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The Journal of Sociology & Social Welfare

Volume 16

Issue 2 June - *Special Issue on Social Justice,
Values, and Social Work Practice*

Article 5

June 1989

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Recommended Citation

Rose, Nancy E. (1989) "The Political Economy of Welfare," *The Journal of Sociology & Social Welfare*: Vol. 16: Iss. 2, Article 5.

DOI: <https://doi.org/10.15453/0191-5096.1892>

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The Political Economy of Welfare*

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Analyses of the U.S. welfare system in the tradition of political economy have tended to focus on the maintenance of a pool of low-wage labor. This paper adds another dimension, as it incorporates government work programs into a theory of the functions and nature of the U.S. welfare system. Three dimensions of the welfare system are posited: (a) maintaining a stigma attached to welfare so that people are encouraged to hold low-wage jobs; (b) maintaining welfare payments at levels that do not interfere with the functioning of labor markets; and (c) basing government work programs on principles that are congruent with the logic of the market, i.e., profit criteria. Examples drawn primarily from the 1930s to the 1980s are used to illustrate the theory.

Reform of the welfare system has again been on the political agenda during the 1980s. Increases in the incidence of poverty focused attention on welfare and its alleged effect of providing an attractive alternative to wage-labor. Traditional conservative arguments that welfare increases work disincentives have been embellished by relatively new charges that welfare is also responsible for the rise in poor female-headed families. Since the welfare system has been charged with causing poverty, the necessary cure according to conservatives has been forcing recipients to work outside their homes in exchange for their welfare payments.

These theories of "poverty-by-choice" developed primarily by George Gilder (1981), Ken Auletta (1982), Charles Murray (1984), Lawrence Mead (1985), have provided much of the theoretical justification for the Reagan Administration's cuts in welfare spending and implementation of work requirements.

*I would like to thank Ellen Gruenbaum and two unnamed reviewers for their helpful comments on an earlier version of this paper.

According to the Center on Budget and Policy Priorities (1984, p. 3), while programs for low-income individuals comprised approximately 10% of federal expenditures in 1980, they were subjected to about 30% of the budget cuts between 1981 and 1984. And the Reagan Administration's support for workfare, in which welfare recipients considered employable are required to provide work that is normally paid a wage in order to receive their welfare payments, has been incorporated into the 1988 welfare reform legislation.

The question arises of how to respond to the new conservative theories about welfare and attacks on the welfare system. Frances Fox Piven and Richard A. Cloward, in their now-classic *Regulating the Poor* (1971), have developed the most convincing theory to date. They show how welfare reform has occurred as a response of the government to militant protests of the unemployed. When the protest abates, parts of the reforms are rescinded and restrictive relief practices are restored. Central to their analysis is the function of welfare in maintaining the "work ethic" and a sufficient pool of low-wage labor. Theorists writing since Piven and Cloward's initial work have also addressed the question of why women and their dependent children have comprised the bulk of the poverty population (cf. Pearce, 1978; Shortridge, 1985; Abramovitz, 1988). Mimi Abramovitz, in *Regulating the Lives of Women* (1988), suggests that the welfare system has been shaped not only by the work ethic, but also by the "family ethic." The unpaid labor of all women in the home has been maintained in conjunction with the low-wage labor in the market of women who have not conformed with the family ethic and whose impoverishment has been caused by divorce, desertion, single motherhood, or failure of their husbands to provide sufficient incomes. The aspect of welfare that needs further theoretical attention concerns work, both work relief, provision of welfare in exchange for work that is normally paid a wage, and wage-labor.¹

In this paper I begin to address the gap in theories about the welfare system by developing a theory of the functions of welfare and the constraints imposed on it by U.S. capitalism in which analysis of the nature and forms of work for relief recipients is integral. Three dimensions of the welfare system are

posited: (a) the "ideology of the dole" and the segmentation of the working class; (b) the level of welfare payments and the maintenance of labor markets; and (c) the form of work and the logic of the market.

The "Ideology of the Dole" and Segmentation of the Working Class

The first dimension of the welfare system concerns the creation and maintenance of divisions among members of the working class. It includes segmentation between the employed and the unemployed, as well as among the jobless themselves. Maintenance of these divisions impedes all members of the working class, both employed and unemployed, from recognizing and perhaps acting on the fundamental commonality of their situation—that they have no guarantee of a job and therefore can be unemployed for periods of time.

