BLAME WELFARE, IGNORE POVERTY AND INEQUALITY

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1 Introduction

In 1996, Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The president claimed, "We have ended welfare as we know it." The centerpiece of the new legislation was Temporary Assistance for Needy Families (TANF), which replaced Aid to Families with Dependent Children (AFDC), commonly referred to as "welfare," the existing cash assistance program for single mothers and their children. Among other things, welfare would no longer be an entitlement: stiff, new work requirements were to be imposed on the mothers, and the work requirements were to be enforced by time limits – states must require recipients to work after a maximum of 24 month on aid or less, and there is a cumulative lifetime limit of five years on receipt of aid. Various "family values" provisions were specified, such as marriage promotion, child-support enforcement, and programs to combat teen pregnancy. State control was increased substantially. Before the 1996 reform, welfare rolls had been declining sharply, and this decline increased substantially in subsequent years. It seemed as if President Clinton's statement was true. Welfare as we know it had finally been ended. Everyone claimed "victory." "Welfare" has dropped out of the political discourse and is virtually forgotten. Unfortunately, discussion of poverty and inequality has nearly disappeared as well – even though significant poverty remains, especially child poverty, and inequality has been increasing over the past few decades.

From colonial times, cash assistance for the able-bodied was always miserly, conditioned, and brief.[1] Single mothers were helped but not much. Starting in the late nineteenth century, concern was raised about the well-being of the children in these families. Children were placed in foster homes and sent to farms in the Midwest. Then, Aid to Dependent Children (ADC), commonly known as Mothers' Pensions (and subsequently, AFDC), was established by

[1] G. Nash (2004). "Poverty and Politics in Early American History." In B. G. Smith (Ed.), *Down and Out in Early America*. University Park.: Pennsylvania State University Press

the states during the early twentieth century. It became a federal grant-in-aid program under the New Deal but remained a relatively small, restricted program for white widows – "deserving" families. Mothers who were divorced, deserted, never married, or nonwhite were mostly excluded. The program was generally of low political visibility until the late 1950s and early 1960s when it grew rapidly and the characteristics of the families changed to include disproportionately unwed single mothers of color. This was the start of the welfare "crisis," which continued until the 1996 reform. "By the 1990s, [welfare] was the most disliked public program in America."[2]

The thesis of this book is that the country has demonized poor, single mothers. "Welfare" has become the code word for the "welfare queen" – the inner-city, young African American mother who has children in order to stay on welfare and produces multiple generations of welfare recipients. These families are characterized by neglect, substance abuse, crime, and delinquency. Poverty is the fault of the individual – in this case, the single mothers – rather than the structural forces of society, and welfare has been construed as a major cause of lack of work effort, unwed motherhood, promiscuity, teenage child bearing, school failure, substance abuse, and other forms of deviant behavior.[3] It is used to define ethnic and gender status. By stigmatizing the "other," it validates the righteousness of the majority.

In United States, the rhetoric of blaming the poor and discrediting income support policies represents what Albert Hirschman terms "the perversity thesis."[4] It argues that policies to alleviate poverty and improve the economic well-being of the poor actually have the opposite effect. These policies increase welfare dependency, erode the work ethic, and reinforce the social pathologies associated with poverty.[5] Hirschman says that the perverse-effect doctrine is closely tied to the idea of self-regulating market, where any social policy that tries to change market outcomes, such as income assistance or the minimum wage, is assumed to be counterproductive.[6] Using the perversity thesis to attack the legitimacy of income assistance has a long history. In the eighteenth century, the English Poor Laws, particularly the Speenhamland system (1795), which supplemented low wages, were attacked by Malthus as being the very cause of poverty. The same argument was made in Charles Murray's attack on AFDC in his book *Losing Ground* (1988): "We tried to provide more for the poor and produced more poor instead. We tried to remove the barriers to escape poverty and inadvertently built a trap."[7] Lawrence Mead (1986) in his influential book *Beyond Entitlement* has made a similar argument.[8] Embracing the idea of the self-regulating market, the perversity thesis assumes that a social order free of government intervention optimizes the well-being of all through the choices and actions of individuals. Therefore, the perversity thesis reverses the causation of poverty by shifting the focus from poverty as a structural condition to poverty as a behavioral and moral deficiency.[9] It thus provides the ideological justification to distinguish between the "deserving" and "undeserving" poor.

Demonizing welfare allows the country to ignore the economic and social conditions that produce poverty and inequality – class, race, gender, the economy, and the inadequacies of the low-wage labor market. From time to time, proposals are made to address the structural causes of poverty and inequality but they are quickly abandoned because they undermine American "values." The War on Poverty, in the 1960s, fit this pattern. Although this was a liberal period, and poverty did become a national issue, poverty was defined in terms of individual behaviors rather than structural conditions. As part of the civil rights era, welfare was declared an "entitlement" with due process guarantees. Although this may have facilitated access to welfare, it did not by itself address the fundamental issues of income support and equal opportunities. Poverty and welfare continued to grow, and the War on Poverty was declared a failure.

The 1970s ushered in three decades of reaction to what was considered to be the permissive welfare system, which culminated in 1996 with PRWORA. The major policy thrust throughout the three decades has been to transform welfare from a program considered to corrupt individuals and families into a program enforcing work requirements and "family values" – which, we point out, is the contemporary version of the age-old themes of deterrence and reformation. The current "work first" strategy assumes that there are sufficient jobs in the economy for current and potential welfare recipients, that any job is better than no job, that by taking a job and sticking with it the exrecipient will move up the economic ladder and escape poverty, and that there is sufficient child care support. It assumes that the problem with welfare recipients is their poor work ethic. By working instead of receiving welfare, the mother will be a proper role model for her children. The children will learn the values of responsibility, education, and family life. The children will not become welfare recipients. The other sure route out of poverty and into proper

[2] M. B. Katz (2001). *The Price of Citizenship: Redefining America's Welfare State* (1st ed.). New York: Metropolitan Books, p. 1.
[3] M. R. Rank (2004). *One Nation, Underprivileged: Why American Poverty Affects Us All.* Oxford; New York: Oxford University Press.
[4] A. O. Hirschman (1991). *The Rhetoric of Reaction: Perversity, Futility, Jeopardy.* Cambridge, Mass.: Belknap Press of Harvard University Press.
[5] M. R. Somers & F. Block (2005). "From Poverty to Perversity: Ideas, Markets, and Institutions over 200 Years of Welfare Debate." *American Sociological Review* 70: 260–87.
[6] Hirschman (1991), p. 27.
[7] Quoted in Hirschman (1991), p. 29.
[8] L. Mead (1986). *Beyond Entitlement: The Social Obligations of Citizenship.* New York: Free Press.
[9] Somers & Block (2005), p. 276.

family life is marriage. In addition to marriage promotion programs, welfare mothers have to cooperate in establishing the paternity of their children, children born to mothers on welfare will not be supported, teenage mothers have to live with their parents, and sanctions are imposed for unsatisfactory school performance.

This book will show that just about every one of these policies is based on *myth*.[10] Although welfare recipients increasingly included more persons of color, the program was never "black." African Americans were always in the minority. Although there were increasing proportions of teenage mothers, they were always a very small percentage of the recipient population. Although there were some large families, the average size of the welfare family is not that different from the nonwelfare family. Rather than long-term dependency, most families are on welfare a short time; the most common form of exit is through a job, but because of the instability of the low-wage labor market and a multitude of family and personal problems, welfare mothers are in and out of the paid labor force. Still, long-term dependency, including generational dependency, applies only to a small proportion of the caseload. School failure is a serious problem, but teen welfare mothers are no different from their peers. The failure of child support is not unique to fathers of children on welfare, although poverty and lack of stable earnings increase the problems of fathers of poor children.

This is not to say that no cases fit the myth. However, this is the *ceremony* that validates the myth. The press and politicians dwell on the extreme examples. The public buys into the story because the message serves to validate its beliefs and attitudes: "They are playing by the rules." Thus, welfare rhetoric and policy are less concerned with reforming the recipients than with reinforcing majoritarian feelings of moral superiority. This not only makes majoritarian society feel better but also allows the country to avoid confronting the difficult structural questions of inequality, poverty, and the suffering of children. It is more comfortable to blame the victim.

Myth and ceremony allow politicians and the public to paper over the massive contradictions of welfare policy. Welfare policy purports to address poverty and inequality but refuses to deal with the structural causes of poverty and inequality or the reality of welfare recipients. Welfare policy requires recipients to enter the paid labor market and improve their well-being but most remain in poverty. Welfare supposedly supports and protects children but deterrence and reformation punish parents and, hence, the children. Work is required because, among other things, an employed parent provides a positive role model for the child, but the child suffers from inadequate child care. Welfare programs have huge numbers of guidelines and detailed rules, yet rely on the

[10] J. Meyer & B. Rowan (1977). "Institutional Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology* 83: 340–63.

discretion of field-level caseworkers to interpret these rules and guidelines. They are applied in terms of the individual families' circumstances, as long as the caseworkers conform to bureaucratic imperatives, not necessarily in accordance with the goals of the laws and policies. New programs, such as work requirements, are enacted by the legislature and thrust on local welfare offices without adequate resources and implementation. If programs become too harsh, and families break up, then local governments are forced to pay for expensive foster care, group homes, and other forms of child protection, often to the detriment of the children.

Rather than resolve the contradictions, the typical legislative response is *delegation* or *devolution* to lower units of government – from the federal government to the states, from the states to the counties, and from the public to the private sector. We have a new faith that private enterprise can solve the problems of welfare administration. Instead of the cumbersome public bureaucracy, for-profit or not-for-profit agencies will handle welfare cases accurately and efficiently. These private agencies will deal with ground-level conflicts through low-visibility discretionary decisions. The goal is to assure the conflicts will remain at the local level. From time to time, however, conflicts boil over and reappear on the political agenda. The legislative level purports to resolve the problem through general provisions, but, in effect, re-delegates the issue. By concentrating on the "evils" of the welfare system and delegating low-visibility decisions to the state and local level, politicians, policy makers, and the general public can ignore the serious, corrosive problems of poverty and inequality.

Since the 1990s (and before the 1996 welfare reform), welfare rolls have declined dramatically. Political leaders, the media, and the public have claimed victory. Since 1996, welfare has ceased to become a political issue. The contrast between this post-1996 lack of welfare discourse and the anti-welfare political rhetoric of the previous decades is startling. Now that these families are no longer on welfare and are in the paid labor force, the near-universal assumptions are that welfare and poverty are no longer an issue. The absence of welfare means the conquest of poverty, and all is well.

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The Argument

This book takes a different approach. The issue is poverty and inequality, not welfare. "Poverty" is generally not discussed, but when it is considered (e.g., "X% are no longer in 'poverty'"), it is grossly misleading because the poverty line is far too minimal. It is assumed that once a family exceeds the official poverty threshold, then everything is okay. We are constantly told about the percentage of families and children that are in "poverty" or are above "poverty." We are still using the official federal poverty threshold. Although the threshold

On the one hand, it fails to account for certain items that should be included – for example, food stamps, the Earned Income Tax Credit (EITC), and the value of Medicaid – but on the other hand, it fails to account for changes in family budgets. Two principal problems are the increasing percentage of income that families have to pay for housing and the inadequacy of health care. As is discussed, many families, with incomes substantially above the official poverty threshold, cannot afford minimum, adequate housing, and an illness or a job loss sends them into poverty.

We point out that considerable material deprivation exists well above the poverty line (e.g., at least 200%). Budget studies of various cities show that purchasing only the necessities requires an income substantially higher than the official poverty line. In addition, "necessities" mean just that – no restaurant meals (including fast food), limited clothing, and minimal housing. Millions of people who are not officially "poor" are just above the poverty line. One medical bill, a disappearing job, one extra expense for necessities sends a family below the poverty line. Therefore, people who are near poor often have frequent spells of poverty. The poor and the near poor experience hunger, missed or late utility payments and shutoffs, and a lack of proper health care. When we describe these necessity budgets, it is obvious that none of the readers of this book would want to live this way.

Poverty and near poverty are widespread and diverse. Poverty is not just a problem of the "other." It affects different people (race, ethnicity, immigrant status) in different ways. Most of the people who are poor and near poor are working. They are "playing by the rules," but because of the characteristics of the low-wage labor market, they cannot make it. Jobs pay little, usually lack benefits, and are uncertain. Hours often change, if not disappear, and wages usually remain low.

The instability of the low-wage labor market plays havoc with child care. The adverse consequences to the millions of children living in poverty cannot be exaggerated. They are affected from before birth to adulthood by poor child care, poor health, poor education, poor nutrition, food insecurity, overcrowded housing, and unsafe neighborhoods. For example, one- and two-year-old children from professional families are exposed to approximately one hundred fifty thousand more words *per week* than children in families on welfare, and the inequalities for learning and development persist when these children enter school.[11] Poor children are ill-prepared for adult life, and, as is

[11] A. Pallas & Y. Nonoyama (2003). "K–12 Education in New York City." Paper presented at a conference on New York City and the Welfare State, Russell Sage Foundation, New York, citing B. Hart & T. R. Risley (1995). *Meaningful Differences in the Everyday Experience of Young American Children*. Baltimore: Paul H. Brookes Publishing Company, Inc., and U. Bronfenbrenner (1977). "Nobody Home: The Erosion of The American Family." *Psychology Today* 10: 40–47.

discussed, most do not rise above their social class. Social consequences for the children are not only unjust but also contrary to our national interest. We are not producing an educated, trained, competent workforce.

We are not "growing our way out of it." Despite the booming economy of the 1990s, wages in the low-wage labor market have stagnated. There was a small drop in the official poverty line, but millions remain poor and near poor. The rising tide did not lift all boats.

Although the U.S. welfare state – public, private, and not-for-profit – is extensive, most benefits go to the better off and do not reach the poor and near poor. With the exception of Medicaid and the EITC, the targeted programs are relatively small and do little to relieve poverty and near poverty. Rather than redistribution, the U.S. welfare state reinforces social stratification.[12]

Instead of addressing poverty and inequality, we have demonized welfare, the program for poor single mothers and their families, and we continue our incredibly long history of blaming the victim. Now, with the sharp decline in the welfare rolls, we believe that we have solved the problem and that we can ignore the serious, widespread adverse effects of poverty. However, practically all other developed countries do a far better job than the United States in helping the poor.

The Plan of the Book

Chapter 2 discusses the state of poverty and inequality. We start with the measurement of poverty – how the official poverty threshold fails to capture the state of poverty – and the various dimensions of poverty. We then turn to the causes of poverty. We look at poverty over the past fifty years, concentrating on the changes in the economy and the labor market. Most adults rely on earned income. Most of the poor and near poor are in the low-wage labor market, and this chapter discusses the changing market and its increasing inequality and precariousness. The other big change affecting poverty is family composition, principally the rise of the female-headed household. These families are much more likely to be poor.

