind of work-related activity in return for benefits.

The third thing they are doing is they are giving greater authority to localities, and they are allowing a greater use of private contractors. It is quite striking. I was in England when labor -- when the government was labor, and labor was part of the process of contracting out to nonlabor -- nonunion activities.

So three things: Synchronizing benefits, mandating some kind of work, and devolving authority. Each one extremely difficult in this country, I want to say, so please don't hear me saying this is a piece of cake. The worst problem, I think, is the committee structure of the Congress, I am afraid to say. I was so glad, Mr. Chairman, that you mentioned a joint hearing with Agriculture. My own view of SNAP is not where our major welfare program -- I have a chart in my testimony that shows how SNAP reciprocity is way up. That is our major welfare program. If it is not coordinated with TANF, we will never make any progress in my opinion.

In terms of the ability to devolve, we are a Federal system. We don't exactly trust the States. Sometimes the States, whether led by Republicans or Democrats, are very good at milking the Federal Government for whatever they can, and I think that is a reality as well.

However -- and I have 9 seconds. However, I think this points to the direction we have to take; synchronize benefits, mandate work, and devolve authority. There are loads of lessons in this country as well as abroad on how to do that.

Chairman Boustany. Well, thank you.

Chairman Boustany. Ms. Boteach, you may proceed.

STATEMENT OF MELISSA BOTEACH, VICE PRESIDENT, POVERTY TO PROSPERITY PROGRAM, CENTER FOR AMERICAN PROGRESS

Ms. Boteach. Thank you, Chairman Boustany, Congressman Davis, and members of the subcommittee for the invitation to appear before you today. My name is Melissa Boteach, and I am the vice president of the Poverty to Prosperity Program at the Center for American Progress.

As I am sure we can all agree, the surest pathway out of poverty is a good job. Unfortunately, over the past four decades the gains from rising profits and productivity have gone mainly to those at the top of the income ladder, while low- and middle-income Americans have seen their wages stagnate or decline. Even in good economic times, events such as job loss, disability, or birth of a child are common triggers of a spell of poverty or hardship. In fact, four in five Americans will experience at least one year of significant economic insecurity during their working years.

Economic inequality and family income shocks are not unique realities to the United States. Yet, the U.S. consistently ranks among the worst compared to other developed

economies on comparable measures of poverty. As we look to other OECD nations to determine how we can learn from their experiences, I will make two key points today.

First, we must take care not to cherry pick lessons from these countries as to the context of the broader policy framework. And second, there are important lessons that we should take from other countries; namely, stronger labor protections, more modern work-family policies, and more adequate income security programs. Both of these points have important implications as we seek to strengthen work and income supports in the United States.

On the first point, some have lifted up examples such as the universal credit in the United Kingdom as the inspiration for efforts to consolidate or block grant multiple anti-poverty programs in the United States. Yet, the universal credit guarantees benefits to all eligible low-income people and is administered centrally by the national government.

In contrast, we have seen what happens here when you block grant a program and send it to the States. Temporary Assistance for Needy Families, as discussed more fully in my written testimony, only serves one in four poor families with children, has been unresponsive during recessions, and requires virtually no State accountability for results.

In fact, recent data shows that States only spend an average of 8 percent of the block grant on work-related activities. It would be a terrible mistake to view TANF as a model for any of our vital income security programs.

Moreover, one of the main problems that the United Kingdom is trying to address, financial penalties for work, is far less of an issue in the United States in part due to our earned-income tax credit. Together, the earned income and child tax credits reward work and lifted approximately 10 million people out of poverty last year. That is one of the reasons why it is so important that as Congress considers tax extenders that we build upon what works and not make any business tax breaks permanent without also making permanent parts of the EITC and child tax credits set to expire in 2017.

Moreover, there is growing bipartisan support, including among members of the panel testifying today, for expanding the EITC for childless adults. So what lesson should we draw from other wealthy nations to cut poverty and promote economic mobility? First, other developed nations recognize that supporting people in work means adopting stronger labor standards. In the United States, the Federal minimum wage is a poverty wage. Low-wage workers often face unpredictable or inflexible schedules, and only about 7 percent of private-sector workers belong to a union.

In contrast, even as the United Kingdom's conservative government is implementing the universal credit, they are moving forward to increase their already more generous minimum wage with a goal of reaching 60 percent of median earnings by 2020. Workers in the United Kingdom also enjoy a right to request flexible and predictable schedules. And in Denmark, collective agreements between trade unions and employer organizations are the norm and not the exception.

Second, other OECD nations have more robust work-family policies that support women's labor force participation such as paid sick days and paid family leave. In contrast, the U.S. is the only developed Nation in the entire world that fails to provide paid family or parental leave.

Finally, other OECD nations tend to have much more adequate income insurance policies than the U.S. for the income shocks that can rock a family. Nearly all OECD nations guarantee healthcare coverage to their citizens. Nearly all OECD nations provide a child benefit that significantly reduces child poverty. And most countries offer significantly more adequate unemployment insurance than the United States, for only about one in four unemployed workers currently receive benefits.

Even with recent disability reforms, countries such as the United Kingdom, Australia, and the Netherlands, these countries still have higher reciprocity rates, more adequate benefits, and spend more of the shared GDP on their disability programs than we do here in the U.S. These ideas are not just international standards. Policies such as raising the minimum wage and enacting paid family leave command the support of the vast majority of Americans across the ideological spectrum. Not only that, they are proven methods to reduce usage of the safety net in the first place. Raising the minimum wage at \$12 an hour by 2020 would save \$53 billion in nutrition assistance over the next 10 years.