The separation between workers who are employed and those who are unemployed is maintained primarily through the "ideology of the dole," the belief that most of the jobless are unemployed due to laziness and inability to find jobs. However, this flies in the face of the reality of capitalist economic systems, which normally rely on unemployment and underemployment in order to maintain profits.² Decisions about production and investment are made by capitalist owners of the means of production (i.e. buildings and equipment) based on the rates of profit they expect to earn. Profits are derived from revenue (price of the product times the quantity sold) minus the cost of producing the product, and wages account for approximately half of the costs of production. When unemployment falls, the bargaining power of workers with jobs increases as there are fewer unemployed workers to replace them. They are therefore more able to obtain both higher wages and more control over the production process, i.e. better working conditions. But this tends to reduce profits, which in turn leads capitalists to cut back production and delay investment projects. As a result fewer workers are needed—and unemployment rises. Thus unemployment is not caused by "lazy workers"—sufficient numbers of jobs simply do not exist.

Segmentation among the jobless includes two types of over-

lapping distinctions. One replicates divisions among the employed working class—differentiation according to race, gender, class, and citizenship (i.e. citizen versus noncitizen, commonly termed “illegal aliens”). The other applies the “ideology of the dole” to the unemployed themselves, and is expressed in terms of the so-called “deserving poor” and the “undeserving poor.”

The “deserving poor” are those deemed by society as worthy, relative to the “undeserving poor,” of receiving relief. Therefore they are given more adequate aid, usually in a less humiliating manner, than the “undeserving poor.” From the early 1600s to the early 1900s the “deserving poor” consisted primarily of middle-class widows and their dependent children. Considered unemployable, they were usually given “outdoor relief,” i.e., they could receive welfare (formerly termed relief) while living in the community.³ During this period the “undeserving poor” included the able-bodied unemployed, as well as people of color, recent immigrants, and women who had not conformed to the family ethic. They were typically given only “indoor relief” as they were forced to work in a workhouse (also called almshouse or poorhouse) or poor farm, or were auctioned or indentured to the lowest bidder, in order to receive minimal means of subsistence.

From the 1870s through the 1930s recurrent severe recessions that commonly sent unemployment as high as 25% of the labor force, combined with periodic widespread and militant strikes, led to a change in categories for primarily white, able-bodied men who had proven their labor market attachment. These altered categories were codified in the 1935 Social Security Act. Social insurance—which included social security and unemployment compensation—was established for the “deserving poor,” and public assistance—consisting of Aid to Dependent Children, Aid to the Blind, and Old Age Assistance—was implemented for the “undeserving poor.” When the Social Security Act was passed, social insurance mainly covered white males in the primary labor market (the labor pool for the “giant corporations” that form the industrial core of the economy) who had worked for sufficient periods of time to qualify. However, most workers in the secondary labor market (the labor pool for smaller firms in the economic “periphery” that either deal with

local markets, e.g. retail trade or construction, or receive sub-contracts from the "core" firms) did not qualify. Furthermore, domestic service workers and agricultural laborers, jobs usually performed by women and people of color, were specifically excluded from the social insurance programs of the Social Security Act.

Social insurance coverage has been extended several times since 1935 as new forms and definitions of labor force attachment have been enumerated. The first instance was the 1939 amendments to the Social Security Act, which expanded eligibility for social security—at much lower payment levels—to widows and children upon the death of the qualifying spouse. Additional categories of jobs, e.g. government workers and employees of nonprofit agencies, have also been included in social insurance programs. Furthermore, new programs have been developed so that social insurance currently includes the following: Old Age Security and Disability Income (OASDI), i.e. social security and disability insurance; medicare, both Hospital Insurance (HI) and Supplementary Medical Insurance (SMI); unemployment compensation; worker's disability compensation; Black Lung disability payments; and a variety of veterans benefits.

Public assistance, the second form of welfare, is conditionally available to people who often work sporadically—part-time and/or part-year—in secondary labor market jobs. The original programs have been altered and new ones have been added so that public assistance currently includes the following: Aid to Families with Dependent Children (AFDC) and Aid to Families with Dependent Children with Unemployed Parents (AFDC-UP); Supplemental Security Income (SSI) for the needy aged, blind and disabled; medicaid; Low Income Home Energy Assistance Program (LIHEAP); subsidized housing; food stamps; school lunches; supplemental food program for women, infants and children (WIC); and general assistance (state-provided aid with no federal supplementation).