We then turn to the state of poverty. Here, we show that contrary to common assumptions, many people experience poverty. Even if they rise above the official poverty line, very often they have spells of poverty. This is because the near poor are on the margins, and the bumps in life send them back into poverty. The risks of poverty are widespread; thus, many experience poverty over the course of their lives, even though particular spells of poverty may be short term. Because the risks are widespread, different subgroups experience

[12] G. Esping-Andersen (2002). *Why We Need a New Welfare State*. New York: Oxford University Press.

6 Work and the Low-Wage Labor Market

Mothers and Children

The central feature of welfare reform is work in the paid labor market. Not only will paid work reduce the rolls, costs, fraud, and poverty but also will reform the poor. It is through paid labor that parents will provide the proper role models for the socialization of the children. The work ideology at the federal level was first adopted with the Work Incentive Program (WIN) program in 1967, and, at least nationally, represented a fundamental change in the conception of the family. Before 1967, it was believed that the proper role of the mother was to stay at home and raise the family. Now, the proper role is paid employment, which eventually culminated in the 1996 welfare reform.

There are a number of assumptions – or myths – that support the work strategy: that there are sufficient jobs, that employers will hire welfare recipients, that welfare recipients have to be required to work, that the children of welfare leavers will be adequately cared for, that the family will have adequate health support, and that working in these jobs will reduce poverty. The entire family will be better off when supported by earned income. In this chapter, we explore these myths.

The chapter is divided into two parts that are intimately connected with each other. First, we consider single mothers and the low-wage labor market. What kinds of jobs are available? How employable are single mothers, especially those who have left or are in the process of leaving welfare and have small children? What are the material conditions of these women when they are working? How much do they earn? What are the costs of working (including taxes)? Are they able to earn a basic, adequate standard of living? The second part of the chapter deals with the important issue of child care. What kind of child care is available for the children of these working mothers? How much does it cost? What is the quality of the child care? We are concerned with the well-being of the children, that they are healthy and develop both cognitively and socially. If the children do not do well, this not only harms the children but also limits the ability of the mothers to work in the paid labor force and care for the children. The family is a unit. The issues are inseparable.

What Kinds of Jobs Are Available? The Low-Wage Labor Market for Women

One of the great myths about the low-wage labor market is that it is a stepping stone to better and more stable employment. The reality is far more complex, and in fact, the majority of those employed in the low-wage labor market remain there, stuck with low-wage jobs, have few if any benefits, and experience considerable job instability and insecurity.

Estimates of the size of the low-wage labor market vary by the definition researchers use. Andersson, Holzer, and Lane, using the Longitudinal Employer-Household Dynamics (LEHD) program data, define persistent low earners as those with an annual earnings of $12,000 or less for each of a three-year base period of 1993–95 and limit the age of the workers to be between twenty-five and fifty-four. They find that about 8 percent of the workers were persistently low-wage earners by that definition.[1] About one-third of the workers were partially low-earners, earning less than $12,000 per year at least part of that time.[2] Eileen Appelbaum and her colleagues found that in 2001, almost a quarter of the labor force (23.9%) or 27.5 million Americans, working full-time, earned less than $8.70 per hour, for an annual income of $17,400, which is roughly the poverty line for a family of four.[3] They estimate that, depending on the area, a family of four – two parents with two children – requires an income between $27,000 and $52,000 to maintain a basic standard of living. The median income for these families is about $35,000. Their estimate for the range of income necessary for a single working parent with two children is between $22,000 and $48,000. In the late 1990s, despite the booming economy, 29 percent of working families with children under age 12 had incomes less than what was needed for basic family budgets in their communities.[4]

Schochet and Rangarajan,[5] using an hourly wage of full-time work that would generate annual earnings below the poverty line for a family of four, estimate that about a third of all workers are employed in the low-wage market. Mishler, Bernstein, and Allegretto[6] use a similar definition and show that 24.3 percent of all workers earned poverty wages in 2003. The percent

[1] F. Andersson, H. J. Holzer, & J. Lane (2005). *Moving Up or Moving On: Who Advances in the Low-Wage Labor Market?* New York: Russell Sage Foundation, p. 27.
[2] Ibid., p. 27.
[3] E. Appelbaum, A. Bernhardt, & R. J. Murnane (Eds.) (2003). *Low Wage America: How Employers Are Reshaping Opportunity in the Workplace.* New York: Russell Sage Foundation, p. 1.
[4] Appelbaum, Bernhardt, & Murnane (2003), p. 1.
[5] P. Schochet & A. Rangarajan (2004). "Characteristics of Low-Wage Workers and Their Labor Market Experiences: Evidence from the Mid- to Late 1990s" (Mathematica Policy Research, Inc., Princeton, N.J.), pp. 1–161.
[6] L. Mishel, J. Bernstein, & S. Allegretto (2005). *The State of Working America 2004/2005.* Ithaca, N.Y.: ILR Press.

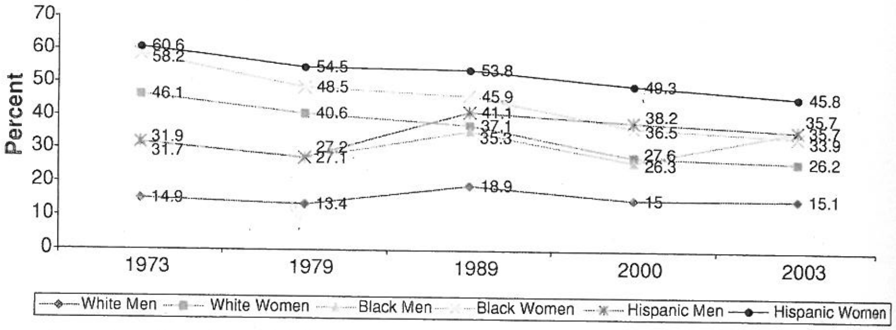

Figure 6–1. Poverty-Level Wage Earners by Ethnicity and Gender: 1973–2003. *Source:* Mishel, Bernstein, & Allegretto (2005), pp. 132–33.

of workers in the low-wage market varies by gender and ethnicity. As shown in Figure 6–1, women are more likely to earn poverty wages than men, and Hispanic and African American workers are more likely to earn poverty wages than white workers. About 46 percent of Hispanic women are low-wage workers compared with 34 percent of black women and 26 percent of white women. Among men, 36 percent of Hispanic men earn poverty wages, compared with 26 percent of African American and 15 percent of white males. Also, as can be seen also from Figure 6–1, there was a major increase in the size of the low-wage labor market between 1979 and 1989, and then it experienced a decline during the economic growth of the mid-1990s.

The rise and persistence of the low-wage labor market reflects the "new" economy, which is characterized by increasing wage inequality and the decline in return to high school education. Bernhardt and colleagues,[7] using National Longitudinal Survey of Youth (NLSY) data, followed two cohorts of young men and women entering the labor market, the first cohort from 1966 to 1981 and the second cohort from 1979 to 1994. They find that, in comparison to the first cohort, the second cohort experienced greater job instability, with high school dropouts experiencing the greatest job separation. Increase in job separation, including involuntary job loss, resulted in reduced job tenure.[8] The recent cohort experienced lower upward job mobility. Permanent wage growth has declined by 21 percent, compared with the earlier cohort.[9] There was also a greater increase in job inequality. Explaining the lower wage growth for those with less education to two major factors, the researchers note "about 60% derives from declining return to experience, which indicates that the new economy has brought with it a harsh process whereby disadvantage builds on itself and cumulates over time. About 40% derives from stronger penalties

7 A. D. Bernhardt et al. (2001). *Divergent Paths: Economic Mobility in the New American Labor Market*. New York: Russell Sage Foundation.
8 Ibid., pp. 69–86.
9 Ibid., p. 148.

of job instability."[10] Indeed, the major earning gains were driven by college graduates working in a few privileged industries – finance, insurance and real estate, and professional services.

Bernhardt and colleagues define chronic low-wage workers as those who at age 34 had a permanent wage (computed on the basis of long-term wage trajectory) of less than $11 per hour (in 1999 dollars, which was about 1.4 of the poverty line).[11] They find that although 12 percent of the workers in the first cohort were low-wage workers, 27.6 percent in the second cohort were low-wage workers. The rise in low-wage workers in the second cohort was not confined to those with high school education or less. It rose for all educational levels, from 14.4 percent to 35.3 percent for high school or less, from 10.5 percent to 25.4 percent for some college, and from 10.4 percent to 14.1 percent for those with a college degree or higher. In part, this was due to the increase in low wage jobs throughout the entire economy. In industries such as manufacturing, there was a 130 percent increase in low-wage jobs between the first and second cohort. It rose by 132 percent in transportation and communication; 119 percent in wholesale and retail trade; 92.5 percent in construction, mining, and agriculture; and 91 percent in business and repair services, entertainment and recreation, and personal services.[12] Moreover, "the nature of the employer-employee contract has changed within industries, and one result has been a greater incidence of poor and working poor careers."[13] There has also been a greater concentration of working poor at the "bottom" of the service industries – retail trade, personal services, entertainment and recreation, and business and repair services – industries that provide little opportunities for wage improvement.

The increase in wage inequality, especially in the 1980s, is attributable to several factors, most prominently the decline in the real value of the minimum wage and the technological changes, especially computerization, which have increased the wage disparity between skilled and unskilled workers.[14] Computerization has increased the demand for highly educated workers, depressed the demand for "middle educated" workers, and has had little effect on unskilled workers concentrated mostly in the service industries noted previously (e.g., guards, cleaners, orderlies).[15] The effects of skill-biased technological changes on wage inequality are vividly shown in a case study of the retooling of a food processing plant.[16] When the plant shifted to a food processing technology

10 Ibid., p. 149.
11 Ibid., p. 153.
12 Ibid., p. 159.
13 Ibid., p.159.
14 For a review, see D. H. Autor, L. F. Katz, & M. S. Kearney (2005). "Trends in the U.S. Wage Inequality: Re-Assessing the Revisionist" (unpublished manuscript). Downloaded from http://econ-www.mit.edu/faculty/download_pdf.php?id=967.
15 Ibid., p. 28.
16 R. M. Fernandez (2001). "Skill-Biased Technological Change and Wage Inequality: Evidence from a Plant Retooling." *American Journal of Sociology* 107(2): 273–320.

that relies heavily on computerization and other electronic devices, there was a significant increase in the complexity and the level of skills required to operate the equipment. This has resulted in increased wage disparities in the plant. Workers that had the needed skills received a wage premium whereas the wages of the other workers remained stagnant. Existing and newly hired high skilled workers, especially those with the skills to maintain the complex machinery, saw their wages rise rapidly, leading to a sharp rise in wage inequality. At the same time, the technological changes have also added to gender and racial inequality in the plant. The workers in the high-skills jobs, including the new hires, were mostly white males, while women and minorities became overrepresented in the low-skill jobs.[17] These inequalities would have been even more extreme had it not been for the presence of a labor union in the plant and the commitment of the management to not lay off workers because of the transition. A similar pattern was observed when a large bank computerized its check processing.[18] The computerization eliminated jobs that could be programmed and held by workers with high school education only. In contrast, it has created new jobs requiring complex skills to deal with exceptions processing. To fill these positions, the bank began to look for candidates who show initiative and strong problem-solving skills, thus favoring college graduates.[19]

Low-wage employment in the "new" economy also results in higher job instability, and "unstable employment thus appears to have played a much more prominent role in producing chronic low wage growth in recent years."[20] In addition, there has been an increase in the "stickiness" of employment in the low-wage market. In the first cohort, 58.6 percent started in a low-wage job and 49.4 percent ended in a low-wage job. In the more recent cohort, 65.7 percent started in a low-wage job and 59.8 percent ended in a low-wage job, which is a 21 percent increase.[21] The trap in low-wage jobs is also coupled with an increase in job instability, which further reinforces the "stickiness" in the low-wage job market.[22]

The reasons for the low-wage trap are multiple. In response to economic pressures, most employers reduced costs by reducing wages, especially for frontline workers with only a high school education. One strategy was to retain the same workers but freeze wages, reduce benefits, and increase workload. For example, in a study of several high-end hotels, housekeepers received no pay increases for six years; in other hotels, the yearly increases amounted to 10 to 20 cents per hour. At the same time, the workload (the number of rooms to be cleaned) increased steadily over past two decades. Hospitals, another

17 Ibid., pp. 311–14.
18 D. H. Autor, F. Levey, & R. J. Murnane (2002). "Upstairs, Downstairs: Computers and Skills on Two Floors of a Large Bank." *Industrial and Labor Relations Review* 55(3): 432–47.
19 Ibid., p. 445.
20 Bernhardt et al. (2001), p. 162.
21 Ibid., p. 165.
22 Ibid., p. 166.

example, have reduced the wages of nursing assistants, food service workers, and housekeeping.[23]

In a variety of entry-level, labor-intensive jobs, immigrants have replaced native workers, allowing employers to reduce costs and benefits and increase workloads. Another strategy has been the increasing use of temporary workers through subcontracting or outsourcing, and relocating jobs to low-wage areas, either domestically or abroad. Workers who are relative well paid but nevertheless less skilled are especially vulnerable. In 1999, about a third of hospitals outsourced food services, 27 percent housekeeping, and 62 percent laundry. Outsourcing of restaurants by hotels to avoid unions and reduce labor costs is virtually industry-wide. In addition to lowering wages, internal labor markets no longer provide promotion opportunities for frontline workers.[24]

When jobs are routine, repetitive, and predictable – for example, information processing – then workers can be replaced through technology – for example, ATM machines, check imaging, and optical recognition. For the jobs that remain, either the skill requirements are raised or the jobs are divided into narrower tasks with lower pay.[25] The results are stagnant wages, the rapid growth of contingent or subcontracted jobs, and declining upward mobility.[26]

Andersson, Holzer, and Lane[27] also examine the extent to which low-wage workers are able to escape their predicament. They show that persistent low-wage earnings (defined as $12,000 or less for each year during a three-year base period of 1993–1995, in 1998 dollars) is a consequence of both personal attributes and firm characteristics. Women in all race-ethnic categories were more likely to be low-wage earners, and Hispanic women were particularly at greater risk.[28] Black males were more likely to experience greater job instability and lower frequency of employment.[29] Most low-wage jobs are concentrated in retail trade and service sectors (especially personal services, social services, and hotels) but also in apparel and textile products.[30] The characteristics of these low-wage industries include small size, high turnover, but most important, low-wage premia. The authors suggest that "*the presence of low earners in a firm seems strongly related to the firm wage premium*, instead of (or perhaps in addition to) being related to low earners' own characteristics."[31] Therefore, they conclude that the firm's pay policy is a major reason for the presence of low-wage workers.[32]

Following the trajectories of the low-wage earners over nine years, Andersson, Holzer, and Lane found considerable mobility. Over two-thirds of the

23 Appelbaum, Bernhardt, & Murnane (2003), pp. 10–11.
24 Ibid., pp. 11–13.
25 Ibid., p. 14.
26 Ibid.
27 Andersson, Holzer, & Lane (2005).
28 Ibid., p. 30.
29 Ibid., p. 31.
30 Ibid., p. 35.
31 Ibid., p. 38.
32 Ibid., p. 39.

low-wage earners improved their earnings. Mean annual earnings more than doubled over the entire period.[33] Still, most only partially escaped low earning status. Personal characteristics matter. Males were more likely to transition to higher earnings than females, and white males were more likely to transition upward than any other racial-ethnic group.[34] Type of industry or firm also matters a great deal. Those escaping low earnings were more heavily concentrated in construction, manufacturing, transportation and utilities, and wholesale trade.[35] They were also more likely to work for large firms with low rates of turnover. Most important, a majority of workers who remained in firms that have low-wage premia could not escape low earnings.[36] The researchers show that "access to high-wage firms, independently of the characteristics of the workers themselves, has important effects on the ability of low earners to improve their earnings status in subsequent periods."[37]

These findings are replicated in a study by Schochet and Rangarajan, using data from the longitudinal panel of the SIPP for the period 1995–2000.[38] Defining low-wage workers as those earning an hourly wage at which a full-time worker would have annual earnings below the poverty line for a family of four, each worker was followed for forty-eight months. Although most worked full-time, many still earned wages considerably below the low-wage cutoff value.[39] There was considerable movement in and out of low-wage jobs, but two-thirds of those who moved to better paying jobs returned to low-wage jobs. Women, in particular, tended to exit and return to low-wage jobs or unemployment.[40] Overall, about 50 percent of the low-wage workers were still in low-wage jobs three years later.[41]

There was also considerable mobility and instability in employment. The researchers note that "about one-half of the [job] spells ended within four months after the job started, about three-quarters ended within one year, and nearly 90 percent ended within two years."[42] About a third of the males and 22 percent of the females exited to a higher paying job within a year. The rest of the spells either ended in another low-wage job or unemployment.[43]

The fact that gender and race play a significant factor in the transition out of low earnings suggests that employers in the low-wage labor market make hiring decisions that are influenced by race, ethnicity, and gender. According to Holzer,[44] employers in the low-wage market emphasize two sets of skills.