We must build on this body of evidence from both the U.S. and abroad to advance these types of policies with the proven track record of cutting poverty and boosting the middle class. Thank you.

Chairman Boustany. We thank you.

Chairman Boustany. Mr. Burkhauser, you are recognized.

**STATEMENT OF RICHARD BURKHAUSER, SARAH GIBSON BLANDING
PROFESSOR OF POLICY ANALYSIS, CORNELL UNIVERSITY COLLEGE OF
HUMAN ECOLOGY**

Mr. Burkhauser. Thank you for the opportunity to speak to you today in this iconic American room.

I have one figure, which I would like to put up here that comes from my co-authored work with Mary Daly and Nicholas Ziebarth, that shows the dramatic growth and eventual decline in disability caseloads of a working-age person in Germany, Netherlands, and Sweden over the past 40 years and the rise in the United States especially since 1990.

We argue that neither changes in underlying health nor in population characteristics can account for this cross-country difference. A systematic look at the policies in place during the growth years in these European countries and in the United States today,

reveals disability programs focused on providing cash assistance rather than full-time work. This policy design was based on several assumptions.

One, people with disabilities are unable to work. Two, it is easy to determine who is and is not disabled, and three, the behavior of individuals, program managers, and employers is not affected by program rules or incentives. None of these assumptions are correct. The single most important factor in reducing caseloads in all three European countries was a shift to work-first policies. These policies slowed the movement of disabled workers onto the rolls by ensuring the accommodation and rehabilitation were first tried before workers were considered for long-term disability cash payments.

Germany accomplished this by substantially increasing the bar for entry onto their disability program and reducing benefits, but also by requiring employers to implement a workplace integration program. This ratcheting up of eligibility criteria, of government disability benefits, resulted in major growth in private disability market. In 2012, for instance, 61 percent of employed men and 42 percent of employed women were covered by the private disability insurance system, more than twice that in the United States. Because private disability payments are experience rated, this encouraged workers and employers to look to rehabilitation and accommodation first, since they now more directly bear the cost of the movement onto the disability rolls.

In the Netherlands, disability standards were also raised and benefits reduced, but an even larger shift to workforce policies took place. Employers are now mandated to provide the first 2 years of disability benefits to their disabled workers. In addition, employers must demonstrate an effort to provide accommodation and rehabilitation to their works, and these workers must show a willingness to use them. This policy change also resulted in major growth in private disability markets, and these experience-rated payments further ensure that accommodation and rehabilitation are tried before workers move on to disability rolls.

In Sweden, the government merged their sickness program with their disability program and began a series of changes to standardize and enforce the administration of these now joint systems. Most notably was the centralization of screening processes. This allowed policymakers to better regulate the gatekeepers and enforce the strategy of promoting participation in work before offering cash benefits.

So what lessons can the United States learn from these experiences? European policy outcomes show that it is not the case in the absence of benefits individuals with disabilities would remain out of the labor force dependent on other forms of public or private assistance for support.

Disability reforms over the last decade provide evidence that employment will increase and the pro-work policies replace policies that had the opposite effect. People with disabilities would otherwise have moved on to long-term cash benefits were able with reasonable levels of support to return to work. Critics of these reforms argue that the

disability insurance is especially important in economic downturns or individuals with limited work capacities are more likely to be laid off and less likely to find a job.

Past experience, especially in Germany and the Netherlands, who choose this logic to turn their long-term disability program into unemployment programs suggest that it can be a very expensive and untimely and ultimately ineffective policy decision.

The key message from the EU experience is that exclusively divorcing long-term unemployment insurance, from disability insurance, is critical to effectively targeting resources for its old populations. The experience of the EU nations suggest that it is possible to balance competitive goals of providing social insurance against adverse health shocks and maximizing the work effort of all working-age adults.

Past disability policies in both the United States and EU countries have focused more on the former than the latter resulting in rapid growth of disability caseloads to outpace growth in the economy. Efforts to shift to more pro-work policies in Europe suggests that fundamental disability reforms that can lower long-term costs for taxpayers, that can make the job of disability administrators less difficult and approve the opportunities of Americans with disabilities to work. Thank you.

Chairman Boustany. We thank you for your testimony.

Chairman Boustany. Now we will move on to questions. And I will begin by starting with Mr. Besharov.

On page 6 of your testimony, you have a chart summarizing the types of changes European countries have made to their safety net programs in recent years. And the most common one, just in looking through the whole collection of them, appears to be requiring individuals to work or prepare for work in exchange for receiving benefits. And in our subcommittee hearings, we have talked about the importance of having welfare programs, a system of programs focused on work, trying to put work first, but often times we focus on the government implementation of this policy. And it struck me over the course of the year, as I have tried to understand this, and I have spoken to recipients, you know, beneficiaries of programs and some of the trials that they have had in getting into meaningful work, that one of the most important viewpoints that we are missing, as we look toward reform, is looking at the viewpoint of the employers, and how do you bring the employers, who will provide jobs, into line with these government programs, you know, Federal, State, and so forth?

I mean, just looking at the testimony and some of the other things I have read, other countries have tested different ways of partnering with employers to help welfare recipients move up as well as to help employers get the types of employees they need. Of course, we know in certain areas there are -- their job availabilities are not being filled by Americans who could be looking at this. And I am convinced that we can't solve a lot of our economic problems until we address this issue of how do you get those who are not working who can work into work and meaningful work?