Several studies have shown that movement between public assistance, especially AFDC, and low-wage work is indeed the norm. Bennett Harrison (1979) demonstrated in a five-year study of 2700 AFDC families that 92% of them included a member who was employed at least once during this time period. Sar

Levitan (1982) noted that there is much movement on and off the welfare rolls, as $\frac{3}{10}$ of the families on AFDC leave the rolls after one year, and $\frac{3}{4}$ leave within three years. Additional analysis by Mary Corcoran, Greg J. Duncan, and Martha S. Hill (1984) of an extensive set of longitudinal and cross-sectional data collected through the Panel Study of Income Dynamics (PSID) showed that only ten percent of welfare recipients are "chronic," i.e. remained on the welfare rolls for eight out of ten years. These facts dispute another widespread notion, as they clearly show that most welfare recipients *do not* remain on the rolls their entire lives.

Differences between social insurance and public assistance clearly reflect the notions of "deserving poor" and "undeserving poor." Social insurance payments are based on (mandatory) contributions to trust funds by workers and their employers. Recipients are considered to have a legitimate right to these "entitlements" and eligibility is determined by past labor force status. Eligibility for public assistance, on the other hand, is determined by a "means test" based on people's income, assets, and need. Subjected to application and recertification processes, recipients are continually required to prove their neediness. Furthermore, the "ideology of the dole" has led to the widely accepted belief that these payments are not really legitimate.

Women and their dependent children have comprised the vast majority of those categorized as "undeserving poor" and receiving public assistance. For example, among families with income below the poverty line in 1987, 34.2 percent were headed by women compared to 8.2 percent headed by men (Bureau of the Census, 1988, Table 714, p. 434), and in 1985 approximately 94 percent of AFDC recipients and 84 percent of food stamp recipients were women and their dependent children (Coalition on Women and the Budget, 1986, pp. 15–17). Women's overrepresentation in the ranks of the poor results from both the "family ethic" and the sexual division of labor. Whereas men's work has traditionally been performed for wages in the public sphere, women's work has traditionally been done in the private sphere of the home.⁴ Thus the crucial work of childrearing and home-keeping is not generally recognized as "real work"—unless someone comes into another person's home to perform these tasks for a wage—and its value is trivialized. This devaluation

of women's work has then been extended to their wage-labor, and helps account for the income gap of 64 percent (in 1987) between women's and men's wages.⁵

Furthermore, the tenacity of racism in U.S. society can be seen in the persistence of the belief that most welfare recipients are black and hispanic women. In fact, racism *is* to blame for the higher incidence of poverty among blacks and hispanics compared to whites. For example, in 1987, the poverty rate for blacks was almost three times the rate for whites, and the rate for hispanics was 2.5 times the white rate (Bureau of the Census, 1987, Tables 714 and 715, pp. 434–435).

The Worktest

An institution that has historically helped maintain the distinction between the "deserving poor" and the "undeserving poor" has been the worktest. Applied to some or all of the "undeserving poor" much of the time since capitalism developed, worktests require recipients to perform labor in order to prove that they are not "shirking work" and therefore deserve to receive welfare. However only relief—not wages—is given in exchange.

The worktest was clearly evidenced in workhouses that were set up from the mid-1600s through the 1900s. Eligibility was determined by the "workhouse test," as only the most destitute who had no other means of subsistence would enter the workhouse to work in exchange for usually meager amounts of gruel and bread. Early workhouses, established when increases in the number of paupers made congregate care more efficient than indenturing, auctioning, or boarding individuals in homes in the community, were not the mean-spirited institutions of the 19th century. However, as industrial capitalism took hold in the early 1800s, the need to ensure an adequate supply of workers who had no means of support other than their ability to work led to the implementation of very punitive procedures. This policy was most clearly articulated by the British in the New Poor Law Commissioners Report of 1834:

Into such a house none will enter voluntarily; work confinement, and discipline, will deter the indolent and vicious; and nothing but extreme necessity will induce any to accept the comfort which

must be obtained by the surrender of their free agency, and the sacrifice of their accustomed habits and gratifications. Thus the parish officer, being furnished an unerring test of the necessity of applicants, is relieved from his painful and difficult responsibility; while all have the gratification of knowing that while the necessities are abundantly relieved, the funds of charity are not wasted by idleness and fraud (Quoted in Piven and Cloward, 1971, pp. 33–34).

As workhouses were transformed into homes for the indigent elderly in the first half of the 1900s, the “workhouse test” evolved into the worktest.