33 Ibid., p. 51.
34 Ibid., p. 56.
35 Ibid., p. 60.
36 Ibid., p. 61.
37 Ibid., p. 69.
38 P. Schochet & A. Rangarajan (2004). "Characteristics of Low-Wage Workers and Their Labor Market Experiences: Evidence from the Mid- to Late 1990s" (Mathematica Policy Research, Inc., Princeton, N.J.), 1–161.
39 Ibid., p. xvii.
40 Ibid., p. xix.
41 Ibid., p. 93.
42 Ibid., p. 130.
43 Ibid., p. 132.
44 H. Holzer (1996). *What Employers Want: Job Prospects for Less-Educated Workers*. New York: Russell Sage Foundation.

The first are cognitive skills, especially reading and writing, arithmetic, and computers. The second set of skills are "soft," namely, physical appearance and neatness, and demonstration of politeness and motivation. Moreover, employers are reluctant to hire someone with limited work experience or suspected criminal record. And, the preferred modes of hiring are informal referral mechanisms (e.g., current employees, networks) and newspaper ads.[45] Such recruiting and selection practices invariable include latent ethnic and gender preferences. Holzer[46] notes that employers prefer Hispanic applicants over black applicants, especially in manufacturing and blue-collar jobs, even if the former have lesser skills. They also prefer black female over black male applicants. Finally, suburban employers tend to discriminate against black applicants.

The study by Moss and Tilly[47] confirms many of these findings. Employers of low-wage workers have raised the "hard" skills requirements (i.e., education, experience, and training) for many of the jobs because of the increase in use in computer technology and provision of new services. The increase in these requirements makes it more difficult for residents of central cities to qualify for the jobs. More important, employers emphasize the importance of "soft" skills such as interaction and motivation. The assessment of such soft skills is obviously very subjective and is influenced by the personal experiences and stereotypes employers hold. Not surprisingly, these requirements for low-skill jobs result in hiring patterns that are discriminatory. They state, "Within racial and ethnic groups, *virtually every task requirement and credential is associated with greater probability of hiring a woman*. . . . Within gender, *almost every task requirement and credential is correlated with reducing hiring of blacks and Latinos* relative to non-Latino whites."[48] Indeed, Moss and Tilly find that employers are sensitive to the geography of race, ethnicity, and class, and their perceptions of these spatial arrangements influence their hiring decisions. They note, "for a substantial minority of employers, these mental maps contain a negative image of the inner city that is tied to race, class, and a variety of perceived urban ills such as crime, family breakdown, welfare dependency, and inadequate education."[49]

Finally, a study by Waldinger[50] points to the dynamics of the emergence of ethnic enclaves in the low-wage labor market, which reinforce discriminatory hiring practices. In Los Angeles, employers prefer to hire immigrants (mostly Latino) over African Americans because they perceive them to be more productive workers. Once these immigrant groups form a niche in a particular industry, the employers see an advantage of using the immigrant networks to

45 Ibid., p. 51.
46 Ibid., p. 104–5.
47 P. I. Moss & C. Tilly (2001). *Stories Employers Tell: Race, Skill, and Hiring in America*. New York: Russell Sage Foundation.
48 Ibid., p. 79 (italics in original text).
49 Ibid., p. 207.
50 R. Waldinger (1997). "Black/Immigrant Competition Re-assessed: New Evidence from Los Angeles." *Sociological Perspectives* 40(3): 365–86.

recruit and replace workers, further closing off the industry from blacks. At the same time, African Americans tend to opt out of the low-wage labor market, in part because they expect discrimination, thus reinforcing the immigrant industrial niche.

The Rise of Nonstandard Work

Jobs have become increasingly contingent or short-term and without benefits. Very few of the poor work full time, at least at one job – in 1998, only 13 percent of the poor were fully employed.[51] Peck and Theodore say: "Not only are employers adding temporary workers well in advance of permanent employees (as has been the pattern over the past 30 years), flexible employment strategies now appear to be a central feature of an elongated process of workforce adjustment, as employers add workers employed in temporary contracts, while continuing to shed permanent employees."[52] The instability of employment is not confined to the low-wage labor market. A survey in California reports that four out of ten workers have been at their jobs for less than three years and that just one-third fit the conventional mode – working outside of the home at a single, full-time job year-round as a daytime employee.[53] Re-employed workers usually suffer a decline in wages. Employment instability continues to be a major problem for the less-skilled and disadvantaged workers. They experience frequent and long spells of unemployment.[54] Low wages and unemployment are most severe for young workers, minorities, single-parent families, and those who lack a high-school diploma.[55]

Less than a third of all workers (29.1%) work the standard shift – thirty-five to forty hours per week, five days (Monday through Friday), mostly in the daytime. Although the labor force is highly gendered, there is not a great deal of difference in work schedules. About a quarter of men (26.5%) and a third of women (32.8%) work standard shifts.[56] In 1997, a fifth of all workers did not work a fixed daytime schedule, and two-fifths did not work five day a week, Monday through Friday. Part-time work (less than thirty-five hours per week) was more likely to be nonstandard. Fewer than 8 percent of nonstandard workers had two jobs.[57]

[51] Osterman (2001), p. 2. See J. Peck & N. Theodore (2005). "Temporary Downturn? Temporary Staffing in the Recession and the Jobless Recovery." *Focus* 23 (3) (Institute for Research on Poverty, University of Wisconsin–Madison, Spring).
[52] Peck & Theodore (2005), p. 38.
[53] D. Lee (1999). "Nature of Work Has Changed," *Los Angeles Times*, p. A1, September 6.
[54] Katz & Allen (1999), p. 8.
[55] G. Burtless (1999). "Growing American Inequality: Sources and Remedies." *Brookings Review* (Winter): 31–35.
[56] H. Presser (2003). *Working in a 24/7 Economy: Challenges for American Families.* New York: Russell Sage Foundation, pp. 1, 15.
[57] Ibid., pp. 15–18.

The entry of women into the paid labor force, the growth of the two-earner family, the rise in family income, and the aging of the population all combined to increase the demand for services in nontraditional hours. Thus, most of the demand for nonstandard work is in low-paying jobs in local markets.[58] Most of the 24/7 employees say that the jobs are not one of choice. Pay differences are not common and rarely a motivating factor. Nonstandard jobs are most prevalent for the young, single, less educated, and African American. However, because a fifth of all workers work other than a fixed daytime schedule and a third work weekends, nonstandard hours are prevalent among all subgroups. The ratio of nonstandard work is higher for married couples. A quarter of two-earner married couples have at least one spouse working a nonstandard schedule. With children, the share rises to a third. Ratios are still higher the younger the couples, the lower the education, and the larger the number of children. Higher ratios of African Americans work nonstandard hours than whites. "Split-shift" couples are more likely to be the working poor.[59]

Most (62.6%) of nonstandard workers said that the reasons for their jobs were the constraints of the jobs – they could not get any other job, the employer set the hours, it was the nature of the job. Only 5.7 percent said that the nonstandard job was because of child care arrangements, and about the same percentage (5.1%) gave better pay as the reason.[60]

The top ten nonstandard jobs were cashiers, truck drivers, commodities sales workers in retail and personal services, waiters and waitresses, cooks, janitors and cleaners, sales supervisors and proprietors, registered nurses, food serving and lodging managers, and nursing aides, orderlies, and attendants. Except for truck drivers, all of these jobs are in local services. Thus, for the most part, nonstandard work is not due to globalization. Most of the jobs are low paying. The average hourly earning (1997) was $8 per hour as compared with $9.50 for those in standard shifts. Thus, even though nonstandard work is not desired by most workers, as a group they are not rewarded with higher earnings.[61]

Currently, in the United States, 40 percent of all workers work nonstandard times – evenings, nights, rotating shifts, on weekends. The pervasiveness of nonstandard work has significant implications for the health and well-being of families and for social policy. As Harriet Presser puts it, "Today, nonstandard work has produced a new 'home time' family structure, especially for the working poor." Spouses are often not at home at the same time in the evening and not at the same time as their children. She questions the implications of these arrangements on the quality and stability of family life and the care of the children.[62] She says that as society moves toward a 24/7 economy, there

[58] Ibid., p. 5.
[59] Ibid., p. 6.
[60] Ibid., pp. 18–25.
[61] Ibid., pp. 20–25.
[62] Ibid., p. 2.

is a growing diversity in the number of hours people work. Even though the average number of hours worked each week has remained fairly constant (a difference of 1.1 hours between 1976 and 2001), there is more flextime and more work during "fringe times" on the traditional nine to five workday.[63]

Nonstandard work takes its toll on families. The presence and number of preschool-age children increases the likelihood that women, but not men, will work nonstandard hours. The same is true for younger workers (under age 30), the less educated, and nonwhites.[64] Both unmarried men and women are more likely to work nonstandard hours.[65] Presser argues that lack of sleep and fatigue increases the risks of a lower quality of marriages and marital dissolution. Health also suffers. There are higher risks of gastrointestinal disorders, higher rates of cardiovascular disease, breast cancer, miscarriage, preterm births, and low birth weights.[66]

The Bureau of Labor Statistics predicts continued job growth in the ten job categories that produce the most nonstandard work. Thus, there will be more nonstandard workers who will be disproportionately women, and to a lesser extent, disproportionately African American and Hispanics.[67] The assumption is that now most women will be employed most of their working lives, including their child-bearing years.[68]

Single mothers are more likely to work nonstandard schedules than married mothers, especially with children younger than age 5, and they generally work more hours but are more likely to have lower incomes. Single mothers more than married mothers rely on grandmother care, even though a high proportion of the grandmothers are otherwise employed.[69] Nonmarried mothers are more likely to give job constraints as the reason for nonstandard work than married mothers. Nonmarried mothers who earned less than $400 or more per week are substantially more likely to work nonstandard hours than those who earn more. In fact, the largest percentage of nonmarried mothers working nonstandard hours were those who earned less than $400 per week and had children younger than age 5. One-quarter of nonmarried mothers with children younger than 5 worked nonstandard hours, and almost 40 percent worked weekends. Proportions were even higher for those with lower incomes (less than $400 per week).[70] Still, high numbers of dual-earner couples also worked nonstandard hours, with or without children. More than one-third of couples with children younger than 5 had at least one spouse working nonstandard hours. And the proportions are even higher for those will relatively lower incomes (less than $50,000 per year).[71]

63 Ibid., pp. 2–3.
64 Ibid., pp. 34–35.
65 Ibid., p. 42.
66 Ibid., pp. 7–10.
67 Ibid., p. 43.
68 Ibid., pp. 59–60.
69 Ibid., p. 68.
70 Ibid., p. 78.
71 Ibid., pp. 69–77.

Studies have suggested that staying with an employer is likely to yield returns for low-skilled workers.[72] However, only those who leave their initial job, move to employers with higher wage premia, and stay there are likely to see significant wage improvement. For welfare recipients, both in pre- and post-PRWORA periods, there is a weak positive association between length of labor force participation and earnings.[73] As a result, policy makers and analysts concerned with the well-being of low-income families emphasized the benefits of sustained labor force participation and lengthened job tenure. They tended to locate employment instability within workers rather than workplaces, emphasizing the need for "work supports" that help lower-skilled workers meet job requirements by overcoming "barriers" to employment as having young children.[74] Lambert, Waxman, and Haley-Lock question this position. They argue that "work supports may not have their intended effect if, in fact, job tenure and earnings growth are driven as much by structural aspects of jobs and workplaces as by the personal qualities of workers."[75] The researchers studied low-wage jobs in four sectors of Chicago's urban economy – retail, hospitality, shipping/transportation, and financial services. They examined multiple sources of instability in low-skilled jobs, which are defined as jobs that require no higher than a high school education and are not considered seasonal or temporary.[76]

Job instability is measured by turnover rates, number of hours worked, and scheduling of work hours. Turnover rates vary both within and across employers and industries. Of the sixty jobs for which they have specific turnover data, annual turnover rates range from 0 percent to 500 percent. Half of the jobs had an annual turnover rate exceeding 50 percent and a third exceeding 80 percent.[77] There is substantial variation in turnover rates among lower-skilled jobs *within* employers. Thus, job retention for lower-wage earners is at least partially a function of the job. Workers entering lower-skilled jobs often have a low probability of remaining in a particular job for even a few months.[78]

The number of hours worked also varies a great deal. In all the industries studied, the employers practice "workloading" or "workload adjustments"

72 T. Gladden & C. Taber (2000), "Wage Progression among Less Skilled Workers." In D. E. Card & R. M. Blank (Eds.), *Finding Jobs: Work and Welfare Reform* (pp. 160–92). New York: Russell Sage Foundation.
73 M. Cancian et al. (2000). "Before and After TANF: The Economic Well-Being of Women Leaving Welfare" (special report, Institution for Research on Poverty, University of Wisconsin), p. 77.
74 S. Danziger et al. (2000) "Work, Income and Material Hardship after Welfare Reform." *Journal of Consumer Affairs*, p. 34.
75 S. Lambert, E. Waxman, & A. Haley-Lock (2001). "Against the Odds: A Study of Instability in Lower-Skilled Jobs" (School of Social Service Administration, University of Chicago), p. 1.
76 Ibid., p. 3. The research combines multiple sources of data (administrative, interview, and observation) to develop an understanding of variations (across jobs, workplaces, and industries) in daily workplace practices.
77 Ibid., p. 6.
78 Ibid., p. 7.