So what have other countries done in this area, looking at that side of it from linking the employers to these programs so that we have, you know, a system that actually helps the beneficiary get into work? And are there lessons that we can learn in working with employers here in this country, lessons that we can learn from our partners in Europe as to how they have been successful with this?

Turn your mike on.

Mr. Besharov. Yeah, sorry. A small detail first. The initial implementation of TANF was very exciting, and it was almost purely work first, which is look for a job. Many of us hope that there would be work experience, but the caseloads went down so quickly and, frankly, the Clinton administration was not interested in work experience, which is on-the-job training of some sort. So that whole process disappeared from our welfare procedures.

What the Europeans do is they take advantage of the fact that there are all these small blue-collar jobs. Notice I said blue collar, because it is extremely difficult to get a welfare recipient who has dropped out of high school and so forth into a serious white-collar situation. So in the U.K., in Germany, there are processes with working with small employers, not just the large ones. And if you ask me what the American connection there would be, it would be either in legislation or in policy to make it easier for work experience and under TANF or SNAP or whatever, to be with individual employers -- we don't have to be with the GEs or the whatever, the Amazons. Get credit for that and accept the fact that it is blue-collar work, not white-collar work and not limit work experience to non-for-profit firms, which is the case -- or organizations, which is the case in many parts of the country.

Chairman Boustany. Yeah. It seems to me that that is how you get people on that ladder to where they can move up. And one of the things that has been missing, as I have reviewed it, you know, clearly, you spend, you know, a long time studying this, but as I have looked at it over the course of a year, it seems that we just have these disconnects.

We have a Federal program, States basically operate the program. The metrics we are looking at really are not as helpful as what we really need. What we really need is, okay, who is getting into work? What kind of wages are they starting at? What is happening, 3 months, 6 months later, a year later? Are they really into a meaningful job? But linking those small employers and the job availability to the beneficiary and just putting two and two together just seems like it ought to be simple, but yet, it doesn't happen.

Mr. Besharov. I see the time. At the risk of creating a minor tremor here, one of the problems is going to be the minimum wage. Most of these programs have an exemption to the minimum-wage programs. If the minimum wage is actually \$15 an hour, I think it is going to be extremely difficult to see current welfare recipients untrained being hired for those jobs.

Chairman Boustany. Thank you. My time has expired. I am going to go to Mr. Davis.

Mr. Davis. Thank you very much, Mr. Chairman.

Ms. Boteach, I have a bill called the Child Poverty Reduction Act that draws on the successful effort in the aid to set measurable national benchmarks for child poverty reduction. Within the first decade of enactment, Britain's child poverty rate decreased by 50 percent. In contrast, in the U.S., as many as 3 million children are living in families with less than \$2 a day in cash income.

Is there a similar trend in extreme child poverty in other developed countries? And if not, why not?

Ms. Boteach. There is not. You have looked since 1996, as welfare reform has been implemented, and you have seen an increase in deep poverty. And one of the lessons I think that is core to draw from the United Kingdom is they did it through -- they set a national target which again mobilizes people on a common goal and can bring different actors together, but then the policies that flow from that did the basic labor standards, they enacted the minimum wage, they expanded their paid family leave. But they also expanded child tax credits, family allowances, and they made sure that there was a floor underneath which people should not fall.

And so that combination of both rewarding and encouraging work, and at the same time ensuring that there was an adequate social insurance system in place so when people fell down means that in countries like the United Kingdom and other countries, you don't see the same degree to which you have \$2-a-day poverty here in the United States.

Mr. Davis. So we do see some precedent if we want to follow the pattern that might help us move more of these families out of poverty?

Ms. Boteach. Right. We can look across the pond and see not just in the United Kingdom, but in many other OECD countries, this combination of raising the minimum wage, there is higher union densities in these countries, which already means that wages tend to be higher. Policies that enable women to more fully participate in the labor force.

If we were to close the gender wage gap in this country we would cut poverty for working women and their families in half. And so policies that seek to ensure that women can both participate in labor market as well as earn similar to their male counterparts are going to have dramatic increase on poverty.

And then, finally, for example, our child-tax credit in this country, a single mom working full time under minimum wage under current law will get about \$1,800 from the child-tax credit. But if Congress fails to make permanent the 2009 provisions, that single working full time at the minimum wage with two kids would get about \$57.

So we need to think how we get things like our child-tax credit and all of our safety-net programs more fully available to all of those who qualify.

Mr. Davis. Let me ask you. Several of the countries we are discussing today have a particularly strong history of collective bargaining. A strong labor movement in the Netherlands is one of the reasons that their disability policy did not lead to widespread age discrimination and wages in Denmark are consistently higher than in the U.S. because collective bargaining is the rule, not the exception.

We know that union membership have benefits for workers, but what are some of the benefits that researchers have found for children who live in union households as many in Denmark do?

Ms. Boteach. There are very strong associations between union density and children's economic mobility. For example, union density, it has about the same association as dropping out of high school in terms of the opposite effect on children's economic mobility. High school graduation is widely seen as a very important variable in determining children's life outcomes. An analysis by Center for American Progress and our colleagues at Harvard has shown that there is a similar premium that unions provide in terms of children's economic mobility.

