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From Welfare to Work: Does it Make Sense?

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A great deal of thought and energy currently is being focused on moving welfare recipients off welfare and into the job market. This article reports the results of a study of the work versus welfare choice of women who are limited to the minimum wage job market. Due to the level of the minimum wage, these women face poverty even when working full time. Working often brings them little financial benefit compared to being on welfare, and does not include important benefits such as health coverage for their children. One might ask, then, why women facing this choice would be motivated to try to enter the labor market at all. This study was designed to understand, from the women's point of view, what keeps them in the labor market under these conditions, and to shed light on their perceptions of the work versus welfare choice.

The data obtained in this study indicate that a segment of women on welfare may be more motivated to work than is commonly recognized, and that federal welfare policy, instead of supporting this motivation, appears to obstruct it.

Women and Welfare

When our current welfare system began, it was not expected that single mothers would work (Abramowitz, 1989). It was assumed that most of these women were widows, which touched the sympathy of the public. In addition, it was the norm at that time for women to stay home and care for children. In the decades since then, much has changed. The large majority of women now on welfare are divorced, separated, or never-married women (Duncan, 1984). Also, women have been entering the labor market at an ever-increasing rate since 1950, and women with young children are no exception (Wattenberg,

1986). Consequently, there is a growing consensus that welfare mothers should enter the labor market and become self-supporting (Kamerman, 1984).

In the 1960s, policy makers began to devise mechanisms to encourage welfare mothers to become self-supporting (Hill, 1982; Kamerman, 1984). One of these was a work-incentive that was built into the program called Aid to Families with Dependent Children (AFDC) in 1967. The work-incentive functioned like a wage supplement, to augment sub-poverty level wages. By this mechanism, when a welfare recipient found a job, her welfare check and Food Stamps were reduced by a proportion of her earnings. If her earnings increased, her welfare benefits would get smaller, eventually shrinking to zero. At each point, however, it was economically more advantageous to combine work and welfare than to be full-time on welfare.

Table 1 shows a typical work incentive scheme, in which the recipient's welfare benefit is reduced by 50% of earnings. For instance, if the recipient earns \$100, the welfare check is reduced by \$50. It also shows what happens to the welfare benefit when there is no work-incentive built into the model, and the benefit is reduced by the amount of money earned.

The impact of a work incentive model on a woman moving from welfare to a part-time or low-wage job becomes clear.

Table 1

Total Income at Various Levels of Earnings, with Work Incentive Present and Work Incentive Absent

WORK INCENTIVE PRESENT			WORK INCENTIVE ABSENT		
Monthly Earnings	Welfare Benefit	Total Income	Monthly Earnings	Welfare Benefit	Total Income
\$ 0	\$300	\$300	\$ 0	\$300	\$300
100	250	350	100	200	300
200	200	400	200	100	300
300	150	450	300	0	300
400	100	500	400	0	400
500	50	550	500	0	500
600	0	600	600	0	600

Whether she earns \$100 or \$500 a month, she is always better off working than not working. Finally, at \$600, she no longer gets a supplement from welfare; however, by that time her income is twice what it would be if she stopped working and went back on welfare.

In 1981, the Reagan administration took some initiatives to reduce expenditures in the AFDC budget and the work incentive was cut at that time (Levitan, 1985). The work incentive was reduced, and most of it was eliminated after 4 months of employment. It is eliminated entirely after 12 months of employment. At this point, the recipient is usually off the welfare rolls entirely. A major implication of this is that she is then facing the end of medical coverage for herself and her children which was an automatic part of being on welfare. Recent legislation (*Family Support Act of 1988*) has enabled Medicaid to provide family medical coverage for 12 months after a woman leaves welfare. However, the reality of the job market facing these women is that after twelve months of employment, they are still not in a position to purchase medical coverage, and few of the jobs available to them include such benefits as coverage for families.

The Low-wage Job Market

Understanding the nature of the job market available to most women on welfare sheds light on the work versus welfare choice they face. The dual labor market model (Doeringer and Piore, 1975) describes a primary and secondary labor market. In the primary sector, where the majority of Americans work, the jobs offer relatively steady, full-time employment, fringe benefits, and a wage above the poverty level. Frequently these jobs are covered by collective bargaining, annual contracts, and include benefits such as health coverage, sick leave, and retirement.