during off-peak seasons. Workers are given few hours to work for weeks, even months at a time, during off-peak time. Most workers do not apply for unemployment during period of "workload adjustment" because of fear of losing health insurance and seniority.[79]

The temporal structure of work is another source of instability. For many lower-wage earners, work is scheduled along multiple dimensions: days of the week, time of the day or shift, and length of shift or time worked on a given day. Although an employee may hold a five-days-a-week job on paper, his or her life must actually accommodate seven days. In general, to work a job that varies from ten to fifteen hours a week, employees must structure their time so that they are available to work the highest end of the range, even though they are rarely guaranteed that number of hours week to week. When schedules change frequently or with little notice, employees must absorb the effect of these fluctuations. Conflicts with family arrangements, other jobs, or transportation can undermine an employee's ability to hold the job.[80] Also shifting schedules may upset other work arrangements on which the employee depends for sufficient income – many low-wage workers have multiple jobs – and scheduling shifts may undermine some workers' strategies for making ends meet.[81] When shifts shift, seniority often governs the bidding process. New employees, usually the least-established members of the workforce, generally fall to the back of the line in the process. "The new people always get the worst shifts."[82] In sum, although employers, caseworkers, and policy makers may view job loss as employee-initiated, the high annual turnover rates of many lower-skilled jobs suggest that workers' chances of remaining employed are often slim. Furthermore, in lower-skilled jobs, the chances of job loss are highest among those most recently hired.[83]

A prime example of the state of the low-wage labor market is Wal-Mart.[84] Wal-Mart employs more than 1 million workers, which makes it now the largest employer in the United States. It is the largest food retailer and the third largest pharmacy in the country (a 19% share), and it is expanding rapidly. Wal-Mart's wages and benefits are significantly below the standards in the retail market. As a result, other major grocery chains are trying to reduce their wages and benefits significantly. Further, Wal-Mart jobs are replacing existing higher-paying jobs, not adding jobs. In several studies, nearby communities lost up to 47 percent of their retail trade after Wal-Mart opened.[85] In a recent study, using 2001 data, of all active full-time and part-time workers with Wal-Mart for at least

79 Ibid., p. 12.
80 Ibid., p. 13.
81 Ibid., p. 15.
82 Ibid., p. 16.
83 Ibid.
84 A. Dube & K. Jacobs (2004). "Hidden Costs of Wal-Mart Jobs. Use of Safety Net Programs by Wal-Mart Workers in California" (Briefing Paper Series, University of California at Berkeley, Institute of Industrial Relations; Center for Labor Research and Education, August 2).
85 Ibid., p. 3.

one year (about 65% of the workforce), more than half (54%) earned below $9 per hour; 21 percent earned between $9.00 and $9.99, and another 16 percent earned between $10 and $10.99 per hour.[86] These wages are significantly below the average wage of large retailers (with 1,000 or more employees). Wal-Mart workers earn on average 31 percent less than workers in other large retailers – $9.70 versus $14.01.[87] Many Wal-Mart workers lack health care benefits. Wal-Mart reports that only 48 percent of its employees enrolled in its health plan. As compared with other large retailers, 23 percent fewer Wal-Mart employees have employer-sponsored health care coverage. The study compared Wal-Mart wages and benefits of nonmanagerial workers in the San Francisco Bay area with unionized grocery workers. The average for Wal-Mart employees was $9.40 per hour, compared with $15.31 for the unionized grocery workers, and they are half as likely to have health benefits.[88] One result of Wal-Mart's wage and benefits policies is that a substantial number of Wal-Mart employees and their families have to rely on public safety-net benefits. The study estimates that in California, the total cost to the public for public assistance benefits for Wal-Mart employees is $86 million per year – $32 million in health care expenses and $54 million in other assistance. If other large retailers in California followed the Wal-Mart path, the total cost of public assistance in California would increase $410 million to $1.46 billion. Nationally, the estimates could be as much as an additional $2 billion a year.[89]

Stuck in Low-Wage Jobs

The "work first" philosophy of welfare reform emphasizes immediate employment over formal job preparation and assumes that workers will be able to use the skills and knowledge gained in initial jobs to qualify for better-paying jobs. However, employment mobility is also a myth. Regardless of whether it was true in the past, today low-wage workers are not moving up the economic ladder.[90] Only one-fifth of the jobs held by less-educated workers are in "starter" occupations, which require little training or experience and are associated with subsequent well-paying occupations. Most routes up the ladder are inaccessible to many less-educated workers.[91] According to a recent study, the 1990s' job expansion was mostly concentrated at the high end (20%) as well as the very low end (17%) of the job structure. Moreover, it was "a racially polarized job expansion," as most of these bottom-end employment opportunities were dominated by minorities, whereas the so-called good jobs were

86 Ibid., p. 4.
87 Ibid.
88 Ibid., p. 5.
89 Ibid., p. 7.
90 Mishel et al. (2000).
91 L. Kusmin & R. Gibbs (2000). "Less-Educated Workers Face Limited Opportunities to Move Up to Good Jobs" *Rural America* 15(3): 33.

filled by whites. The very slow rate of growth of jobs in the lower-middle range of job quality makes it increasingly difficult for employees in the bottom tier of the employment continuum to move up to higher quality jobs. In other words, even if welfare recipients and leavers gain work experience and receive on-the-job-training, there are few middle-range job opportunities to move up to.[92]

Schochet and Rangarajan in their study do find some wage growth. Over the three-year period, real wages increased by 25 percent. Still, about 50 percent of the male workers and 60 percent of the female workers continued to earn wages that put their earnings below the poverty line.[93] The researchers also find that job characteristics made a significant difference. Workers in jobs with higher initial wages, health benefits, and full-time work experienced greater job growth.[94]

Andersson and colleagues also find that low-wage workers who voluntarily changed jobs initially and then stayed with the same employer in 1999–2001 showed the greatest improvement in earnings.[95] About 42 percent of those who moved and then stayed with their new employers escaped low earnings completely by 1999–2001. In contrast, only 17 percent escaped completely while staying with their initial employers. Still, we should keep in mind that of the initial cohort of low earners, after six years, 29 percent remained low earners, 44 percent partially escaped, and only 28 percent fully escaped low earnings.[96] The key to escaping low wages is changing jobs to industries that have a higher wage scale, such as construction, manufacturing, transportation/communication/utilities, and wholesale trade.[97] The researchers find that temporary agencies are also more successful in placing many low-wage earners in high-wage industries.[98] However, Autor and Houseman present contradictory findings.[99] Using a quasi-experimental design, they track the employment experiences of participants in welfare-to-work programs and the Workforce Investment Act who were either placed in jobs via temporary agencies versus direct hires.[100] They find that after two years, the initial positive effects of temporary agencies disappears when compared with direct hires and that the "probability of earnings above welfare thresholds are negative."[101]

[92] A. Alstott (1999). "Work vs. Freedom: A Liberal Challenge to Employment Subsidies" *Yale Law Journal* 108: 967–1058; E. Wright & R. Dwyer (December 2000/January 2001), "The American Jobs Machine: Is The New Economy Creating Good Jobs?" *The Boston Review* 25(6): 21–26.
[93] Schochet & Rangarajan (2004), pp. 93–94.
[94] Ibid., pp. 103–104.
[95] Andersson et al. (2005), pp. 78–86.
[96] Ibid., p. 82.
[97] Ibid., p. 90.
[98] Ibid., pp. 91–92.
[99] D. Autor & S. Houseman (2005). "Temporary Agency Employment as a Way out of Poverty?" (Paper presented at the National Poverty Center Conference on "Working and Poor: How Economic and Policy Changes Are Affecting Low-Wage Workers," Washington, D.C.
[100] The quasi-experimental design ensured that for each type of placement the participants had the same personal characteristics.
[101] Autor & Housemen (2005), p. 29.

The Workforce Investment Act (WIA)

The Workforce Investment Act (WIA) (1998) was enacted to facilitate greater coordination of public-funded employment and training programs. The goal is to create local one-stop workforce development locations with access to "core" services that would provide intensive services and training. There are no income or program eligibility conditions. Several programs are to partner with the one-stop centers – Unemployment Insurance (UI), veterans and seniors employment programs, and Job Corps. Under WIA, most funds for adult, youth, and dislocated worker programs go to the local workforce investment boards (WIBs). Flexible vouchers are provided by the boards for training or career advancement services through individual training accounts (ITAs).[102]

Although WIBs have the potential to become a universal service delivery system, so far, this has not happened. Local boards must first serve welfare recipients and other low-income, low-wage individuals. At the same time, WIA funding is tied to specific performance measures, primarily new jobs and earnings gains. This creates incentives in favor of the unemployed or other groups (e.g., youth, dislocated workers) rather than those already working, because there are potentially larger earnings gains from an unemployed worker getting a job than moving a working client into a higher paying job. In addition, thus far, there are limited funds for WIA for training and other services that could benefit low-wage workers.[103]

There are also differing views as to the main purposes of the WIA – is it a "social service" agency or an employment service to bring together employers seeking workers with job seekers? There are higher rates of participation for TANF families or former TANF. Possibly, non-TANF people do not apply because of the stigma associated with the offices. In addition, most of the offices are not open after traditional work hours or on weekends. Finally, supportive services (e.g., subsidized child care, transportation) are not available for those who want to pursue training. Now, with the fiscal crises, there is a lower priority for services for low-income working families and states are postponing or cutting back on planned job retention and advancement services.[104]

There was an in-depth, eight-state study of the state and local WIA (Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah).[105] Sixteen local areas and more than thirty local one-stop career centers were studied. Leadership roles varied – in some states, the governor's office took the lead, whereas the local workforce area took the lead in others. Business engagement

[102] J. Miller, L. Grossman, F. Molina, & S. Golinka (2004). "Building Bridges to Self-Sufficiency. Improving Services for Low-Income Working Families" (MDRC, NGA Center for Best Practices, March), pp. 1–13.
[103] Ibid., p. 13.
[104] Ibid., pp. 16–17.
[105] C. Barnow & C. King (2005). "The Workforce Investment Act in Eight States" (prepared for the U.S. Department of Labor, Employment and Training Administration; Nelson A. Rockefeller Institute of Government, State University of New York, February).

was strong at the local level in half the states. No matter what the administration, all agreed that funding was not adequate and that services had to be rationed, especially costly services such as training. Only a fraction of those eligible were served.[106] There was also great variation in the organization of the one-stop career centers. In some states, the WIA, the employment service, and TANF are integrated. The report found that the employment service is usually a key partner, but there was variation in the relationships with other public agencies. In some states, the WIA controls the state's TANF development funds; in other states, TANF is an optional partner. The UI system is a mandatory, but "minimal," partner.[107] There are also various relationships with community colleges, the vocational rehabilitation and veterans' employment, and training services. When the WIA was initially implemented, the emphasis was on work first; subsequently, the U.S. Department of Labor (USDOL) said that work first was not mandatory and that states could emphasize training. Again, there is variation among the states. In several states, local WIB officials were disappointed with the state labor market information systems and had to rely on private vendors.[108] States are required to maintain an eligible training provider (ETP) list so that customers can make informed choices, but the implementation of the ETPs, the voucher-like ITAs, varied. There was concern about the performance management system, notably the inability to adjust for the characteristics of the participants and local economic conditions.[109] "This study, consistent with previous studies of performance management for training programs, found evidence that local areas engaged in behavior to make their performance appear better than it actually was. This included 'creaming' ... and strategic behavior regarding the timing of program entries and exits.... State and local officials and One-Stop Career Center staff were nearly unanimous in expressing displeasure with the performance measurement and management under WIA."[110] Most felt that the "arbitrary numeric goals" of the WIA distorted the performance of the program, and that there was a higher quality in the state and local programs before the WIA. State and local officials noted the decline in funding, which lessened flexibility to meet needs despite the increasing changes in the labor market.[111]

The Impact on Welfare Leavers

Although a majority of the leavers work full time, they still experience a high rate of poverty and are earning only half of the average household income.[112]

106 Ibid., pp. vi–vii.
107 Ibid., p. vii.
108 Ibid., p. ix.
109 Ibid., p. ix.
110 Ibid., p. x.
111 Ibid., pp. xi–xii.
112 R. Moffitt & J. Roff (2000). "The Diversity of Welfare Leavers: Background Paper to Policy Brief 00-02, The Diversity of Welfare Leavers" (Working Paper 00-01, Welfare, Children, and Families: A Three-City Study).

The jobs most likely available for welfare recipients are nonstandard, low-paying service work. TANF is not designed to help smooth the week-to-week, season-to-season variations in income that accompany shifting schedules and rapid job loss. Strict time limits on welfare receipt fail to take into account not only fluctuations in the economy but also the chronic instability of lower-wage work. The crude performance measures commonly employed by public agencies can be very damaging when coupled with employment instability.[113] Turnover rates among new hires, scheduling practices that require child care almost "on call, and workload adjustment [. . .] may leave workers with a job but no pay."[114]

As discussed in Chapter 2, between half and two-thirds find jobs shortly after leaving welfare, mostly in sales, food preparation, clerical support, and other service jobs. The wage is between $5.67 to $8.42 per hour and most do not receive benefits. These are relatively high number of weekly hours of work, but still there are substantial periods of unemployment as well as job loss. Earnings range from $8,000 to $15,144, thus leaving many families in poverty. Earnings increase largely from longer hours, not wages.[115] Most do not receive child care subsidies.[116] Many families are worse off because wages do not make up for lost benefits, even counting the EITC.[117] Thus, despite the political claims for success, the gains for welfare-to-work recipients are very modest and often fail to account for the costs of working – transportation, reciprocity in child care, missed days, and so forth.[118]

At any one point in time, about 40 percent of leavers are not employed.[119] Some (14%) rely on the earnings of a spouse or partner. More than a quarter say that they are disabled or sick or otherwise unable to work. Others report lack of access or lack of work supports, family responsibilities, and transitions; 69 percent of those not disabled are looking for work. Most do not receive unemployment, food stamps, or Medicaid benefits. Former recipients report more economic struggles than low-income mothers – more food insecurity, lack of money to pay rent or utilities, and having to move in with others.[120] A

113 Lambert, Waxman, & Haley-Lock (2001), p. 19.
114 Ibid., p. 19.
115 J. Strawn, M. Greenberg, & S. Savner (2001). "Improving Employment Outcomes under TANF" (Center for Law and Social Policy (CLASP), February), pp. 6–7.
116 L. Pavetti (1995). "And Employment for All" (paper presented at the Seventeenth Annual Research Conference of the Association for Public Policy and Management, Washington, D.C.), p. 48.
117 M. Greenberg & M. Laracy (2000). "Welfare Reform: Next Steps Offer New Opportunities." (Neighborhood Funders Group Policy Paper No. 4, Center for Law and Social Policy, Washington, D.C.).
118 Pavetti (1995), pp. 48–49.
119 R. Haskins (2000). "The Second Most Important Issue" (unpublished manuscript prepared for the conference "The New World of Welfare," Committee on Ways and Means), p. 11.
120 P. Loprest (1999). "Families Who Left Welfare: Who Are They and How Are They Doing?" (discussion paper, Assessing the New Federalism, Urban Institute, Washington, D.C.).

rise in no-parent families was recently reported. Mostly, very poor inner-city mothers could no longer cope with the low-wage labor market and take care of the children. Rather than leave them with an abusive father or stepfather, the children were placed with a grandmother or other relative.[121]

Chapter 2 points out that most welfare recipients and leavers are in and out of the labor market and therefore unlikely to qualify for UI – either the minimum hours and earnings requirements, given the instability of their jobs, or the "nonmonetary" requirements."[122] Although most of those who leave welfare to work may potentially meet the UI minimum monetary eligibility, they are likely to lose it over time, and those who lose their job in the first year are unlikely to meet the UI monetary eligibility.[123] Even these estimates may be overly optimistic. From 1980 to 2003, there has been a significant decline in the percentage of unemployed high school dropouts receiving UI, from 30 percent to 21 percent, and they are even less likely to benefit from UI during economic recessions.[124] Moreover, many mothers have "involuntary" reasons for leaving a job, that is, quitting a job because of child care and other family responsibilities and transportation difficulties.[125] In other words, for these women, welfare is the equivalent of unemployment compensation. In the past, when jobs disappeared or child care broke down, former recipients would return to welfare. Now, with the time limits, this option will no longer be available.