Another thing that unions do, is unions are associated controlling form many other factors with marital stability, through the increased premium of wages, stability of schedules, et cetera. And so in terms of thinking about families, in terms of thinking about children, beyond just the benefits to the economy, unions benefit children and families strongly.

Mr. Davis. Well, let me thank you very much. And so it seems that union membership does, indeed, have value for children as well as for their families?

Ms. Boteach. Absolutely.

Mr. Davis. Thank you very much.

And I yield back, Mr. Chairman.

Chairman Boustany. I thank the gentleman. We will now go to Mr. Meehan.

Mr. Meehan. Thank you, Mr. Chairman. And I thank each and every one of you, not only for your testimony here today, but the work professionally you have put into studying these issues so that we can have the greatest impact.

And I am interested in this, finding this right balance. And, Professor Besharov, you seem to be talking about this place where I am trying to understand where this place is, where there is the -- we want to increase workforce participation by people who are, you know, in programs like this. And what have you seen with respect to anything overseas or others that you have studied -- where is the right balance for financial incentives to get people to stay in the workforce versus the opposite impact, which is at the certain point you begin to say, you know, I may not work? Has anything worked to find that right balance, or where is that balance?

Mr. Besharov. It is always difficult to say what a particular program works. It is much more a question of the expectations that permeate the agency and the society. What the Germans have succeeded in doing, what the French are trying to do, is change the public ethos about the receipt of public benefits. What they are trying to say is across all these programs, we will support you, maybe not as much as you would like, maybe not as much as the left, although many of these programs have been proposed and adopted by the left. We will support you, but we expect you to look for a job.

Are there penalties for looking for a job -- for not looking for a job? Yes. In some places, the welfare-type benefits are reduced in steps. In some places they are terminated. And what is really quite striking, and I don't mean to turn to a colleague, but what is striking about some of the disability reforms is that unlike our system, we not only encourage people on -- they not only, in some countries, encourage people on disabilities to work, they reward them financially. They think, as I think many disability advocates do, that there is no such thing as a person who can't work.

Mr. Meehan. I am not troubled by that concept, but let us flip that. Because one of the things we often talk about is discrimination against somebody who is disabled. So how do you treat two classes of people, a person who is -- well, you know, how do you treat two classes of people, somebody else who is just in the workforce versus how do you give a higher salary to somebody who has a disability to do effectively the similar work?

Mr. Besharov. The way they do it in Europe -- in some countries is, there is a disability payment. And if that person gets a job, we don't reduce the disability. They don't reduce the disability payment dollar for dollar.

Mr. Meehan. Right.

Mr. Besharov. It is just the way we changed welfare a little bit, but not enough. Which is they disregard some of the income to create an incentive. Now, it is expensive to do that, and it is a little bit of a gamble. Your idea here is, if I do this, will the caseloads go down. In this country we seem to be hammer locked not to even try.

The recent budget agreement takes us a step further away from that kind of solution in disability. I think it belongs in disability. I think it belongs in TANF. I think it belongs in SNAP. I think it belongs in all the welfare programs that we create, an incentive to go to work and we not penalize people for being in work.

Mr. Meehan. Would there also be similarities to other kinds of supports that would not be used as penalties, say, for instance, there was discussions about women who need child care in order to be able to stay in the workforce?

Mr. Besharov. There is research on this by the MDRC, the New York City research unit, which is, I think, widely regarded on both sides of the aisle. I am not endorsing the policy prescription here, but the research was about whether people in public housing should be required to work or at least engage in work first. And the finding -- this is post

TANF. This is about 7 years ago. The finding was very clear that requiring recipients in public housing to look for work increased their work.

And the MDRC recommendations are pretty clear about this. Yes, you can do it in a range of programs. My own sense is, I would love to see it happen in the mainstream programs first, TANF, SNAP. Let's do it there before we get it to housing and child care, which raise a host of other questions about the well-being of children. But the research suggests that any time you ask someone receiving a benefit to do something in return, or almost any time, you get a result. You get a behavioral change.

Mr. Meehan. Thank you, Mr. Besharov.

Does anybody else have a comment with respect to those issues before I yield back?

Ms. Boteach. If you don't mind, I would like to make a clarification. In the U.S., our Social Security disability insurance system is not mutually exclusive with work. People who receive SSDI can, in fact, go back to work and without getting knocked down on their disability benefits for up to a year. And at any point after that, if they are able to earn above a very minimal threshold, they can expedite a return back onto SSDI if their disability worsens. And so work and disability are not mutually exclusive as has been painted in the previous comments is one clarification that I wanted to make.

In fact, our SSDI system not only has the strictest disability standard in the developed world, but it encourages work in that way for those very few SSDI applicants who are able to work.

In terms of barriers to work, child care is a very serious one, indeed. Only about one in six people who are eligible for childcare systems in this country is able to access it, which can result in people either not being able to go to work or turning to low-quality care, which can reduce their ability to stay in the job and it also has long-term consequences on children's outcomes, because those early years are so important for brain development. And so speaking about child care as a work support is vitally important as part of this conversation. Thank you.

Chairman Boustany. I thank the gentleman.

Mr. Lewis.

Mr. Lewis. Thank you very much, Mr. Chairman, for holding this hearing.

Ms. Boteach, I would like you to follow up. In our country, when you compare America to Denmark, Netherlands, United Kingdom, we have little paid leave. But when you have young children, mothers and fathers without child care, it is very hard for people to be employed and remain employed. Someone, someplace, somewhere must care for the child, care for the children. Will you elaborate?

