

## Poor No More Book Report

Stephanie Manciangli

12/29/2020

Peter Cove wrote Poor No More after 30 years working for various government and nonprofit poverty elimination programs, beginning in the 60's. Disillusioned by stagnant U.S. poverty rates and ineffective programming, Cove's entrepreneurial spirit drove him to create America Works, a decidedly distinct approach to poverty that focused on job placement rather than job preparedness training. Having placed hundreds of thousands of people into jobs and seeing clients win a sense of stability that he hadn't seen before, Cove would come to advocate for an overhaul of the U.S. welfare system. There is a mutual responsibility, Cove says, for all able-bodied people to work as is there a responsibility for a community to ensure all members' success. Moreover, Cove stresses the spiritual and emotional benefits that come with work.

Cove's plan, and its "work first" mantra, proposes eliminating income transfer programs (welfare) and replacing them with one consolidated job placement and income program. Welfare, from Cove's perspective, creates a poverty trap in which recipients are disincentivized to climb above the poverty line due to the benefits they receive when they are living in certain conditions. For that reason, Cove suggests that the funds behind welfare benefits need to be redirected to create millions of new jobs and that refundable tax credits, like the EITC, need to be revamped to supplement wages to working families.

When Poor No More was written in 2017, the plan suggested that 5.65 million jobs could be created at \$8.50/hour, principally in the private sector along with some transitional jobs in the public sector at a cost of just over \$100 billion. By cutting and replacing welfare programs, Cove proposes offering jobs to *"the 2.35-4.6 million able-bodied nonworking food stamp recipients without dependents, the 900,000 current adult recipients of TANF, and an estimated 25% of current SSDI recipients, or 2.2 million individuals, who upon review of their disability diagnosis would be found capable of work after all."*

Cove's plan can be summarized with the following 3 proposals:

1. A compelling component of Cove's proposition is the notion that a for-profit company has a greater incentive to place people into jobs than the government does if that company has a potential pay-out upon success. This idea of **Wage Supplementation** would mean that a staffing company would place job seekers in temporary positions at viable companies and subsidize their wages for up to 6 months, gradually decreasing the amount subsidized after month 3. If the employee makes it to 6 months, the staffing company gets a full reimbursement from the state. This, Cove says, benefits the employee as (s)he gets the emotional rewards of working plus monetary benefits. It also benefits the company, which can have a trial period for that employee and potentially save enough money in those first 6 months to be able to hire for even more positions. Cove's plan

emphasizes that most beneficiaries should be placed within the private sector, taking advantage of these subsidies, *“in various sectors such as health, retail, transportation, hospitality, security and food preparation.”*

2. A second component of the plan would be for **“infrastructure creation through public private partnerships”**, which Cove says will address infrastructure needs and help create jobs as the businesses contracted for the initiatives would be required to hire 25% of their staff from those previously receiving government aid. These partnerships could be leveraged under a build-operate-transfer model or build-own-operate.
3. Finally, if a person is not placed in employment through the aforementioned avenues, they would be directed towards a **public jobs** alternative like a federal highway project. The creation of these jobs would be contracted to private companies to *“assure success”* but the jobs themselves would be within NGOs or public agencies.

Critical to Cove’s plan is also the revamping of the EITC tax, which supplements real wages in the form of a year tax refund to ensure families are meeting their needs.

Education and training programs, which currently work semi-independently across forty-seven programs across nine separate agencies (HHS, DOE, DOL, etc.), would be merged under a new Cabinet agency that would work with the private sector to provide on-the-job-training and career advancement skills. These would be made available to people placed in jobs, not before. Cove cites, throughout the book, that he has found programs that provide welfare benefits to those taking job-preparedness classes do not result in long-term high-wage employment.

Financing for his program would come from the savings from cutting existing welfare programs, *“including redirecting some funds from the SNAP program, the Women, Infants and Children program, a 25% reduction in SSDI funding, limiting the maximum duration of annual unemployment insurance benefits to thirteen weeks, reducing funding of the federal TANK block grant and state maintenance-of-effort funds for non-child-only cases, savings from the Low Income Home Energy Assistance Program, and combining the dollars from the EITC and other tax credits to fund a unified more extensive refundable tax credit/wage supplementation program.”*

The program would be rolled in over the course of five years, with each state taking the lead on the customized delivery and design of their program. A monitoring and evaluation framework would be instated from the onset, which would be subcontracted through a competitive bid process (Cove noted throughout the book that many previous programs he worked for had ineffective monitoring). Cove outlines several safeguards to ensure the permanency of his plan, such as *“structuring the program as a federal entitlement program like Social Security rather than a discretionary program”*.

Cove makes several compelling arguments, many of which have been warmly received by politicians like Paul Ryan. As I reflect on the book’s key themes and how they pertain to the microfinance sector, one thought-provoking question I contemplated was Cove’s equation of a stagnant poverty rate since the 60’s with welfare ineffectiveness. This may certainly be one

telltale sign although I think the microfinance's history with this very critique brings in an interesting perspective. Microfinance has been criticized over the past decades for not "moving the needle" more on the number of people living in poverty worldwide. This may have been in part a PR issue, with the industry's founders purporting that it was *the* key to eliminating poverty around the world. Additionally, though, there were other nuanced questions that microfinance defenders say should have been evaluated: questions around clients' cash flows, clients' quality of life and dignity, clients' gender roles with multiple incomes, clients' ability to contribute to their families' education and health, clients' children's upward mobility, etc. It would be interesting to know Cove's opinion on such matters and to discuss an even more robust metric to gauge program success as the U.S. continues to grapple with its weak welfare system.