The Dilemmas of Child Care for Low-Wage Workers

Given the characteristics of the low-wage labor market, especially its nonstandard work, child care becomes a major issue for the low-wage working mothers, particularly its effects on the health and well-being of the children,

[121] N. Bernstein (2002). "Side Effect of Welfare Law: The No-Parent Family," *New York Times*, July 29, p. 1.

[122] C. Gustafson & P. Levine (1998). "Less-Skilled Workers, Welfare Reform, and the Unemployment Insurance System" (NBER Working Paper W6489, National Bureau of Economic Research, Cambridge, Mass., March 1998); D. Maranville (2002). "Workplace Mythologies and Unemployment Insurance: Exit, Voice, and Exhausting All Reasonable Alternatives to Quitting" (unpublished manuscript); G. Lester (2004). "In Defense of Paid Leave" (unpublished manuscript, UCLA Law School, September 17); G. Lester (2001). *Unemployment Insurance and Wealth Redistribution*. 49 UCLA L. Rev. 335; L. Williams (1999). "Unemployment Insurance and Low-Wage Work." In J. F. Handler & L. White (Eds.), *Hard Labor: Women and Work in the Post-Welfare Era*. Armonk, N.Y.: M. E. Sharpe, chap. 8.

[123] A. Rangarajan & C. Razafindrakoto (2004). "Unemployment Insurance as a Potential Safety Net for TANF Leavers: Evidence from Five States" (Mathematica Policy Research, Inc., Washington, D.C.), pp. 1–45.

[124] P. Levine (2005). "Unemployment Insurance over the Business Cycle: Does It Meet Workers' Needs?" (Department of Economics, Wellesley College, April).

[125] Gustafson & Levine (1998), p. 3. In 1995, an individual working half-time for twenty-six weeks at $6 per hour meets the eligibility requirements in forty-seven states, p. 6.

and the ability of the family support their children. In Chapter 3, in the discussion of the welfare state, we describe the use and costs of child care and the various programs for child care assistance. Here, we are concerned not only with the availability and cost of child care but also the quality and the effect on family health and well-being.

The crisis in child care – especially for low-wage workers – cannot be overemphasized. Millions of infants, children, and adolescents are at high risk of being compromised both developmentally and in health because of mediocre child care.[126] The proportion of women with infants in the paid labor force increased from 31 percent to 59 percent between 1976 and 1998. More than half (51%) the women have infants younger than 1 year, and 57 percent of women with children younger than 3 are now in the paid labor force.[127] Currently, 75 percent of all children younger than age 5 are in child care while their mothers are working.[128] The current welfare reform requires mothers of young children – in some cases, three-month-old infants – to enter the paid labor force.

First, we consider how the mothers are coping, and then we turn to the issues for the children. The story of the challenges that mothers face on a daily basis – balancing shifting job schedules; being on-call; working overtime, evenings, and weekends, often on short notice; and facing multiple child care arrangements that have to be made – is simply wrenching. We present the data on the toll that these schedules take on the families, the lack of available child care subsidies, and conclude with evidence on the impact that low-wage work and poor child care have on the well-being of the children.

The Use of Child Care

End of this Chapter

More than 70 percent of all children younger than age 5 of working mothers are cared for by someone other than the parents.[129] The higher the income, the more likely the children – particularly three- and four-year-olds – will be in center-based care. Relative care is more frequently used by low-income

[126] L. Dodson, T. Manuel, & E. Bravo (2002). "Keeping Jobs and Raising Families in Low-Income America: It Just Doesn't Work" (a report of the Across the Boundaries Project, Radcliffe Public Policy Center and 9to5 National Association of Working Women, Radcliffe Institute for Advanced Study, Harvard University), pp. 10–11.

[127] J. Bromer & J. Henly (2004). "Child Care as Family Support? Caregiving Practices across Child Care Provider Types." *Children and Youth Services Review*, 26, 941–964.

[128] J. R. Henly & S. Lambert (2005). "Nonstandard work and child care needs of low-income parents" in S. M. Bianchi, L. M. Casper, & R. B. King (Eds.), *Work, Family, Health, and Well-Being*. Lawrence Erlbaum Associates, Inc.: Mahwah, N.J., pp. 473–92.

[129] J. Capizzano & G. Adams (2003). "Children in Low-Income Families Are Less Likely to be in Center-Based Child Care: Snapshots of America's Families" (Urban Institute, Washington, D.C.), p. 1. "Low income" is defined as 200 percent of the federal poverty line; "high income" is above 200 percent of the federal poverty line.

8 Addressing Poverty and Inequality

The Starting Point

1. This book is primarily about single mothers and their children. Other categories of people are poor and are clearly in need of help – two-adult families, childless couples, nonaged single adults, and children without families. A principal theme of this book is how this country has substituted "welfare" for poverty and inequality, how we have demonized the single-mother family, and why the more pressing issues are poverty and inequality. There is no moral or logical reason why other categories of the poor should not be included, and, as is discussed shortly, most of our proposals would apply to other categories of the poor. But in one book (already too long) we cannot cover everyone.

2. Even within the category of poor single-mother families, we cannot explore all the relevant issues. We concentrate on income support (basically, a children's allowance), reforming the low-wage labor market, improving child care, and community-based employment/services for those who have barriers to the labor market. Other relevant issues such as health care, affordable housing, education, transportation, and neighborhoods are clearly important to improving the lives of these families. We touch on these issues, but, again, we only mention the importance of these issues and discuss some of the parameters, but cannot deal with them in detail.

3. There has to be adequate income support for these families. By adequate support, we mean a *minimum adequate standard budget*, which is discussed at length in Chapter 2. A minimum adequate budget is *not* the official poverty line. It is considerably above the poverty line. The official poverty threshold by which our country judges "success" is seriously out of date and inadequate. Families at or below the poverty threshold have major problems in coping with just the daily necessities of life. They live on the edge and often suffer from food insecurity, inadequate housing, utility cutoffs, and poor health.

Even families who are "near poor" – within 200 percent of the poverty line – are seriously threatened. One significant change in their lives – sickness, an accident, the loss of job, an eviction – and the family is in poverty. This accounts for why so many Americans experience spells of poverty during the life course. This is unacceptable. We have to do better.

4. Families can only obtain a minimum adequate budget if they *combine* cash assistance with earned income. Cash assistance alone, such as a basic income guarantee, would be far too expensive, require large tax increases, and would crowd out other valuable programs, such as health care, child care, and housing.

5. We present various proposals for a children's allowance. The children's allowance would allow all families with children and no other income to at least reach the poverty threshold. The allowance would be based on the number of children per family. It would not be means tested. The various proposals suggest how higher-income families would be treated (e.g., phase-out plans).

6. This means that we would abolish TANF. This program is miserly, discriminatory, degrading, and expensive to administer. Everyone hates "welfare" and for good reason. It is time to stop demonizing single mothers. It is time to eliminate the state and local welfare bureaucracies that have been so distorted by the demands of a dysfunctional, contradictory program. The universal children's allowance, with no conditions and no sanctions, would provide more income support than TANF without all of the baggage of "welfare."

7. Basic income support in the form of a children's allowance is, in effect, a basic income guarantee for families. It is morally and logically indistinguishable from a basic income guarantee for all people – childless adults, single adults, and so on. The only reason we restrict our proposal to families with children is that a universal basic income guarantee, at this point in time, seems totally unrealistic, whereas there seems to be more support for helping poor children.

8. Our second main recommendation is improving the low-wage labor market for families who want an income higher than that provided by the children's allowance. As discussed in Chapter 6, the great majority of mothers are in the low-wage labor market. We have a number of recommendations:

a. There should be guaranteed jobs for all who want to work; if necessary, there should be public jobs to fill the gaps.
b. The minimum wage should be raised.
c. The EITC should be raised and improved.

d. There are several ways that government and NGOs can help employers improve the working conditions of low-wage work and remain competitive.
e. There has to be job-related benefits, especially some form of government-subsidized health care.
f. There should be subsidized opportunities to enhance human capital.
g. The unemployment insurance (UI) system has to be reformed to take into account temporary, flexible, part-time work; at present, low-wage workers experience considerable episodes of unemployment that are not covered by the present system.
h. The Social Security Disability Insurance should be liberalized; now it is much too difficult for people who have employment barriers to qualify.
i. Supplemental Security Income (SSI) should be reformed to cover more adults and children who are in poor health. It is encouraging that before the recent recession, when states had budget surpluses, considerable public funds were spent on helping the working poor.

9. There has to be major improvements in the child care system. As described in Chapter 6, low-wage working single mothers are in a constant scramble to manage both contingent, multischeduled work and child care. Very large numbers of infants and preschoolers are in inadequate child care. They suffer developmentally, socially, and in health. (a) There should be extended family leave for mothers of infants; (b) there should be significant increases in child care subsidies so that mothers can purchase better child care; (c) there should be an increase in public and nonprofit support for quality child care centers.

10. Although not discussed at length in this book, prenatal and child health care should be improved.

11. Along with improvements in the child care system, there are several proposals for universal prekindergarten education. Millions of low-income children enter kindergarten with cognitive and social deficits that last throughout adolescence and diminish their educational and career opportunities.

12. Even with improvements in the low-wage labor market and child care, there will be mothers who cannot enter the paid labor force because of a variety of barriers. Some may need modest levels of support – job search, skills training; others will need more extensive services. There will be health needs as well as human capital needs. We propose the establishment of independent community-based public or nonprofit social service/employment services. The agencies would be evaluated on how they deal with the more difficult cases, rather than the current practice, which encourages "creaming" or fitting clients into available slots.

13. The provision of income support through some form of children's allowance and the separate, independent social/employment services emphasize one of our major conclusions: that there should be no sanctions for mothers who are not in the paid labor market. There are two principal reasons for this position: (a) there are multiple reasons why mothers are not in the paid labor force. Some may think it more important to attend to their children or other family matters or want to improve their education and employment skills. And others may wish to pursue other activities (e.g., charitable, community, artistic). They should make these decisions, not agency caseworkers who are under a variety of pressures and incentives to process clients and make decisions that are more determined by bureaucratic demands than client needs. Some mothers may have subtle barriers (e.g., unrecognized depression). Some will shirk or "abuse" the system. However, the number of shirkers or abusers is small, and most adults will not choose this lifestyle even if financially supported. There are always people looking for work who cannot find it. Antipoverty and welfare policy has always been fixated on the shirkers or abusers rather than assisting the large majority who "play by the rules." As a result, the obsession with the abusers has distorted and deformed welfare programs. (b) The second reason relates to administrative (in)capacity, discussed in Chapter 5. This point cannot be overemphasized. Repeatedly, welfare policies have been enacted without sufficient appreciation of the difficulties of implementation. Policy makers always blithely assume that work requirements and other conditions can be implemented and that local offices can effectively administer these new programs. Frontline workers cannot manage discretionary, judgmental services that carry penalties. As demonstrated in the past decade of welfare reform, overworked, undertrained workers resort to sanctions and diversion. They simply lack the resources and the capacity to provide skilled, sensitive, and effective social and employment services. And this has *always* been the case when aid is conditioned on the moral judgment of the recipient. It is time that we recognized that implementation is a *major* stumbling block and that those mothers and children who cannot negotiate the barriers should not pay the price.

The Interconnectedness of Poverty Issues

In discussions about poverty, welfare reform, the low-wage labor market, and child care, one has to discuss each topic. What we want to emphasize, however, is the *interconnectedness* of each of the areas. A single mother is a low-wage worker; she periodically becomes un- or underemployed; she is a mother; she and her children have health problems; they lack affordable housing; they live in less-than-desirable neighborhoods; their children often have inadequate health care and go to inferior schools. Their lives are fluid, and their circumstances change. As we pointed out in Chapter 2, this is true of poverty.

In a very important sense, the term "poverty" is misleading. It not only is seriously inadequate, but it gives the impression that it is a bright line: below it is bad, above it "everything is OK." But families barely get by with incomes substantially above the "poverty" threshold. Yet, we are constantly told that after welfare reform, things are not so bad because the poverty percentages of single-mother families and their children have not increased substantially. However, we have to account for the near poor as well as those officially below the poverty line and those in "extreme poverty" (half of the official threshold). As we have argued, in this country, there are very serious problems of inequality and hardship for families who work hard, play by the rules, but live day by day, barely making it. People move in and out of "poverty," but they rarely move very far, and one bump sends them back below the poverty threshold.

Therefore, when we discuss the various conclusions and recommendations, we want to always keep in mind the interrelatedness of the lives of these people. Improving the low-wage labor market ought to improve income, but this depends on the costs and quality of child care, transportation, health care, housing, and education. As we discuss, raising the minimum wage and reforming the unemployment system are essential, but the mother also needs reliable, good child care, and she and her children have to get good health care. The families need income, but income alone is not enough without decent housing, child care, health care, better schools, and safe neighborhoods. All of the recommendations are *necessary*, but each one separately is *not sufficient*. The topics have to be discussed separately, but they are not separate.