Jobs in the secondary market, however, do not have these characteristics. They have low wages, and few benefits. Frequently, they are structured at less than full-time (35 hours per week or less) so that the employers are not obligated to provide health insurance or sick leave (Ellwood, 1988). Lack of health coverage is particularly important to poverty-stricken

single mothers. In Illinois, the site of this study, it is estimated that 25% of previous welfare recipients who leave work and return to welfare do so to obtain medical coverage for their children (Taylor, 1987).

Bluestone and Harrison (1986) have pointed out that while our economy created millions of new jobs during the 70s and early 80s, nonetheless unemployment and the poverty rate both remained high. This is due to two factors, one residing in population demographics, the other in the nature of the jobs being created.

The growth of the labor force has surpassed the rate of job creation, due to the coming of age of the children of the postwar baby boom, and due to the influx of women into the labor market since the Second World War. Consequently, although in 1987 the Reagan administration cited 20 million new jobs created in the previous decade, the unemployment rate remained above 7% during that time, and was frequently higher (Bluestone & Harrison, 1987).

Second, and fundamental to the understanding of the persistence of poverty in our country, is the fact that many of the newly created jobs are low-wage jobs. Bluestone and Harrison (1987) found that 44% of jobs created between 1979 and 1985 were at poverty-level wages or below. In addition, 30% of the total new job growth consisted of part-time employment.

Thus, at a time when the job market was creating a preponderance of low-wage and part-time jobs, the work-incentive that acted as a supplement to these wages for women leaving welfare was abolished, leaving many recipients with the choice of living in poverty on welfare or living in poverty while employed.

Researchers looking at large data bases discovered that the majority of women faced with these alternatives continued to work after the abolition of the work-incentive, although it was no longer financially profitable for them (Ellwood & Summers, 1985; Sarri, 1985; Wodarski, Parham, Lindsay, & Blackburn, 1986). This study was designed to understand, from the women's point of view, what keeps them in the labor market given these unrewarding circumstances, and to gain insight into their perspective on the choice of work versus welfare.

Research Design

A qualitative design was chosen to shed light on the issues as seen from the point of view of the women: what, from their point of view, are the advantages and disadvantages of working in the secondary labor market as compared to being unemployed and on welfare?

The design specified respondents who have had substantial experience in the labor market. In other words, to qualify for the study, the respondents had to have demonstrated the ability to search for, find, and maintain a job. This was done to eliminate women who are "employment-impaired" due to inadequate education, mental or physical illness, substance abuse, and so on.

A sample of twelve women was chosen. They all had both experience being on welfare and experience in the low-wage job market. A snowball sampling technique was used, with the result that all the respondents were residents of two local housing projects. All were Afro-American single women, with one to four children. Of the twelve, all had become parents before the age of twenty; all but two had their high school diplomas, and only two had been previously married.

Of the sample, six were continuously employed during the time of the study, two worked off and on, and four were unemployed. Seven of the women had started working, at least part-time, before their first child was born. Typically, the women had held many jobs since they began working, although two of the women had held the same job for four and five years, respectively, and one respondent had been on her current job for twelve years. With one exception, the women worked for wages below \$4.50 per hour, and frequently much lower than that.

The method used was in-depth interviewing on the topics of work and welfare. The interviews took place over the course of a year, and were held primarily in the women's homes. The field work included many informal contacts with the women, to establish trust and rapport, in addition to the structured interviews.

The setting for the research was a midwestern town of 100,000. The town is characterized by a relatively low unemployment rate compared to similar communities, due in part to

the presence of a large state university, which provides numerous jobs within the service sector.

As the research progressed, and initial answers began to be formulated, the data was clustered into categories of Incentives to Work and Disincentives to Work, and it is the primary findings in these categories that are presented in this article.

Experiences of Work

What is common in the experience of the women is a wealth of experience working, a variety of jobs, and an extremely flat wage scale. One respondent, for instance, began work at age 14 in a small neighborhood supermarket. She worked almost continuously for the next 13 years, in fast food restaurants, pizza parlors, a plastics factory, as a nurse's aide, and as a playground supervisor. Only one of these jobs paid higher than the minimum wage. (It paid \$4.00 per hour at a time when the minimum was \$3.35). Most of the jobs were part-time, and she frequently combined work and welfare. She took breaks averaging six months for the births of her three children, born when she was 16, 18, and 24. During these times, she was entirely on welfare.