Ms. Boteach. Absolutely. I mean, I think this is very relevant for the conversation we are having today on our overall system of work and income supports. Because when women have access, and when families have access, including fathers, to paid family leave, you see greater attachment to the labor market. Women don't have to leave their jobs in order to take a short period to stay at home with young children. You see they have higher earnings over time, more workforce participation over time. And, in fact, a study of New Jersey's paid family leave program -- they are one of the three States that implemented one -- shows that women who were able to take the paid family leave had 40 percent less usage of public assistance in the year afterwards.

And so there is a direct relationship. It is very difficult to talk about the safety net in isolation, because it is tied very closely to our basic labor standards and our work-family policies. And when we look to other countries and the reforms that they are making, they have those crucial building blocks in place.

This is important not just as a work support, it is important speaking to intergenerational poverty. Because when women are able to have access to paid family leave, when we are able to close the gender-wage gap, those have effects on children's early experiences. And the first few years of life are so crucial for children's health, earnings, educational outcomes in the long term, and when we make investments in those children up front, we see dividends for years down the line.

Mr. Lewis. Thank you. If you could have young children growing up in a family seeing their mother and father working, supporting them, can that help to break the cycle of poverty?

Ms. Boteach. It is very important. It is important, because income in those early years makes a huge difference. There was a study that showed just \$3,000 more for a poor family in income resulted in that child earning 17 percent more later on down the line.

And in addition, you want to make sure that people, as they are breadwinning, they can balance those caregiving responsibilities. You know, in the past 50 years, women have gone from being about a quarter of breadwinners or cobreadwinners in families to being two-thirds of mothers are breadwinners or cobreadwinners in families, and yet, our system of policy to support women's labor-force participation is so out of date that we are, again, the only country that does not have paid family leave. In not the just the developed world, but with very few exceptions, in the entire world.

Mr. Lewis. Let me ask other members of the panel. If you raise the minimum wage, provide a family, provide a mother, a father with more income, could they afford to provide child care, to help in providing child care?

Ms. Boteach. Yes. Those are complimentary policies. Because when you raise the minimum wage, when you enact things like paid family leave, even in a minimum wage of \$12 or \$15, people are still going to struggle to afford child care. CAP has proposed, actually, a high-quality childcare credit, which would not just ensure that families could

afford on a sliding scale to both pay into, but be able to receive child care, but that it would be high-quality and safe and be held to certain standards. Because it is important both to have the access to child care, but also both for children's long-term outcomes and for parents' peace of mind and ability to work for that child care to be high quality as well.

Mr. Besharov. You asked about the other members of the panel. If you look at my graph, figure 2 on page 4, what you will see, and I don't think anyone would disagree, that over the last 40 years, women have increased and mothers have increased their workforce labor participation a ton. And male labor-force participation has declined. That was what was happening in Europe as well.

We can have a conversation about child care, and I think that is an important issue, but I think the topic for the hearing here should focus on the fact that we have a broader or another problem, and that is declining labor-force participation of men, white, black, and Latino. It is connected to their opportunities. It is not just the minimum wage. It is connected to their schooling. It is connected to the availability of other benefits for them and other forms of support. And if we are going to address the problem of low labor-force participation, we will have to go far beyond child care. And I think we have to address these benefit programs and how they support men getting back to work.

Ms. Boteach. Can I --

Mr. Lewis. I yield back -- I am not quite out of time.

Do you want to respond?

Ms. Boteach. No. I mean, I wanted to underscore that I don't think it is mutually exclusive to encourage men's labor-force participation and women's labor-force participation. And many of the policies set forth in my testimony, whether it was raising the minimum wage, the earned-income tax credit for workers without dependent children that would help low-income men as well as low-income women to have bipartisan support. These are things that we can undertake that reward work, and tackle poverty, and also address men's labor-force participation alongside women. But we need to encourage both, not focus on one at the expense of the other.

Mr. Besharov. If I may. This committee has all the resources to do everything. I think we can have that conversation. But the Congress sets priorities. So I would say that we have an issue for the welfare of the country that we address. I think if you look at the graphs that I have presented, a problem requiring immediate attention is what is happening to the men. We have had a recent report about high death rates for middle income men, white and black. And we know there is a problem there, and it requires concentrated attention.

Our only handles are these support programs, and we should be looking at them. So I am not saying don't look at child care. I am just saying it is very important that we

understand that the decline in labor-force participation is among men, not among women. And it has been, except for the last few months, it has been growing over the last 30 and 40 years. That is what triggered European action. That is what triggered European action, which was to try to get those men back into the labor force.

Mr. Lewis. Mr. Chairman, can I have just another --

Chairman Boustany. Very quickly. Because we want to move on.

Mr. Lewis. I don't quite understand what you are suggesting here. Are you suggesting that because women are working, and they have child care, men, or something happening to them is a psychological thing? What is it?

Mr. Besharov. Oh, no. No. No. Mr. Lewis, no, I don't mean that. What I mean --

Mr. Lewis. Are they giving up on work because their wives are working and their children are being taken care of?

Chairman Boustany. I think what Mr. Besharov is describing is statistically, we are seeing low labor-force participation among men across all --

Mr. Lewis. Well, you are not suggesting that women are taking men's jobs? I know you are not suggesting that.

Chairman Boustany. No, I don't think he is suggesting that.