Welfare leavers disproportionately work in low-wage, low-skilled, nonstandard jobs. Most of these families are "playing by the rules." It may seem odd that we would use that phrase, but just as we want to reject the use of "poverty" as a standard, we reject the labels of "undeserving poor," the "African-American welfare queen," and in a prior age, Catholics, Irish, Italians, Jews, and others from southern Europe, and today, undocumented immigrants. Ever since the beginning of our Colonial history, when the first poor people asked for help, they were *blamed* for their condition. It did not matter that jobs were not available, that many were indentured tenants at the mercy of their landlords, that many were sick, that husbands and fathers died during the wars or at sea.[1] Poverty was still *their* fault, and that aid, if given, would have to be carefully supervised lest deviant behavior be encouraged. America still adheres to these views. As discussed in Chapter 4, the single mother continues to be demonized. The nonaged childless adults are treated even worse. In many states, there is no aid at all; in others, it is miserly and short term. They are usually confined to single hotel rooms (SROs) and shelters. We try to avoid them as they beg on the streets. Workers who lose their jobs or claim that

[1] See B.G. Smith (Ed.) (2004). *Down and Out in Early America*. University Park: Pennsylvania State University Press.

they are disabled are suspect. Are they trying hard enough to find another job? Unemployment insurance is low and short term; it must not encourage idleness. Disability is strict; most claims are rejected.

We strongly object to these views. The vast majority of single mothers, the subject of this book, have small families and they try hard to support themselves and their children in the paid labor market. The extensive ethnographic literature shows that they love their children and want them to succeed, but many face great odds. The combination of the demands of the low-wage labor market and balancing child care (see Chapter 6) is truly daunting. None of the readers of this book could succeed in such a high-wire balancing act. This is not to deny that many of these families suffer individual deficits. They lack skills; there are barriers to employment. Poor mothers do not read to their children, and so forth. What we reject is *blame* and the exclusive concern with individual reformation. Many of these families do need individual services, such as human capital development, education skills, and improvements in daily living, but this must not be done by ignoring the structural conditions under which these people live. Even during our most generous, liberal period – the War on Poverty – the emphasis was on individual behavior, not structural conditions. Poor people do need a "hand up," but the societal conditions in which they live have to be more hospitable. This we consistently ignore.

There were substantial changes in the 1990s, when the economy boomed and the states had surpluses. President Clinton significantly raised the EITC (discussed in Chapter 3). The EITC increases the income of the working poor. The states, with TANF and other surpluses, significantly helped the working poor with child care subsidies and state income supplementation. The country congratulated itself. The percentage of single-mother families in poverty did not rise and many of the working poor were lifted above the poverty line. But this makes our point. The poverty line cannot be the standard. As discussed in Chapter 2, many families above the poverty line still endure significant hardship and are continually threatened with sinking below the poverty line – the loss of a job, a breakdown in child care, an illness, an eviction. Despite the increase in state support, vast numbers of mothers could not afford decent child care, and many, many children are suffering. And now, with the recent recession, state surpluses have vanished and support for the working poor has declined.

The central thrust of our conclusions and proposals, then, focuses on the vast majority of families who are working, trying to work, poor or near poor, or threatened with poverty. There are four sets of proposals – and again, they are all *interrelated*:

1. Providing basic income support for all families with minor children that would not be dependent on earnings in the paid labor market. This would be a children's allowance. It would not be sufficient for a family

to maintain a basic, minimum budget, which is considerably above the present poverty threshold, but it would at least sharply reduce, if not eliminate "official" poverty.
2. Improving the low-wage labor market, making sure that decent jobs are available for all those who want to work, increasing the minimum wage, increasing the EITC, and increasing work-related benefits, child care subsidies, health benefits, vacations, and retirement benefits.
3. Improving child care. This would include paid family leave; increasing subsidies so that families can purchase quality child care; and increasing the supply of quality child care centers and providing universal, quality preschool.
4. Increasing the human capital and employment skills of the working parents or where parents have barriers to employment through community-based, independent public and private social service agencies. Thus, the proposals are *both* individually oriented and structural.

But what about childless adults? The answer here should be a basic income guarantee available to all and, when we propose reforms of the low-wage labor market *and* the guarantee of a good job *and* services for those who have barriers without sanctions, then we are approaching a basic income guarantee. Strong arguments have been made for a basic income guarantee; however, it is also argued that anything other than a very modest basic income guarantee (one that would provide a basic, adequate budget rather than the poverty threshold) would involve high tax rates and threaten other valuable programs (e.g., universal, adequate health care, child care).[2] What we propose will accomplish many of its objectives indirectly.[3] Our approach is strictly tactical. We have to concentrate on a few basic objectives. The book starts off with welfare reform and single mothers and their families. We make the argument that the great majority of these mothers are part of the working poor and the critical tasks are improving the low-wage labor market and increasing the income of families with children.[4] At least as judged by the improvement in

[2] P. Van Parijs (2004). "Basic Income: A Simple and Powerful Idea for the Twenty-first Century." *Politics and Society* 32(1): 7–40; B. Bergmann (2004). "A Swedish-Style Welfare State or Basic Income: Which Should Have Priority?" *Politics and Society* 32(1): 107–18; I. Garfinkel, C.-C. Huang, & W. Naidich (2002). "The Effects of a Basic Income Guarantee on Poverty and Income Distribution" (USBIG Discussion Paper No. 014, February 2002); E. O. Wright (2000). "Reducing Income and Wealth Inequality: Real Utopian Proposals." *Contemporary Sociology* 29: 143–56; Guy Standing (2002). *Beyond the New Paternalism: Basic Security as Equality*. London: Verso.

[3] P. Harvey (2005). "The Right to Work and Basic Income Guarantees: Competing or Complementary Goals?" *Rutgers Journal of Law and Urban Policy*, 2(1): 8–59; G. Standing (n.d.). "Why Basic Income Is Needed for a Right to Work" (unpublished manuscript on file with the authors).

[4] G. Dahl & L. Lochner (2005). "The Impact of Family Income on Child Achievement. Institute for Research on Poverty" (Discussion Paper No.1305-05, University of Wisconsin–Madison, August). This paper found that an increase in the EITC is correlated with an increase in the math test

the EITC and the state expenditures to help the working poor and children during the flush days of the 1990s, our country is at least somewhat supportive of the idea of helping the working poor and children. The book is about how we can do more on these two fronts. Health care, affordable housing, and education, as well as other social programs, are also crucial, but (at least for this book) we cannot take on everything and have to treat these issues lightly.

Why There Has to Be Both Jobs and Income Support

An ideal program would be a basic income guarantee that would allow families freedom to choose their lives. We think that the overwhelming majority of single mothers would, even with a basic income, work in the paid labor market. Others would choose a variety of activities, including taking care of their families. The problem is that a basic income conflicts with our other fundamental recommendation – that the standard should be the *minimum adequate budget*, which is significantly higher than the official poverty threshold. A basic income at this level would not be affordable.

Irwin Garfinkel and his colleagues propose four different basic income guarantee (BIG) plans: the Standard Plan, the Children Plus Plan, Single-Parent Plus Plan, and the Adult Plus Plan.[5] In the Standard Plan, all children to age 18 would receive $2,175 per year; all adults between age 18 and 65 $4,000, and the elderly, $8,000 or their Social Security payment. In the Children Plus Plan, each child would receive $4,000, each adult $3,150, and each elderly person $8,000. In the Single-Parent Plus Plan, the first adult with children would receive $6,000, other adults $3,000, each child $2,700, and each elderly person $8,000. In the Adult Plus Plan, each adult $6,000, each child $2,000, and each elderly person $8,000.[6] In all plans, Old Age, Survivors and Disability Insurance Program (OASDI) beneficiaries would either receive the BIG or their OASDI payments, whichever was higher. The plans would be taxable. In addition to the OASDI offsets, they propose eliminating 115 programs, as well as personal exemptions. They calculate the costs of all the plans as follows: The Standard Plan would cost about $1 billion; making the BIG taxable and eliminating exemptions reduces the net costs to $745 billion. The Adult Plus Plan is the most generous and would require an additional 5.5 percentage points in income tax rates.[7]

Garfinkel and his colleagues readily acknowledge that all of their plans are modest. Their justification is that there are other desirable social programs

scores and reading test scores of children (National Longitudinal Survey of Youth). "The results are even stronger when looking at children from disadvantaged families who are affected most by the large changes in the EITC."

[5] Garfinkel, Huang, & Naidich (2002).

[6] Ibid., p. 4.

[7] Ibid., pp. 4–5.

(e.g., universal education, health care, child care). A universal child care program would cost about $120 billion. Other programs, such as UI, Head Start, and WIC, should be improved. They also think it unwise to rely too heavily on a single program. A much larger BIG would require high marginal tax rates and discourage work in the legitimate labor market. They justify their plans on the reduction of poverty. The Adult Plus Plan – the most expensive to finance – reduces the overall poverty rate from 10 percent to fewer than 6 percent, the poverty gap by more than half – from $42 billion to $17 billion. "These are very significant improvements." The Child Plus Plan would reduce child poverty to 8 percent. The Single-Parent Plus Plan reduces child poverty to 11 percent.[8]

Although we do not deny the significant benefits from the Garfinkel plan, it seems clear that a BIG cannot accomplish the objectives that we propose. The standard is still the poverty line, and even here, it is reduced, not eliminated. The conclusion – which Garfinkel and his colleagues readily endorse – is that there has to be improvements in the low-wage labor market as well as a basic income. Neither one is sufficient, although both are necessary.[9] Others have made calculations for a BIG but also using the current poverty threshold.[10] Barbara Bergmann takes the same position – there cannot be high levels of a basic income without high taxes and sacrificing other programs.[11] Bergmann favors a Swedish-style welfare state, which provides many expensive services but also targets those in special need. There are what she calls "merit goods." These are goods that everyone should have and that there are people who would not be able or willing to acquire them. Although there may be disagreement on some of the items, her list includes schooling, health and mental healthcare, child care, free or partially subsidized college, decent housing, public transportation, and social services. Only a well-developed welfare state can provide these goods, but a state cannot afford a basic income grant at least of any significant size and the provision of quality merit goods.[12]

[8] Ibid., pp. 15–16, 20–21.

[9] Ibid., p. 20; Bergmann (2004).

[10] A. Sheahen (2005). "A Proposal to Simplify the Tax Code and Provide Every American with a Basic Income Guarantee" (unpublished manuscript) proposes an annual full BIG at the poverty level of $10,000 per adult and $2,000 per child. He would eliminate "all of the tax breaks and over half of the welfare programs." As with the other proposals, people who wanted more income would work in the paid labor market. The total cost of the proposal would be $1.9 billion. He would fund the proposal, among other things, by eliminating tax loopholes, adding a surcharge to incomes greater than $1 million and eliminating about 100 federal programs, with a 35 percent flat tax.

[11] Bergmann (2004).

[12] Ibid. One example she uses is child care. A free, universal system could cost $120 billion per year; a program with copayments, $60 billion. Improving the salaries of child care workers would add an additional 20 percent (p. 111). For a discussion of the pros and cons of a basic income (as well as other proposals, e.g., the stakeholders grant), see Wright (2000). Karl Widerquest questions Bergman's calculations. He claims that Bergmann uses the BIG as an "add on" for programs that already exist, e.g., an unemployed person would receive $15,000 in UI plus a $15,000 BIG, etc. "But that's not what anybody is proposing" (e-mail, August 8, 2005).

Our proposals build on some of the demonstration welfare-to-work projects that combined employment with subsidies and services. On the basis of several randomized welfare-to-work experiments, Robert Havemen draws three conclusions: (1) the largest impact on employment and annual earnings come from programs that either require participation in employment services or that supplement earnings; (2) almost all of the programs that produced increased employment and earnings offered direct, and often substantial, earnings subsidies to low-skilled workers; there were only a few programs that increased both work and family income without supplements; (3) there were substantial, positive effects on school-age children in which both an increase in employment and in total income occurred. The principal programs that provided earnings supplements were the Canadian Self-Sufficiency Program (SSP), the Minnesota Family Investment Program (MFIP), and Milwaukee's New Hope Project. Whereas SSP and MFIP were offered only to families applying for welfare, New Hope was available to all low-income families. Child care and health care subsidies were also offered in New Hope. The MFIP offered employment, training, and job services. The Canadian SSP did not offer any services. The programs used different approaches; SSP had an income guarantee (i.e., welfare) and a graduated earnings subsidy if there was full-time employment. The MFIP had an income guarantee, a work bonus, and a graduated earnings subsidy without the requirement of full-time work. The MFIP, a welfare-to-work demonstration program, allowed long-term recipients to keep more of their cash assistance when they worked. There were significant changes – increased marriages and marital stability, a dramatic decline in domestic violence, and improved child outcomes (e.g., school performance). New Hope guaranteed a job plus a graduated earnings subsidy but only for full-time work. However, despite the differences in approach, all of these programs increased both earnings and total income. R. Haveman (2003). "When Work Alone Is Not Enough." In I. V. Sawhill (Ed.), *One Percent for the Kids: New Policies, Brighter Futures for America's Children*. Washington, D.C.: Brookings Institution Press, pp. 40–55.

Improving the Paid Labor Market

At present, the great majority of poor single mothers will be low-wage workers. As discussed in Chapter 6, single mothers average about $22,000 per year – from a variety of sources: earnings, welfare, family, friends. Earnings are the most important source, but just relying on earnings would generate income of about $13,000, which is below the poverty line. Income at this level is shameful. It has to be at least a minimum adequate budget, which is well above the official poverty line. And this is covers the necessities, no frills, no entertainment, no restaurant meals (not even fast food). Moreover, families even at this level are on the edge – a job loss, an illness, or an accident and they are back in poverty. As Philip Harvey points out, "labor markets tend to reward success with more success and punish failure with more failure."[13] This has to be changed. Success should be rewarded, but those who struggle in the low-wage labor market should not be punished.

The first task, then, is to improve the low-wage labor market. Nearly a third (32%) of American workers earn less than $15,000 per year, with an additional 20 percent earning between $15,000 and $25,000.[14] We think that there is substantial evidence that the great majority of single mothers would prefer work if the jobs were relatively decent, there were supportive services, and

[13] P. Harvey (2002). "Human Rights and Economic Policy Discourse: Taking Economic and Social Rights Seriously." *Columbia Human Rights Law Review* 33(2, Spring): 363–471, p. 439.

[14] L. Litchfield, J. Swanberg, & C. Sigworth (2004). "Increasing the Visibility of the Invisible Workforce: Model Programs and Policies for Hourly and Lower Wage Employees" (Final Report, Boston College Center for Work and Family, Carroll School of Management, April), p. 2.

families wanted a higher income than provided by a children's allowance. Improving the low-wage labor market would also help the men. We saw in Chapter 7 how important employment was for marriage or stable unions.