The worktest has been evidenced during the 1980s in the proliferation of workfare and WIN (Work Incentive) Demonstration programs implemented by individual states. Programs such as GAIN (Greater Avenues of Independence) in California, ET (Employment and Training) Choices in Massachusetts, and JEDI (Jobs for Employable Dependent Individuals) in Maryland, they have used a combination of incentives (carrots) and sanctions (sticks) to move welfare recipients into the low-wage labor market. A variety of components have typically been included in these programs. Job Search involves individual or group (“Job Clubs”) activities, including help with resume writing, interviewing skills practice, access to the state computer job bank, and/or simply phoning employers who advertise for help. Some of the programs offer education, including GED (General high school Equivalency Degree), ESL (English as a Second Language), and/or basic adult education. Training components, both classroom and on-the-job, are often included. On-the-job training has often been implemented through Work Supplementation Programs (WSPs), also called “grant diversion,” in which part of a worker’s welfare check is “diverted” to the employer. In addition, subsidies for a portion of work related expenses (WREs)—childcare, transportation, and sometimes medicaid—are often included. The importance of these “experimental” programs cannot be understated. Although only 22% of all AFDC recipients in states with WIN Demonstration programs operating a full year by 1985 participated in the programs (General Accounting Office [GAO], 1987, p. 54), they served as the basis of the 1988 welfare reform legislation.

The stick, which can be found in all of the workfare and WIN Demonstration programs with the exception of Massachusetts and Maine is the work requirement—i.e. worktest—for those who fail to acquire a job after participating in education, training and job search components (if the programs contain them). Ignoring their unpaid labor in the home, welfare recipients considered employable are required to provide additional work outside their homes in exchange for their welfare payments. Employability for women is defined by the age of the youngest child, usually six or three, and unemployed fathers in the states with AFDC-UP are usually considered employable as well. The maximum number of work hours is determined by dividing the welfare payment by the minimum wage rate (\$3.35/hour nationally in 1988, but sometimes higher locally). Noncompliance can lead to sanctions, usually temporary reduction or suspension of the welfare grant (Dickinson, 1986, p. 269; GAO, 1987, pp. 55, 56, 62).

Worktests have historically served several purposes. Eligible people are sometimes discouraged from applying for or receiving relief, as they try to subsist instead on their own increasingly inadequate resources. This, in turn, reduces the cost of welfare by decreasing the number of cases on the rolls. Worktests also reinforce the “ideology of the dole” by seeming to validate the view that people on relief are lazy and will work only if forced to do so. Discrimination against women is reinforced by obscuring the fact that welfare mothers already work—raising children—and forcing them into workfare jobs in addition to their unpaid work in the home. Furthermore, in the 1970s and 1980s workfare programs have been criticized as threatening to public sector unions, who feared replacement of their workers with less-costly, non-union program participants (GAO, 1987, p. 110).

Current workfare and WIN demonstration programs have been the subject of much debate. Although supporters claim that these programs help AFDC recipients learn work skills and habits, and thereby become self-supporting, studies by the GAO and the Manpower Demonstration Research Corporation (MDRC) have shown that program graduates primarily end up with low-wage and/or part-time jobs that leave them below the poverty level and sometimes still on welfare (GAO, 1987, pp. 103–104;

Gueron, 1986, p. 13). This follows, in part, from the emphasis of the programs, as relatively little has been spent on either education or training, which could potentially help welfare recipients increase their skills, and consequently their wages, or on support services, especially childcare.⁶ Instead, Job Search, least costly and least controversial of all the components, has been used most often (GAO, 1987, pp. 70–71).

In opposition to the stick of the worktest is the carrot of voluntary government work programs. Inducement is used instead of force, typically by granting a larger payment than would be received through direct relief. Voluntary work relief programs are represented by the Federal Emergency Relief Administration (FERA) and the Works Progress Administration (WPA), established during the Great Depression of the 1930s. By the time Franklin D. Roosevelt became President in March 1933, measured unemployment stood at 25 percent of the labor force, with less than one-fourth of the unemployed receiving any relief (Bureau of the Census, 1970, p. 126; Piven and Cloward, 1971, p. 60). Responding to hunger marches and other actions organized by Unemployed Councils for more relief, New Deal officials quickly implemented policies designed to counter the "ideology of the dole" by creating voluntary work relief at rates of pay approximating private sector wages (but with less hours). The programs were sizable. Between 1.4 and 3.3 million people were given work each month on the FERA and the WPA, and 4.3 million were on the non means-tested Civil Works Administration (CWA) at its maximum in mid-January 1934 (Whiting and Woofter, 1941, pp. 46 & 48; WPA, 1942, p. 46).