Mr. Besharov. I would never suggest it at a hearing like this. Sir --

Mr. Lewis. Well, you need to make it plain, make it clear, rather than just throwing out something.

Mr. Besharov. So I think the issue here is, these men have fewer opportunities. I am sure you have given speeches about the decline in manufacturing jobs. I am sure you have given speeches about the decline of the kind of jobs that high school graduate men used to have. Those jobs are disappearing from this country, and it is become a lot easier for those men to either go on unemployment or disability or be supported by other members of their families.

I hope it doesn't sound like a radical idea to say we should help them as well as helping the women, and it is a different set of benefits that we have to attach and deal with. And I started my conversation by saying, I would love better high schools, because part of this problem is going to get worse if those young men continue to graduate from high school without the skills they need for the modern world.

Chairman Boustany. I am going to have Mr. Burkhauser quickly respond, and then we will move on.

Mr. Burkhauser. So I would just like to bring a couple of facts into this of issue whether minimum wage is an answer to anything. The Congressional Budget Office scored the proposal of the Obama administration to raise the minimum wage to \$10.25, estimated it would cost a half million jobs. Those jobs mean less income for low-income people.

My work has shown that there is no relationship between increases in the minimum wage and reductions in poverty. No one can show that relationship. And the reason is that while it is true that those people who continue their jobs have more wages and income, those people who lose their jobs, their families drop back into poverty.

Ms. Boteach. Just to clarify --

Chairman Boustany. Thank you, Mr. Burkhauser.

We are going to move on now to Mr. Dold.

Mr. Dold. Thank you, Mr. Chairman, and I want to thank you for hosting this and holding this hearing. And I want to thank our witnesses for coming.

And I think one of the interesting things that we are trying to deal with is as we look at the situation around our country, we have got 46 million people that are living in poverty; we have too many people, as we look at our labor-force participation rate, that is a decade's low. And, again, we want to talk about how do we get people back to work, how do we get people off of welfare rolls and back to work.

In your research, in your studies, as we look around the world, what country is doing a particular program well that we should be looking at right here? Can you just give me a country and a program that we ought to be looking at for our own research? Start over here.

Mr. Besharov. Well, there are many possibilities. Conceptually, whether it is Germany, the U.K., Netherlands, and I think Denmark as well, the idea that after a set period of unemployment benefits, the amount of benefits goes down after a set period. And after another set period of time, that person goes on public assistance, and that public assistance also has a work requirement. That conceptually, is what I would advocate to you.

There are programs that grow out of that concept, but the concept is government aid assumes workforce participation over time. That is the concept I would propose.

Mr. Dold. Great. Next, Ms. Boteach, do you have a particular country, and a particular program?

Ms. Boteach. Sure. In the United Kingdom, for example, their child allowance and family tax credit, they give to -- they have work tax credits that encourage workforce participation similar to our EITC, but the child benefit in those countries is not contingent

upon work. And in part, that is because when you have these -- you know, the early years of children's lives, the long-term economic prospects are largely dependent on those income in those early years.

It is important to have work incentives. It is important to have to have work incentives like the EITC that has been wildly successful in this country, but in other countries, their child benefits tend not to be contingent upon low-income families' earning. So, for example, in this country, the lowest income families are the ones who miss out on a portion or all, in some cases, of our child-tax credit. And I think, as I said earlier, I think we would all agree that a good job is the surest pathway out of poverty --

Mr. Dold. Right.

Ms. Boteach. -- But that ensuring that children, especially in their youngest years, have the resources for their parents to be able to purchase diapers, be able to purchase infant hygiene products, et cetera, is very important for children's long-term outcomes.

Mr. Dold. Mr. Burkhauser.

Mr. Burkhauser. The Netherlands used to be known as the sick country of Europe, because it had more people on their disability rolls than any other country in Europe or elsewhere. The reason for that is because the government was interested in keeping unemployment rates down, and they made a deal with the unions and with the corporations to allow people to come onto disability rolls, therefore, not be in the labor force and, therefore, keep the unemployment rates down.

But the foolishness of that eventually became so great because of the share of the populations coming onto disability changed the system and recognized that what you want to do is send signals to employers to provide accommodation and rehabilitation to workers and keep them in the workforce. So what they did was mandated employers be responsible for the first 2 years of disability benefits.

Immediately, a private insurance system came up in the Netherlands, because employers didn't want that risk. And now, an experienced rated private insurance system ensures that people don't go onto the disability rolls to hide them, hide them from the unemployment rate. They only go on there when they can't work. These sorts of things of playing around with the system to make the numbers look better is a rampant kind of problem. And what you need to do is figure out what exactly it is you want to do.

So I will just give you an example of the poverty rate we have been talking about. You know that the poverty rate, the official poverty rate that we now use doesn't include earned-income tax credits as income to measure about whether you are in poverty; they don't include the food stamps. We have a supplemental poverty measure, that when you look at that measure, you have see the poverty rates have fallen substantially in the United States. So we should get our numbers right, at least.

Mr. Dold. Well, I certainly appreciate that. And one of the things that we do know in terms of how we combat this, we want people to get into a good job. So the question is, what role do the employers play or have you seen the employers play over -- in other countries, and what can we be doing?

One of the things that we do know, and we have seen, we have had people testify before is that once you reach to a certain level of income, the benefits drop. And it is, in essence, like a cliff. And we can argue whether the recipients know where the cliff is. I would argue they know exactly where the cliff is. So we need to try to provide that off-ramp. Are there countries out there that are providing that off-ramp to allow them -- again, we want to encourage them to get that raise, encourage them to excel in the workforce and still not just cut off benefits.