These jobs can be improved. The minimum wage should be raised.[15] The minimum wage, currently at $5.15 per hour, has not changed since 1997, and since 1968, its real value has fallen 64 percent. An increase of $1 per hour would significantly help families in the bottom one-third of the income distribution and significantly decrease the poverty rates of families where the head of the household is a minimum wage worker. There would be no budgetary costs, and there would be only minimal adverse effects on business and employment.[16] Thirteen states (including the District of Columbia) have increased the minimum wage above the federal level; three more states have it under serious consideration.[17] Eileen Appelbaum and her colleagues, in urging an increase in the minimum wage at least to its 1979 level, if not higher, argue that the most recent economic evidence for negative effects on employment are quite small.[18]

At the current minimum wage, a full-time worker earns only $10,712 per year.[19] A report by the Economic Policy Institute challenges the often-repeated argument against raising the minimum wage because it is poorly targeted and would benefit mostly better-off working families.[20] The report argues that "the minimum wage is an effective tool for targeting families and households that rely heavily on low-wage work to maintain a decent standard of living."[21] The Fair Minimum Wage Act of 2004 proposes raising the federal minimum wage to $7.00. According to the Economic Policy Institute, nearly 60 percent of the benefits would go to families whose wages and salaries were in the bottom 40 percent although they earn only 15.8 percent of earnings. A substantial portion of these workers (38%) had incomes below 200 percent of the poverty line. The report states 1.4 million families have incomes just above 200 percent of the poverty line, and they depend on low-wage workers.[22] Furthermore, says the Economic Policy Institute, the minimum wage "is a fundamental statement of principle about the value of work, opportunity, and the responsibilities of employers."[23] Current rates allow employers to exploit the lack of bargaining power of the low-wage worker.[24]

15 E. Appelbaum et al. (2005). "Low-Wage Employment in America: Results from a Set of Recent Industry Case Studies." *Journal of Socio-Economic Review* 3(2, May): 293–310, p. 305.

16 Haveman (2003), p. 49. Eileen Appelbaum and her colleagues (2005) state that the most recent economic evidence indicates that the negative effects on employment would not be significant.

17 J. Chapman & M. Ettlinger (2004). "The Who and Why of the Minimum Wage: Raising the Wage Floor Is an Essential Part of a Strategy to Support Working Families" (Issue Brief No. 201, Economic Policy Institute, August 6), p. 1.

18 Appelbaum et al. (2005).

19 Chapman & Ettlinger (2004), p. 3.

20 Ibid., p. 1.

21 Ibid.

22 Ibid., p. 2.

23 Ibid.

24 Ibid., p. 3.

The earnings of 38 percent of low-wage workers (below 200% of the poverty line) contributed 68 percent of their total family income, almost half (47%) were married or had children, and 87 percent were 20 years of age or older.[25] Almost half (45%) of low-wage workers who were above the low-income line were married or had children. Thirty percent of low-wage workers above the low-income line were single adults without children. Many lived at home and their income was important for the families; 42 percent were in college.[26]

Even $8 per hour is not generous; full-time work yields only $16,640. Twenty-five percent of workers earning more than $8.00 per hour but with incomes below 200 percent of the poverty line were married parents, and 20 percent were single parents; many of these do not work full time.[27]

In California, in 2003, only 16.9 percent of workers earning within $1 of the minimum wage were teens. Low-wage workers are disproportionately Latino (32.6% of all workers, but 54.1% of low-wage workers).[28] Between 1996 and 2001, the California minimum wage law was raised, in steps, from $4.25 per hour to its current level of $6.75 per hour.[29] During this period, the earnings of both the low-wage and the median worker increased; the opposite happened during the period 1990–1996 when the minimum wage was not raised.[30] There was little, if any, loss of employment – for example, during the period of the increase, the annual growth in employment in food service and retail trade was greater than the average increase in total employment.[31] Nonetheless, despite the increases, the inflation-adjusted minimum wage has declined – 28 percent lower than in 1968, and a 4.7 percent decline since 2002. The California Budget Project estimates that a single parent with two children would have to earn $23.54 for a "basic family budget."[32]

Raising the minimum wage would not only increase the incomes of the workers but also protect firms that want to invest in upgrading the skills of workers and quality of the products. It would reduce the competition from firms that want to lower the wages of their most vulnerable employees and reduce the incentives for outsourcing and subcontracting.[33]

25 Ibid.

26 Ibid., pp. 4–5.

27 Ibid., p. 6. Sixteen percent of the low-income, higher-wage workers were unemployed an average of nineteen weeks in 2002.

28 California Budget Project (2004a). "Minimum Wage Increases Boost Earnings of Low-Wage California Workers" (Budget Brief, June), p. 1.

29 Ibid., p. 4, n. 1.

30 Ibid., pp. 1–2. Between 1996 and 2003, the earnings of workers at the tenth percentile of the earnings distribution rose by 19.9 percent, those at the twentieth percentile rose by 15.9 percent, and those at the median rose by 9.9 percent. During 1990–96, the hourly wages of all workers fell, at the tenth percentile by 9.9 percent, at the twentieth percentile by 8.4 percent, and at the median by 4 percent.

31 Ibid., pp. 2–3.

32 Ibid., p. 3.

33 Appelbaum et al. (2005), p. 305.

The EITC has had a significant effect on increasing the employment of single mothers, reducing reliance on cash assistance, and reducing poverty.[34] Currently, the EITC increases for families with two children but not for families with three or more children. More than half (54%) of poor children live in these families.[35]

Robert Haveman suggests various options for increasing earned income. He would supplement the EITC, citing the examples of New Hope and SSP. The increase would apply to full-time workers (at least thirty hours per week). There should always be an incentive to increase work hours and earn higher wages. He would phase out the EITC slowly so that there would be only a 30 percent increase in the phase out for every $1 increase in income.[36] For single mothers who work full-time at $8 per hour, the EITC is largely offset by federal and state taxes (mostly payroll). Haveman would exempt the poorest families from these taxes. Because welfare checks are not taxed but paychecks for low-income workers are, there are disincentives to work even with work-related credits. One proposal would be a second benefit tier to the EITC for families with at least one full-time worker – for example, $2,000 for earnings up to $20,000, and then phased down. Studies have shown that various other options would result in substantial income supplementation and reduction in the poverty gap: reducing the EITC marriage penalty, increase income supplements across the board, target supplements on families with children, and increase the size of the credit for those who work substantial hours.[37] However, Haveman points out that the costs increase as the number of families receiving subsidies increases as the expansions go up the income distribution. On the other hand, there are marginal work disincentives with phase-outs, and many low-income families already have high marginal tax rates.[38]

He would accelerate the phasing in of the Child Tax Credit (CTC) so that it is fully phased in within five years. This would encourage work and reduce the marriage penalty.[39] In 1997, the CTC was added to work-supported benefits of low-income families. In 2001, it was made partially refundable, and it is scheduled to increase to $1,000 per child by 2010. The annual budgetary cost is estimated to be about $90 billion. The package, including the EITC and the dependent exemption, would cost about $90 billion, provides substantial assistance to some families, and encourages low-wage workers to work

34 R. Greenstein (2005). "The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor" (Center on Budget and Policy Priorities, July 19), quoting Rebecca Blank that "there is 'unanimous' agreement that the EITC expansions implemented in the 1980s and 1990s increased employment among single parents." The report discusses the conclusions of Bruce Meyer and Dan Rosenbaum, Stacy Dickert, Scott Houser and John Scholz, Jeffrey Grogger, and Ron Haskins. According to Greenstein, based on census data (2002), "the EITC lifted 4.9 million people out of poverty, including 2.7 million children. *Without the EITC, the poverty rate among children would have been nearly one-third higher*" (emphasis original); Greenstein (2005), p. 3.

35 Greenstein (2005), pp. 4–5.

36 Haveman (2003), p. 50.

37 Citing Sawhill & Thomas (2001); Haveman (2003), pp. 44–45.

38 Haveman (2003), pp. 45–46.

39 Ibid., p. 50.

full time. However, the package favors the poor and the upper-income families over the near-poor and the middle-income families. According to Haveman, the combinations create large marginal disincentives for middle-income families.[40]

Haveman suggests a variety of options to deal with these disincentives, but they involve additional budgetary costs. One proposal is to unify the family credit into a single, expanded refundable credit for families with children. There would be a 50 percent supplementation rate, for a maximum credit of $3,500 for earnings up to $7,000. Between $7,000 and $16,000, the credit would remain constant, and then begin to phase out at a 10 percent rate between $16,000 and $36,000. For earnings greater than $36,000, there would be a credit of $1,500 (which is equal to the approximate value of the CTC and the dependent exemptions). It is claimed that this integration and simplification would yield more work-related income for the poorest working families, substantially reduce the very high earnings disincentives, increase the support for middle-income families, and reduce the sizeable marriage penalty, especially for single parents. This would also simplify the federal tax code. There would be a single table instead of three separate tables for the separate tax subsidies. It is estimated that the costs of this proposal would be about $7 billion.[41]

Another proposal is to provide a full refund of the employee portion of the payroll tax on the first $10,000 of earnings of one parent with children earning less than $15,000 per year, with a phase-out above $15,000. This would provide nearly $800 per year in income supplements and would encourage full-time work, with a modest budgetary cost.[42]

Another proposal discussed by Haveman is the adoption of a marginal employer-based employment subsidy. An example would be a tax credit, or other financial subsidy, equal to 50 percent of the first $10,000 of wages paid to as many as fifty employees in the firm. This would stimulate jobs. He cites the New Jobs Tax Credit in the late 1970s, which was a "potent and cost-effective" means of increasing the employment of low-wage workers.[43] Others have proposed compensating mothers for child and family care.[44]

How much would this cost? In view of the supports already in place, Haveman estimates earnings could be supplemented substantially at a relatively small budgetary cost. For example, the simplified family credit proposal in

40 Ibid., p. 46.

41 Citing Sawicky, Cherry, & Denk (2002); Haveman (2003), p. 46.

42 Haveman (2003), p. 47.

43 Ibid., p. 48, n. 26. However, some have expressed doubts about employment subsidies. See, e.g., S. Hamersma (2005). "The Effects of Employer Subsidy on Employment Outcomes: A Study of the Work Opportunity and Welfare-to-Work Tax Credits" (Discussion Papers, DP No. 1303-05, Institute for Research on Poverty, University of Wisconsin–Madison, July).

44 N. Zatz (2005). "Beyond Employment: Work Requirements, Caretaking, and Liberal Justice" (unpublished manuscript).

2003 would cost about $10 billion. For $15 to $20 billion, earnings could be supplemented even more, which would significantly support low-skilled workers in their efforts to hold full-time jobs. Accelerating the CTC would not affect budgetary projections. Supplementing the EITC for full-time workers to bring them up to the poverty line (three million poor families with at least one full-time worker) would cost about $15 billion. With two full-time workers, the costs would be about $10 billion. Along with a modest increase in the minimum wage, there would be a sizeable reduction in poverty for working poor families.[45]

Still, even with a full-employment economy, people are looking for jobs, or, discouraged, have dropped out of the labor market. People looking for jobs should have regular, direct-hire jobs and not be placed in temporary agency jobs. It has been shown that the practice of using temporary agencies as a stepping stone is not effective over the long term in either reducing poverty or increasing employment.[46]

We support guaranteed jobs for all those who want to work; this would include direct job creation if necessary.[47] Philip Harvey has long argued for this position. Macroeconomic policies can only go so far in reducing unemployment before inflation picks up. Other measures can reduce unemployment, for example, targeted educational and job training. Harvey thinks that shortening the normal working hours would not be effective because of the lack of targeting.[48] Direct job creation can be done through public works or services contracting with private firms, special employment programs, or expanding regular public sector jobs.[49] He argues that direct job creation could be "fiscally neutral" in that transfer payments would be reduced, tax receipts increased, and fees could be charged for some part of the output.[50] Direct job creation can be narrowly targeted to areas and populations with higher unemployment, which would reduce inflationary pressures. Employees moving into the regular market would also have anti-inflationary effects. Harvey does not suggest that direct job creation would be inflation-free but

45 Haveman (2003), pp. 50–52.

46 D. Autor & S. Houseman (2005). "Temporary Agency Employment as a Way out of Poverty?" (MIT Department of Economics and NBER, Cambridge, Mass.; W. E. Upjohn Institute for Employment Research, Kalamazoo, Mich.). "Although increasing job placements through temporary help agencies does raise the probability that Work First participants will earn above welfare and poverty thresholds over very short time horizons, these positive effects quickly dissipate. Over horizons of one to two years, placements in temporary agency jobs (relative to no job placement) do not increase the chances that participants will earn enough to leave welfare and escape poverty. . . . [O]ur results suggest that raising direct-hire placements is likely to be a much more effective means for job assistance programs to reduce welfare dependency among their clientele over both the short- and long-term" (p. 30).

47 Harvey (2002). See also W. Quigley (2003). *Ending Poverty as We Know It: Guaranteeing a Right to a Job at a Living Wage*. Philadelphia: Temple University Press.

48 Harvey (2002), pp. 449–57.

49 Ibid., p. 457.

50 Ibid., p. 457.

thinks the risks of unmanageable inflation are low.[51] In Harvey's view, a more serious problem is "displacement." For example, under CETA, almost all the positions that were created were used by local governments to replace regular employees, but then the program was redesigned to reduce the displacement effects. There are also "indirect displacement" effects, but Harvey argues that these too can be minimized.[52] He cites the New Hope Project in Milwaukee as an example where jobs were created for families below 150 percent of the poverty. The evaluations were favorable, although this was a small program (only about 100 jobs at any one time). Well-targeted direct job creation would not only reduce joblessness but also increase public goods and services, contribute to national wealth, and stabilize the business cycle. Examples would be programs for rehabilitation of abandoned or substandard housing, recreational activities for children, and home-care assistance for the elderly poor.[53]

There is a concern that creating a "right" to work, with a guaranteed decent job, would evolve into a "duty" to work.[54] After all, if a decent job is available, why isn't that person working? This is a concern, but society has always had a "duty" to work whether, in fact, there were jobs or not. What we have tried to argue in this book is that a duty to work invariably turns out to be practically impossible to administer fairly. We think that with the great majority of able-bodied adults taking earned employment, we should not fall into the moralistic trap of requiring work.