Other government work programs have contained both coercive elements of the worktest and incentives of voluntary programs. Sticks and carrots have been most clearly combined in the Work Incentive (WIN) Program, established in response to low rates of unemployment and escalating welfare rolls, and designed to more effectively channel the poor into low-wage labor markets. From its inception in 1967, welfare recipients over age 16 who were not attending school or needed in the home to care for a dependent were referred to the welfare department to register for WIN. In 1971 the Talmadge amendments strengthened the stick by mandating registration for those considered em-

ployable, primarily unemployed fathers and mothers with school-age children (under age six), in order to continue receiving welfare. Noncompliance could lead to sanctions, although according to Mildred Rein (1982, p. 212) they were rarely applied. The carrot in the WIN program was the "income disregard," as the first \$30 per month plus $\frac{1}{3}$ of the remaining income was not counted in the determination of a recipient's welfare payment, and a portion of WREs were reimbursed. Despite insufficient funding for both services and WRE subsidies, the fact that the proportion of AFDC recipients working for wages remained at 14-16% of the caseload from WIN's inception through the late 1970s led to a consensus that WIN was a failure and to consequent calls for further program changes (Rein, 1982, p. 212; Smith and O'Brien, 1978).

In 1981, the Omnibus Budget and Reconciliation Act (OBRA), which authorized the establishment of workfare and WIN Demonstration programs, also took a large bite out of the WIN carrot as it ended the income disregard after the first four months of employment, replaced the unlimited WRE disregard with a flat monthly disregard of \$75 (prorated for part-time workers), limited childcare subsidies to \$160 per month per child, and based the disregard on gross (instead of net) income with an eligibility limit set at 150 percent of each state's need standard. According to Robert Moffitt and Douglas A. Wolf (1978), this resulted in the elimination from the welfare rolls of 35% of the "working poor" who had received welfare to augment low earnings. The OBRA's draconian reforms have been modified slightly since 1981—as of 1988 the income disregard includes the first \$105 of wages plus $\frac{1}{3}$ of the remaining during the first four months of employment, and the \$105 portion is extended for another eight months. The OBRA has brought the WIN program into closer conformity with its true acronym, WIP.

The Level of Welfare Payments and the Preservation of Labor Markets

The second dimension of the welfare system concerns the interaction between the level of welfare payments and the functioning of labor markets. Payments are provided at levels sufficiently lower than prevailing local wage rates to prevent people

from making the "rational economic choice" of receiving welfare instead of selling their labor-time for a wage. If this were to occur, labor markets could be impaired, and the capitalist labor process could be threatened.

Corroborating evidence for the need to maintain welfare payments far enough below wage rates can be found in the results of the New Jersey, Seattle and Denver income-maintenance experiments. In these experiments, conducted in the 1970s, people's "work incentive," i.e., their supply of labor-time, was adversely affected by the receipt of welfare payments that were close to their potential wages. However, people in different situations displayed varying degrees of responsiveness. Given similar percentage increases in payments, women, especially female heads of household, reduced their labor supply more than men. And both males and females between the ages of 16 and 21 manifested significant reductions in labor supply (Office of Income Security Policy, 1983; Harold W. Watts and Albert Rees, 1977).

The welfare system contains several mechanisms to try to ensure that relief payments remain sufficiently below prevailing local wage rates. Currently the level of payments varies among the different states for all forms of social insurance and public assistance except social security and food stamps. Social security old-age insurance provides uniform payments throughout the United States because the recipients are "retired," i.e., no longer in the labor force.⁷ Therefore, the level of payments for social security poses little threat to the functioning of labor markets in different areas of the country. SSI covers the needy aged, blind and disabled, also considered out of the labor force. In fact, disability is judged by a person's inability to hold a job. Finally, food stamps are based on the same criteria throughout the U.S. because they are well below the amount needed to survive, e.g., in 1987, the average monthly food stamp payment was \$46.07 per recipient (SSA, 1987, p. 296). Furthermore, almost half of those receiving food stamps also receive AFDC, which varies throughout the U.S. according to the level of wages in each state. Consequently, the level of AFDC payments has historically been higher in the higher-wage states of the North than in the lower-wage states of the South, e.g., in 1987, average monthly AFDC

payments (per family) ranged from lows of \$103.50 in Mississippi and \$112.87 in Alabama to highs of \$513.66 in California and \$549.84 in Alaska (SSA, 1987, p. 295).