Mr. Besharov. It is extremely difficult, because when you try to make the off-ramp gentle, you include many more people in the program, and it gets extremely expensive, more expensive than, I think, both sides of the aisle.

Mr. Dold. Is there a country out there that does it, though? Is there a country out there that is doing it well?

Mr. Besharov. The U.K. is trying very hard to do it and having great difficulty doing it. And we might have a disagreement about how successfully they are doing, but the U.K. is doing it. And the countries that try to synchronize their disability, and their UI, and their welfare, come close on those benefits, not the benefits for child care and so forth, which are, in this country, often a cliff.

Mr. Dold. Thank you, Mr. Chairman, for your leniency on the time.

Chairman Boustany. I thank the gentleman.

Mrs. Noem.

Mrs. Noem. Thank you, Mr. Chairman.

Mr. Burkhauser, I wanted to ask your opinion on something. The United States has a patchwork of programs that benefit people in poverty or in hardship situations. Different ones for housing, for food, social services, health care. And while it is a patchwork of systems, we believe they can be streamlined. And in your observances of other countries, do they have a similar situation, or have they reformed their programs in such a way that would be an example for the United States to look at or suggestions we could follow in how to make our programs more effective and streamlined?

Mr. Burkhauser. Well, I think the big difference between Europe and the United States, is that we don't have a first-tier cash transfer program which is an entitlement. So what we do have is --

Mrs. Noem. How does that operate?

Mr. Burkhauser. The way it operates in the Netherlands and other places is there is just some minimum guarantee. What the Netherlands discovered, however, and this is what Doug has been talking about, is when you given an entitlement to people with no expectations of work, you don't get any work. And I think what the European countries have discovered is that you can't have this permanent minimum standard entitlement program without expectations for work, and that is what they are trying to do now they are trying to --

Mrs. Noem. Has they changed some of their programs?

Mr. Burkhauser. It has changed them in the sense that now there are requirements to work even for these cash transfer programs. What we have, unfortunately, in the United States is the only cash transfer program that we actually have, which is a remnant of the original attempt to reform welfare in the 1970s and make it income tax, is the Supplemental Security Income program. That program is a cash program for people who have disabilities. The problem is, it is very difficult to decide who has a disability and people who liked a negative income tax system have been pushing hard to expand that program by loosening the criteria for eligibility.

It is also the problem we have this TANF system that tries to get States to reduce their roles by getting people to work. That is a great idea. I fully support it. But if a State can get their single moms onto the SSI adult program, they keep the block grant, and the Federal Government has to pay for it. The same is true with SSI kids. So that puts tremendous pressure on the gatekeepers because of a mismatch between State policy and Federal policy.

We need to coordinate these systems. One way to do it would be to in fact recognize that people with disabilities can work. The States have been pretty good at getting people, single moms, off the rolls and into the workforce. We ought to think about devolving SSI to the States also.

Mrs. Noem. Is there specifically a country that would set a good example of how to coordinate our programs better, that you can think of?

Mr. Burkhauser. Well, I think interesting enough, Sweden and the Netherlands offer two alternatives. Sweden basically is very much a government-centered country, but at least they coordinate their work policies and their transfer policies in a single system that can do a workforce policy.

In the Netherlands, they decided, the government couldn't do either. And what they did is put incentives in front of employers to say, if you can't get your worker back to work, you are going to have to pay for the first 2 years of his disability benefits, and you are going to have to pay higher payroll taxes, effectively, because your workers are getting onto the rolls more than others.

Mrs. Noem. Mr. Besharov, is there something you would like to add to this?

Mr. Besharov. Well, I think this idea of work for expectation is giantly important. As an aside, I would mention that Saudi Arabia has just adopted a welfare-to-work program for Saudis, because they are very worried that their men aren't working.

What I would add here is, as you have sensed from I think all three of us, the conditions that prevent Americans from working, men or women, are intertwined. We call it disability, but in some respects it is just low earnings capacity, inability to get a job, which encourages unemployment. We call it welfare, and we call it aid to dependent children, but it is parents who can't either find jobs or earn enough. And so the wisdom here is to find a way across the committees to let the States or encourage or require the States to address these problems for what they are, which is unitary problems.

It isn't just a problem of unemployment for most of the people who are unemployed. I think the number in my testimony, 25 percent of the unemployed today are long-term unemployed. We don't know how to get them out of the system. The administration, I believe, does not have a proposal. I don't think there is a proposal. We don't know what to do. But the fact that we don't know doesn't mean that we shouldn't be looking. And these are problems that are festering. Politically, we like to aim at the 5 percent unemployment rate, which is half of what it was after the recession, and that is great. But there are these festering problems, which to make America great, they have to be addressed across income groups, across income and racial and ethnic groups, and right now none of our programs, I think, do a good enough job.

Mrs. Noem. Thank you.

I yield back, Mr. Chairman.

Chairman Boustany. We will now go to Mr. Crowley.

Mr. Crowley. Thank you, Mr. Chairman. Thank you, in all sincerity, for this hearing today.

I agree that there are important lessons that we can learn from other countries. Particularly when it comes to improving and strengthening our social safety net. So I do thank you, Mr. Chairman, for this opportunity.