In addition to increasing earnings, the jobs themselves can be improved. Reviewing a series of case studies sponsored by the Russell Sage Foundation and the Rockefeller Foundation, Eileen Appelbaum and her colleagues describe a number of regional labor market institutions that set industry standards and disseminate best practices, reduce training costs, encourage cross-firm mobility, and explore "how multiemployer bargaining and high union density can establish strong job quality and productivity norms." In other words, it has been shown that many firms can successfully take the "high road." Examples include reducing turnover by reorganizing work to make jobs more interesting and rewarding (several hospitals), increasing productivity by using worker input (a major bank, a department store), as well as other examples. They cite other research showing how temporary agencies can provide workers with greater skills and government can support intermediary labor market institutions that increase skills and coordination of public training.[55] The Boston College Center for Work and Family issued a report describing fifteen case studies of business and organizations that improved working conditions for low-wage workers. Examples were taken from retail,

51 Ibid., pp. 458–59.

52 Ibid., p. 460–64.

53 Ibid., p. 468.

54 Standing (n.d.).

55 Appelbaum et al. (2005), p. 305.

financial, manufacturing, child care, education, hospitality, and info-imaging. Programs ranged from dependent care, employment development, financial assistance, financial incentives, and scheduling/leaves. Benefits varied – a more stable workforce, less absenteeism, improved training, a more stable entry-level workforce, increased productivity, the message that the company cares, increased income, increased employee loyalty, motivation, and recruitment, and a sense of community.[56] Paul Osterman describes the organization and training of the Industrial Areas Foundation and several of its projects, which combined job development, long-term training, community organizing, and political activity to improve the wages and working conditions of low-wage workers.[57] Dresser and Rogers also describe cooperative efforts between employers and low-wage workers to improve training and working conditions. Examples include home health care, hotels, and other service industries.[58]

Existing and proposed policies and programs, including our own, to improve the economic well-being of the working poor require the development of an organizational capability that enables the working poor to benefit from them. Current employment support services such as one-stop centers, Employment Retention and Advancement (ERA), and subsidized child care are beset by too many bureaucratic barriers that result in disincentives for poor people to access them. Among them are complex application, eligibility, and recertification procedures; lack of knowledge about available programs; limited access points; and stigma.[59] Indeed, if a single mother with two children in Maryland, working full time at $6.00, would also get EITC, state EITC, food stamps, and child care subsidies, her total income would rise from $12,480 to $30,000. In addition, she would also be eligible for subsidized health care.[60]

The reasons many women fail to obtain these benefits are obvious. Typically, the benefits are administered by different bureaucracies, each with its own particular eligibility requirements and onerous application procedures. In many instances, there is little coordination among the bureaucracies, which means that applicants must go through the application process, eligibility determination, and recertification repeatedly for every program or service they wish to obtain. The resources available for the various benefits, such as subsidized child care or transportation assistance, often outstrip the demand

56 Litchfield et al. (2004), pp. 8–14.

57 P. Osterman (2003). "Organizing the U.S. Labor Market: National Problems, Community Strategies." In J. Zeitlin & D. Trubek (Eds.). *Governing Work and Welfare in a New Economy: European and American Experiments*. Oxford: Oxford University Press, chap. 9.

58 L. Dresser & J. Rogers (2003). "Part of the Solution: Emerging Workforce Intermediaries in the United States." In Zeitlin & Trubek (Eds.), chap. 10.

59 J. Miller et al. (2004). "Building Bridges to Self-Sufficiency: Improving Services for Low-Income Working Families" (New York, MDRA and the National Governors Association Center for Best Practices), pp. 1–95.

60 Ibid., p. 8.

for them, requiring a high degree of rationing. The bureaucracies themselves operate at hours that make it difficult for working poor to access them. They are short of competent staff that are overworked and have few incentives to invest in their clients. Indeed, as we have noted in Chapter 5, staff attitudes toward poor people, in general, and welfare recipients, in particular, are generally negative and stigmatizing.

Even agencies such as the one-stop centers, mandated to provide integrated services to the unemployed, are not expected to offer TANF services, food stamps, Medicaid, or child care subsidies. The centers are only required to provide information about them.[61] In a study of thirty one-stop centers, only six provided easy access to at least four of seven work supports – EITC, subsidized childcare, food stamps, publicly funded health care, cash assistance, child support, and transportation assistance. Easy access meant that the staff was active either by providing on-site application or in making the appropriate referral.[62] Fifteen of the one-stop centers were judged to provide medium level of access by having information on all the programs and offering active referral to only one or two of the seven work support programs. Nine were judged as having low access to work supports. Most important, only one center made active referrals to get assistance with the EITC.[63] Several centers also had a negative attitude toward serving TANF clients.[64]

What is needed is an organizational form, which is dedicated to the following objectives:

1. Make an explicit commitment to serve low-income working families by making them part of the organization's core mission.
2. Adopt the goals of helping families raise their household income in order to achieve long-term well-being and economic stability.
3. Create service delivery structures that are readily accessible to working families and that provide services in a nonstigmatizing, user-friendly fashion.
4. Develop collaborative relationships with other organizations, and identify ways to coordinate services and share information across multiple public and private partners.[65]

A prototype of such an organization is exemplified in project New Hope.[66] Targeted for low-wage families, the demonstration project consolidated a series of benefits to encourage employment and reduce poverty – earning supplement, subsidized health insurance, subsidized child care, and for those who cannot find a job, referral to community service jobs. Operated by a nonprofit

61 E. Richer et al. (2003). "All in One Stop? The Accessibility of Work Support Programs at One-Stop Centers" (Center for Law and Social Policy, Washington, D.C.), pp. 1–45.

62 Ibid., p. 8.

63 Ibid., p. 9.

64 Ibid., pp. 26–27.

65 Miller et al. (2004), p. 65.

66 T. Brock et al. (1997). "Creating New Hope" (MDRC, New York).

agency with a long history of advocacy work and direct services to residents in high-poverty neighborhoods, the project successfully implemented these objectives. Several elements in the design of the program were crucial to its effectiveness. The program was voluntary and nonstigmatizing, it consolidated and administered its four key components in one site, and it was adequately funded to serve its target population. There were several key organizational factors that had contributed to its success. First, the governing board represented all the key constituents – "program participants, business leaders, government officials, and representatives from nonprofit and community organizations."[67] Second, the executive leadership was highly experienced in running community-based organizations and was fully committed to the aims of the project. Third, the service technology – the processing and provision of the benefits – consisted of operating procedures that were fairly straightforward, based on a review of wage stubs or proof of unemployment. Although the program was concerned about the issue of fraud, the use of UI records provided an effective check of unreported earnings.[68] For each benefit, operating procedures were developed to encourage rather than discourage access to it. Thus, the service technology was designed to motivate community residents to apply and to use the benefits available through the program. Fourth, and equally important, the line staff developed a strong commitment to the program and their roles were defined to facilitate positive interaction with clients.[69]

The project reps, as they were called, were the focal point through which clients could access all the needed services. The reps were knowledgeable about each service component and how to process requests for them. They melded four roles – gatekeepers to services, benefit processors, job coaches, and counselors/advisors. They easily moved from one role to another depending on the needs and circumstances of their clients. Not surprisingly, the clients had very high praise for their project reps.

It should not come as a surprise that the representatives were motivated and committed to serving their clients. They worked in an organization that had broad acceptance in the community, reinforced a client-oriented culture, provided access to necessary resources to respond to the needs of their clients, and had given the staff an active voice in organizational decision making. Having access to valued resources they could offer their clients in a voluntary and nonpunitive context contributed to positive and rewarding relationship between the staff and the clients.

This does not imply that the program did not experience numerous organizational challenges, particularly in fine-tuning its service technology. Nonetheless, the evaluation of New Hope shows that the program was well used, increased employment and earnings, increased stable employment and

67 Ibid., p. 17.
68 Ibid., p. 147.
69 Ibid., pp. 128–30.

average wages, reduced poverty, substantially increased the use of formal child care, and ultimately improved children's school performance and positive social behavior.[70]

In addition, there are a number of related labor market laws and programs that should be reformed. In Chapter 3, we pointed out that UI was designed for a labor market that is vastly different then the labor market today – from the steady, full-time worker who temporarily loses his or her job to the intermittent, flexible, temporary, changing jobs with frequent spells of unemployment. The benefits are low, about a half of the average wage, and last only twenty-six weeks, but whether an employee can receive benefits for the maximum period depends on his or her work history.[71] The earnings requirements exclude the low-wage, part-time, temporary workers. Unemployment must be involuntary, and the claimant must be actively seeking reemployment.[72] In addition to earnings requirements, claimants are not eligible if they quit work, are discharged for "cause," or are unemployed because of a labor dispute, and they have to be available for "suitable" work. Workers are often disqualified if they have to leave for family reasons because they are not considered "able and available" for work.[73] Because UI assumes steady work and is based on earnings rather than time worked, it disadvantages women, African Americans, and other part-time, low-wage workers.[74] Only about one-third of the less-skilled men and 16 percent of less-skilled women qualified for UI, and only about a third of the unemployed actually received UI. That percentage has been declining steadily from a high of 75 percent in 1975.[75] Unemployment insurance should be reformed to take account of the realities of the present labor market by reducing the amount of qualifying time, making part-time workers eligible, extending the maximum benefit duration, increasing the amount of benefits, and other changes.[76]

Disability insurance (DI) remains strict, and benefits are low. The 1996 welfare reforms excluded drug and alcohol addition.[77] At present, not even hal[f] the claimants are successful. There are approximately 4.5 awards per thousan[d]

70 A. C. Huston et al. (2003). "New Hope for Families and Children: Five-Year Results of a Prograr[m] to Reduce Poverty and Reform Welfare" (MDRC, New York), pp. 1–218.
71 G. Lester (2004). "In Defense of Paid Leave" (unpublished manuscript, UCLA Law School p. 59.
72 Ibid., p. 60; J. Peck & N. Theodore (2005). "Temporary Downturn? Temporary Staffing in th[e] Recession and the Jobless Recovery." *Focus* 23(3), 31–34.
73 Lester (2004), p. 60; D. Maranville (2002). "Workplace Mythologies and Unemployment Insu[r]ance: Exit, Voice, and Exhausting All Reasonable Alternatives to Quitting" (unpublish[ed] manuscript).
74 Lester (2004), p. 60; M. B. Katz (2001). *The Price of Citizenship: Redefining America's Welfare St[ate]* (1st ed.). New York: Metropolitan Books, pp. 222–32; Maranville (2002).
75 Lester (2004), p. 60; Katz (2001), pp. 222–32; Maranville (2002).
76 See P. Levine (2005). "Unemployment Insurance over the Business Cycle: Does It Meet Work[er] Needs?" (Department of Economics, Wellesley College, discussing, as well, the proposals of Advisory Council on Unemployment Compensation, 1994, 1996).
77 Katz (2001), pp. 209–16.

covered workers. About 7.9 million people receive DI; most are poor.[78] Disability insurance should be made less restrictive, and benefits should be raised.

The National Labor Relations Act and the NLRB have to be changed. At present, the process is so cumbersome that victims of unfair labor practices – discrimination, union organization, unpaid overtime compensation – think that the remedies are useless. Unions are important in raising wages and protecting workers. Yet, U.S. labor law is now sadly lacking in protecting workers who want to organize and bargain collectively.[79] There has to be protection of undocumented workers. Particularly egregious is the refusal to grant overtime pay awards to undocumented immigrants, even though they are considered to be covered by the law.[80]

There are also proposals to provide a variety of work-related services – for example, child care, transportation assistance, skills training, and expanding public service employment.[81]

For those who have significant barriers to employment, SSI should be available. Benefits levels should be increased. It is estimated that only about half (9.2 million) of the 17.8 million people with employment-related disabilities receive either SSI or SSDI.[82] At the present levels, most beneficiaries are significantly below the poverty level. The limits on savings and assets are too low. Before 1996, legal immigrants who were permanent residents generally qualified for SSI on the same basis as U.S. citizens. Now, unless they entered the United States before August 22, 1996, they are ineligible even if they have become impoverished or severely disabled since coming to the United States. These restrictions are much more severe than food stamps, Medicaid, and TANF and cause considerable hardship.[83]

Increasing the Income of Families: A Children's Allowance

There are a number of proposals for a children's allowance. Greg Duncan and Katherine Magnuson propose a modest allowance. For families with incomes

[78] K. Levine & J. K. Scholz (2002). "The Evolution of Income Support Policy in Recent Decades." In S. Danziger & R. H. Haveman (Eds.), *Understanding Poverty* (pp. 199–200). New York: Russell Sage Foundation; Cambridge, Mass.: Harvard University Press.

[79] Appelbaum et al. (2005); K. V. W. Stone (2004). *From Widgets to Digits: Employment Regulation for the Changing Workplace.* Cambridge, New York: Cambridge University Press.

[80] M. Weiner (2005). "Can the NLRB Deter Unfair Labor Practices? Reassessing the Punitive-Remedial Distinction in Labor Law Enforcement." 52 *UCLA Law Review* 1579.

[81] Haveman (2003), p. 48.

[82] W. Wilen & R. Nayek (2004). "Relocated Public Housing Residents Face Little Hope of Return: Work Requirements for Mixed-Income Public Housing Developments." *Clearinghouse REVIEW, Journal of Poverty Law and Policy* (61, November–December), p. 526.

[83] E. Sweeney & S. Fremstad (2005). "Supplemental Security Income: Supporting People with Disabilities and the Elderly Poor" (Center on Budget and Policy Priorities, July 19), pp. 4–6.

below $60,000, the allowance would be $300 per month for the child between birth and one year; thereafter, $200 per month until the child is age 5. The same allowance would be available for a second child. They acknowledge that although there are economies of scale, there are the expenses of two formal child care arrangements. On the other hand, they would not have the child allowance available for more than two children.[84] The monthly child allowance would help stabilize and enhance the economic conditions of the family during a crucial period. The higher amount ($300) reflects the fact that infant care is more expensive. For those families earning more than $60,000, there is the new child tax credit, which would avoid the stigma of a means-tested program and help generate support for the child allowance. They argue that the monthly payment to the parent would be a more visible recognition of the importance of parenting than tax credits or deductions and less subject to manipulation by tax preparers.[85]

Duncan and Magnuson estimate there would be approximately 4.6 million children under age 1, 3 million of which would be eligible for the child allowance. There are 18.3 million children between ages 1 and 5, and 11 million would be eligible. The total cost would be $39.4 billion annually, but the net cost would be considerably less. The total cost would be reduced by taxable income and the elimination of the child tax credit and the child care tax deduction. States would also be allowed to consider half of the child allowance as allowable income for TANF eligibility and food stamps. This would produce a net cost of $29.1 billion (but under our proposal, TANF would no longer exist). Taxable income reduces costs by $4.6 billion; elimination of the child tax credit for children under age 5, but not for older children, would reduce net costs by $16 billion, when fully phased in by 2010, and the child care tax credit would save $1.7 billion.[86]

They say that the benefits would be significant for low-income families. Almost $20 billion would go to low-income families. They calculate that there would be a benefit-cost ratio of 1.5 or higher, which would eliminate any net long-term costs. The authors point out that some of the benefit-cost ratios of some early intervention programs are much higher than 1.5. "Simulating calculations, a single mother with two children earning $10,000, would have an increase in income by about $2,000 to $3,000; for those with incomes of $20,000, the gain could be as large as $3,200, although this would depend on the state child care subsidy. And low-income married couples would also gain."[87]

[84] G. Duncan & K. Magnuson (2003). "Promoting the Healthy Development of Children." In I. V. Sawhill (Ed.), *One Percent for the Kids: New Policies, Brighter Futures for America's Children.* Washington, D.C.: Brookings Institution Press, p. 26. They say that there is some evidence that the welfare family cap may have discouraged additional childbearing.

[85] Duncan & Magnuson (2003), pp. 26–27.

[86] Ibid., pp. 26–29.

[87] Ibid., pp. 29–30.