According to the logic of capitalism, welfare payments also need to be furnished at levels sufficiently below wage rates in order to maintain profits. Not only do local wage rates function as a ceiling for the level of welfare payments, but welfare payments also serve as a floor for the entire wage structure. It has been true historically that by providing some protection against job loss, higher levels of welfare have helped bolster wage rates and lower levels of welfare have been one of the factors allowing capitalists to cut wages. Thus, although the policy elicited often strident protest from capitalists, New Deal officials were generous with welfare payments partly to increase the "purchasing power of the masses" and thereby boost consumption and aggregate demand (Rose, in press-a). On the other hand, at times when wages have been under attack, the amount and level of welfare payments have also been targets for reduction. This has been clearly manifested by the Reagan Administration in its attempt to restore the disciplinary effect of unemployment through its multifaceted attack on labor. Thus the (inflation-adjusted) value of AFDC payments (per recipient) has continued the decline that began in the late 1970s, falling 18% from 1977 through 1985 and helping to bolster the 10% decrease in private sector (non-agricultural inflation-adjusted) wages that started in 1974 (SSA, 1987, p. 294; Bureau of the Census, 1988, Table 648, p. 392).⁸ Furthermore, many people in families with incomes below the poverty line receive no welfare—in 1985 only 33 percent received AFDC and 61% received food stamps (SSA, 1987, pp. 75 & 296).

In spite of this logic, welfare payments are sometimes close to, or even higher than, income from wage-labor. This has been true in the 1980s for many participants, and especially graduates, in WIN and WIN Demonstration programs because wages minus expenses (the participant's portion of childcare, transportation, and uniforms, as well as medical care) are often less than AFDC payments (plus food stamps and medicaid). Despite this economic irrationality, the GAO (1987, p. 112) found that many people continue to work for wages rather than receive welfare.

Reflecting the effects of the "ideology of the dole," an ET graduate explained: "After living on welfare, just about anything looks good. It might be just a little bit more money for a lot of work, but a lot of people will grab it" (Amott and Kluver, 1986, p. 19).

Welfare payments have also directly subsidized low-wage labor markets. Historically this has taken three forms: (a) implementation of the worktest; (b) supplementation of wages with welfare; and (c) restriction of welfare payments to force people into jobs, both to increase the supply of low-wage seasonal agricultural workers and to break strikes.

The worktest directly aids the functioning of the secondary labor market by making these typically low-wage, non-union jobs more attractive than relief. Consequently, by compelling unemployed people to accept the lower wages and generally worse working conditions in these jobs, compared to jobs in the primary labor market, the worktest in effect subsidizes profits. Furthermore, punitive work relief can help push people into jobs from their positions as "discouraged workers" who drop out of the labor force and receive welfare. This seems to have been one result of the workfare and WIN Demonstration programs in the 1980s.

Supplementation of wages with relief has existed in various forms for almost 200 years. It was first institutionalized in 1795 in the English Speenhamland system, where wages below the minimum amount needed to supply workers and their families with a sufficient amount of bread were augmented with relief. Criticized for depressing wage rates (since wages were supplemented with relief) and preventing the development of a mobile working class (since people were required to remain in their parish in order to receive relief), the Speenhamland system was terminated in 1834 and replaced by the very repressive revised Poor Law.

Supplementation of wages with relief has also been evidenced in the U.S. Despite protestations during the Great Depression that it would further reduce private sector wage rates, relief was given to approximately 500,000 wage-laborers (FERA, 1935a, pp. 9-11). Currently supplementation occurs through the WIN, WIN Demonstration, Work Supplementation, and some work-

fare programs, as participants often simultaneously work for (low) wages and receive some welfare payments. Indeed, the GAO (1987, p. 105) found that more than 48% of those who participated in a work program continued to receive AFDC after they found a job.

Closing welfare roles to force people into jobs has also been used periodically. Even during the New Deal examples abounded of FERA and WPA officials closing relief rolls to force workers into the fields during harvest and planting times (FERA, 1935b, p. 49). In addition, the initial FERA policy of providing relief to strikers was abandoned in September 1934 during the widespread East coast textile strike. The practice of closing welfare rolls to ensure an adequate supply of seasonal agricultural labor was continued through the 1940s, 1950s and into the 1960s. Welfare rights organizing focused attention on this policy, and instances of temporarily closing the relief rolls to force people into the fields now seem uncommon. However, provision of relief to workers on strike, which was restored as a result of the progressive reforms in the 1960s and 1970s, was again terminated in 1981 by the OBRA.

The Form of Work Relief and the Logic of the Market

The third dimension of the welfare system concerns the form of government work programs, and whether they preserve or interfere with the logic of the market. Since goods and services are produced in the private sector only if profits are expected to be sufficient compared to other uses of the money, e.g., financial speculation, the logic of the market dictates that profitability is the primary determinant in capitalists' decisions regarding production and investment. Depending on the degree to which the logic of basing production decisions solely on needs replaces the logic of the market, government work programs can potentially cause people to question the basic rationale of capitalism. The more consonant government work programs are with production-for-profit, the more supportive they are of capitalism. Conversely, the more clearly government work programs are based on needs, the more problematic this can be for the economy.