I think an important part of this is looking at all the ways these countries support their workers and their families. Many of the countries we have been talking about have put in place a broad framework of social policies in a variety of different areas. I think there is a lot to embrace from these eliminations in areas like child care, paid leave, and health care. And I hope that my colleagues on the other side of the aisle will join us in embracing these critical policies as well.

And on the other topic, I was personally very encouraged by the United Kingdom's efforts to create universal child savings accounts in 2005. I have introduced legislation actually today to create universal child savings accounts here in the United States as a part of a strategy to help people be able to save at every stage of their lives. These accounts get children started saving from a very early age, actually, from the get-go, and teach them the importance of saving, not to mention providing a critical financial asset for them and their parents to draw on as adults.

The U.K. had done the same in 2005, and at the 5-year point, over 85 percent of families were participating in that program, remarkably successful. So, yes, I do think we have a lot to gain by looking at other countries and learning from their experiences, but, again, we need to look at the whole of what the countries are doing.

Ms. Boteach -- is that correct?

Ms. Boteach. You got it, yes.

Mr. Crowley. All right. You touched on this in your written testimony, how context is important when looking at how countries reduce poverty and strengthen the middle class.

One area that struck me is how, in the countries that we are looking at today, collective bargaining and labor movements have had such a positive impact, not only on countrywide policies like labor protections and wages, but also on individual workers and their families.

Mr. Davis mentioned the positive impact unions have on families and children, but I know in your testimony, Ms. Boteach, you wrote about how labor unions also lead to better wages and health benefits and less need for the safety net programs overall.

You also discussed how raising the minimum wage can reduce the need for nutrition assistance in programs like SNAP. Can you elaborate more on how having these supportive programs in place actually helps the overall system?

Ms. Boteach. Sure.

Mr. Crowley. Your mike, please.

Ms. Boteach. Sure. Thank you for that question. Because I think, again, as I mentioned earlier, it is very difficult to have a conversation about reforming the safety net without thinking about the labor market with which it is interacting. And when you only have 7 percent of workers, private-sector workers, in a union in this country, and we know that unions raise wages; we know that unions help their workers get health benefits, that is something that happens in other countries in terms of raising wages that can help take pressure off of safety net programs.

In other countries, universal healthcare coverage is a right; it is not a privilege. It is actually something that helps people get to work, because, number one, people are more likely to undertake entrepreneurship or to be able to move jobs to something better if they don't have to worry about losing their health insurance. And in some cases, a health-related issue might be one of the barriers to work, and by giving them health insurance, you are able to help them address that barrier and get back into the labor market.

So, number one, unions can help take pressure off some of these social safety net programs and improve children's long-term economic mobility. And minimum wage wise, there have been studies showing that minimum wage dramatically reduces poverty. In fact, research by Arin Dube and his colleagues has shown that raising the minimum wage would lift up to 4.5 million people out of poverty. And research looking at across county lines of one State that raised the minimum wage and one State that did not but shared job markets showed that there were not adverse job effects, little to none.

And so I think it is important that as we speak about union membership, as we speak about the minimum wage, as we speak about paid family leave, as we speak about scheduling, because that is the other thing unions can help with, in terms of the workers' time. And right now, about half of workers don't always know when their next shift is going to be, when they are going to be scheduled for. It can wreak havoc on their ability to find child care, transportation, to get education and training to move up the income ladder. And so it is very important that workers be able to engage in collective bargaining to achieve these and other ends.

Mr. Crowley. Speaking of time, I know mine is almost, just about out, I want to thank you for that. I have been concerned that in recent years we have seen a lot of political attacks on unions and collective bargaining, and the minute wage increase keeps being dismissed primarily by my colleagues on the other side of the aisle.

I just wanted to give you an opportunity just to respond to, I believe it was Mr. Burkhauser's comments about the CBO's report last year in terms of the effect of raising minimum wage on jobs.

Jason Furman has dismissed that same comment by saying it is not reflective of current consensus views of economists. Can you comment on that?

Ms. Boteach. I mean, that is exactly it. There are much more updated measurements that have -- or studies that have been undertaken using better methodologies that show, looking at minimum wage increases, there has not been adverse job effects. So I think it is important to set the record straight on that front that some of the most up-to-date research in that regard is not the same as CBO's estimates.

Mr. Crowley. I appreciate it.

I yield back the balance of my time. Thank you, Mr. Chairman.

Chairman Boustany. Mr. Burkhauser, did you want to comment on that?

Mr. Burkhauser. Yeah. Jason Furman has never worked on minimum wage issues. Has no publications in that area. I have. Newmark and Wascher's book shows a documentation of many studies on the minimum wage that show the traditional finding that increases in the minimum wage decrease employment. To say that there has been no studies, there is no other side to this is just silly.

Chairman Boustany. I thank the gentleman.

This concludes all the questions, I believe, on both sides. So I want to thank you all for joining us today for this hearing on the Lessons Learned From Welfare Reforms in Other Countries. The testimony we heard today will certainly help us as we move forward on policies to improve our system, safety net system, to help more people escape poverty and to move up the economic ladder.

You did a terrific job. We appreciate what you provided to the subcommittee. You certainly helped us better understand how we can move forward in these regards.

If members have additional questions for witnesses, they will submit them to you in writing, and we would appreciate receiving your responses for the record within the next 2 weeks.

Chairman Boustany. And with that, the subcommittee now stands adjourned.

[Whereupon, at 3:11 p.m., the subcommittee was adjourned.]