There are three basic forms of government work programs with respect to the logic of the market vs. the logic of needs.

They are, in order of their potential ability to create problems (with the least problematic listed first): (a) work in the private sector; (b) already existing work in the public sector; and (c) public sector projects that are created explicitly for government work programs.

The first form, work in the private sector, affords the least opportunity for issues of needs to be raised. These positions are firmly embedded in production-for-profit and therefore are the most consonant with the logic of the market. Most of the jobs obtained through WIN, WIN Demonstration, and workfare programs—though not the work requirement itself—fit in this category.

The second form of work, positions already existing in the public sector, can be more problematic than those in the first location because the public sector generally does not operate on profit criteria. Indeed, issues of needs have more easily been raised with respect to public sector services, in terms of both social value and the way in which the services are performed, than has been the case in the private sector. Jobs acquired in the public sector by participants in WIN, WIN Demonstration, and workfare programs, though again excepting work requirements, are representative of this category.

Government work programs that are potentially the most problematic for capitalism involve projects that are specifically created or augmented for program participants since they are outside the normal channels of economic activity. Projects that are part of programs implemented in response to high unemployment, e.g., the FERA, CWA, and WPA in the 1930s and the Comprehensive Employment and Training Act (CETA) in the 1970s, reveal some of the contradictions of capitalism by showing that the market itself does not create sufficient numbers of jobs. Furthermore, since these projects allow the jobless to work together specifically as unemployed, issues of needs can surface relatively easily. Worktests, which also fall into this category, have restrained the logic of needs from surfacing by being so clearly based on punitive principles. Even so, as Piven and Cloward point out that in their discussion of the historical precedents of the 1980 attack on welfare, “. . . manufacturers were always wary of the possibility that the workhouse, or any or-

ganized work-relief program, would nurture nascent forms of social production to compete with the market" (Piven and Cloward, 1987, p. 12).

There are three different sub-types of these specially-created work relief projects. Again in order of their potential for causing problems (with the least potentially problematic listed first) they are: (a) construction and other forms of manual labor; (b) public services; and (c) production-for-use. Of these, construction and other manual labor affords the least opportunity for the logic of needs to replace profit criteria since, of the three, they most closely resemble private sector jobs. Public service projects offer more opportunities for issues of needs to arise because one of the primary rationales for their existence is the provision of services to meet human needs. In voluntary programs the other rationale is to furnish jobs for certain groups of workers, usually those in the white-collar and professional categories. This was evidenced during the 1930s as both the FERA and the WPA established projects for teachers, writers, artists, actors, musicians and photographers, as well as thousands of positions gathering data and conducting research.

The third sub-type of specially-created work projects, and the one that is potentially the most problematic for capitalism, is based on production-for-use. This is in clear opposition to production-for-profit. Production-for-use projects were an important component of the FERA, providing work for approximately 350,000 people at their height in the Winter of 1935 (Kerr, 1935, p. 2). Labeled production-for-use, or production-for-use and distribution, by FERA administrators, they included the following: sewing and mending garments; gardening and canning produce; canning the meat and producing goods from the hides of animals dying from the drought; aid to self-help co-operatives set up by the unemployed; producing mattresses and bedding (using surplus cotton collected by the Agricultural Adjustment Administration); and producing consumer goods (primarily long underwear and other clothing) in factories that had been totally or partially shut down by their owners and subsequently rented by local relief administrations. Although the goods produced in these projects were distributed only to others on relief, the projects elicited such virulent protest from capitalists

that all except the first two were terminated by late 1935 when the FERA was replaced by the Social Security Act and the WPA (Rose, in press-b).

Programs since the 1930s have incorporated lessons learned then from perceived threats to the logic of the market. Although workfare programs have created a good deal of service work, issues of needs have rarely surfaced. Voluntary programs, on the other hand, have created problems. In the Public Employment Program (PEP) from 1970–1973 and the subsequent Public Service Employment (PSE) component of CETA, many special projects were created, e.g., repair of public buildings, summer recreation and conservation, and weatherization of low-income homes. Yet restrictions imposed on these projects to ensure that they not replace “normal government operations” led to unceasing criticisms of inefficiency and “make-work.” It then proved quite easy for the Reagan Administration to end PSE in 1981 and terminate the entire CETA program the following year.

Conclusion

What recommendations does this theory suggest for welfare reform? Most fundamentally, recognizing that welfare recipients perform needed work—raising children—and a needed function for capitalism—maintaining a pool of low-wage workers—leads to the conclusion that welfare is, in a sense, payment for these services. As activists in the Welfare Rights Organization made clear two decades ago, welfare should be seen as a right, not as a privilege (cf. Tillmon 1976). Treating welfare as an entitlement would mean that it would no longer be necessary to devote time and energy differentiating between the “deserving poor” and the “undeserving poor,” and the resources that have been spent on the often confusing and humiliating procedures of certification and periodic recertification could instead be used to provide needed payments and services.

Viewing the welfare system through the three dimensions leads to further guidelines for government work programs. First, participation should be voluntary. Welfare recipients should have the choice between working in the home (in exchange for welfare payments) or working outside the home. Following this logic further, only carrots, but no sticks, should be used to induce participation in the programs. In place of sanctions, options for

all program participants should include educational classes and a variety of training programs leading to jobs that pay wages above a redefined poverty line (based on multiplying the minimum food budget by 4, since food now comprises approximately one-fourth of a family's budget, instead of by 3 as is currently done). To ensure that everyone receives enough to live decently, welfare payments should also be set to at least equal this new poverty line. This could be accomplished, in part, by adopting a \$7.20/hour minimum wage (in 1988 and indexing future increases to inflation), as full-time, year-round work would then result in redefined poverty-level income for a family of three. Quality, federally-subsidized childcare for both welfare recipients and those not on the rolls would serve as a crucial incentive to enter voluntary government work programs or go straight into the labor market. Making quality childcare available to all would preclude the development of a two-tiered childcare system, a means-tested one for welfare recipients and a non means-tested system for everyone else. Furthermore, to help eliminate the economic rationality of going back on welfare in order to obtain medical care, a national health system should be implemented for all citizens regardless of employment status.

Finally, the government should provide jobs when the private sector fails to do so. It is clear from the experience of the 1930s that this capability exists. If, in the depths of the great depression when the federal government was far smaller than it is today, work was provided each month for 1.4 to 4.4 million people out of a labor force of 51 million (in 1933) to 55 million (in 1938), then surely our current government could create work for similar percentages of today's labor force of 120 million. Criticisms of inefficiency and make-work that were targeted toward the FERA, CWA, and WPA in the 1930s, and again in the 1970s toward the PEP and CETA, could be countered by arguing that programs should be based on the logic of needs instead of the logic of the market. We could then begin to develop a welfare system in which people, instead of profits, are treated with respect.

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Notes

1. Work relief is contrasted to direct relief, welfare payments in exchange for work done in the home, primarily raising children.
2. The two other methods of maintaining capitalist profits involve clear government intervention in the economy: fascism, a political system in which an authoritarian government uses unconcealed power supported by a nationalist ideology to secure "co-operation" of workers and limit their demands; and social democracy, a system that has developed in countries where the labor movement has been strong enough to form a compact with capital and demand high wages, good working conditions, and relatively well-developed welfare states.
3. In fact, the term "unemployable" is a misnomer because the same people can be considered unemployable at one point in time and employable

- later, e.g., disabled people and women with children who were considered unemployable during the 1930s easily obtained manufacturing jobs during World War II when the unemployment rate fell below 2%.
4. In addition, poor women, primarily recent immigrants and women of color, have worked for the lowest wage jobs when they were able to do so, e.g., not enslaved.
 5. The 64% female/male wage gap includes only those who worked full-time, year-round. When part-time and/or part-year workers are included, the wage gap falls to 44%.
 6. The 1985 GAO (1987, pp. 69–70) study found that approximately 10% of the WIN Demonstration program participants received education and training. More recently, in a 1986–1987 study of California's GAIN program, Casey McKeever (1988, p. 4) found that only 1.5% of the registrants received training. In terms of childcare, the GAO (1987, pp. 82–83) study found that the median program paid a maximum of \$160 per month per child for childcare, far below the market rates in many areas of the country, and that expenditures on childcare were only 6.4% of the median program's total budget. McKeever (1988, pp. 3–4) found that only 19.8% of all participants (30% of single-parent families) received childcare subsidies.
 7. Social security recipients are not entirely out of the labor force since they can work a designated number of hours until age 70 before losing part or all of their benefits and can work an unlimited number of hours after age 70 with no reduction in benefits.
 8. The 34% decline in inflation-adjusted AFDC payments per *family* began in 1968, shortly after the average size of AFDC families began falling from 4.2 to its current level (maintained throughout the 1980s) of 2.9 (SSA, 1987, p. 294).