The reasons for frequent job changes are numerous and difficult to generalize about: family needs, illness, frustration with wages, personal conflicts with supervisors, hours being cut, stores going out of business, and the discovery that in some cases working made one poorer than being on welfare. One respondent, who started working as a cafeteria helper in a nursing home at age 15, quit her job four years later because she had only had a total of \$.25 per hour raise in that time. During the time of the study, she was working two part-time jobs for a total of more than forty hours per week, and was still living below the poverty line.

Incentives to Work

The most surprising finding to emerge was not that the women disliked their jobs (this was the expected response, considering the nature of the jobs), but the extent to which they enjoyed them. With one exception, all of the women had

significant positive things to say about the experience of working. Five main themes emerged in the area of attitudes toward working.

The first was labelled *mingling*: socializing with coworkers and customers, meeting new people, being part of the hum and rhythm of human encounters. The women said such things as:

—"I enjoyed working, period. You meet new people, and you talk, you learn things automatically."

—"I've always liked those types of jobs, too, where you're around people, do a lot of mingling. . . . dealing with people, and it kept me busy. . . . The people I worked with were real nice. I enjoyed it. I was a cashier—I wasn't making nothing but minimum wage. I would get a raise of ten cents whenever I went for my review."

—"I worked at [a canning factory]. I worked there as a cutter. That was fun, I mean everybody always worked there. . . . all my girlfriends, they worked there."

—"It wasn't the work itself—I was crawling all up and down under these machines. What I really enjoyed was, the people I worked with all got along. . . . Everybody got along. My supervisor was wonderful—you had to be, to put up with me! To put up with me, you had to have a good sense of humor!"

In addition to enjoying mingling, the theme of *liking to be busy* emerged from the data. One respondent spoke of enjoying being active and productive, although she stated "I'm not benefitting any," referring to her wages. She said:

—" [working] gives you something to do besides sitting at home all day. . . . I like to get out and meet people. I'm not a late sleeper, I'm ready to go in the morning. I have to have something to do." Another respondent stated that working:

—"gives you a sense of something, it makes you feel better, to me. Even though the money's not great or anything. Just sitting around here makes you think about your problems, about how you wish you could get out. At least if you're working, you have a little more self-esteem."

In addition to the personal feelings of enjoying mingling and being busy that many spoke of, some were *proud of working*. One woman, describing work at a fast food restaurant, said:

—“I could do everything there, I could do everything. I told them I wanted to learn everything. I could work the grill during lunch hour, it was no problem to keep up, to keep it going. It took time to learn how to do that. I knew how to call production—you know, to keep the food going, to tell them what we needed.

“I could do it all, I did a lot of other things that other people didn’t even do. I would make things for the store. Around Christmas time, I made a stencil of Santa Claus. They kept it for a long time. The manager finally had it cut out of plastic so they could keep it for a long time.”

Two of the women mentioned that *how their children see them* affects their feelings toward working. They said:

—“Whereas now, I ain’t got no job, I’m real discouraged now. My kids are looking for me to have a job; other kids talk about their mom and dad go to work. They say ‘Your momma on welfare’. . . . My kids used to me working. . . .”

—“At first, they [the children] wanted me to be at home. I explained to them that it was time for momma to get out there and do something instead of sitting at home. . . . Now, they like it. My daughters were telling me they don’t want to be on Public Aid, they want to work.”

To some women, working gives a *sense of independence and control* in their lives. For instance:

—“I just want a nice-paying job where I could pay all my bills, and still have money left over, so I wouldn’t have to mess with Public Aid and all, I could be on my own. . . . What I mean by being free is that I don’t have to get anything at all from Public Aid, no medical card, no Food Stamps, no cash, no nothing. I’d like to do it all by myself.”

Many other women spoke of the dream of being able to be off welfare. One said,

—“I’d rather be off Public Aid. I really would. . . . You get a high-paying job, you don’t have to worry about them digging in your business, you can live like normal. . . . You feel better when you got your own money.”

The women described incentives to work that can be described as internal—that is, that address psychosocial needs. They include the enjoyment of mingling, and of being busy, of

pride in work, and looking good in the eyes of their children, as well as the dream of being free of AFDC and in control of one's resources.

Disincentives to Work

With these incentives pushing the women toward work, what forces are operating in the other direction? Child care, obligations to ill or elderly kin, and transportation are barriers to employment that were mentioned, and these have been documented elsewhere (Stack, 1974; Wodarski et al., 1986). However, the strongest, most universal response to the question 'What forces operate against working in the lives of these women?' is that they are no better off financially by working, and are often worse off, especially when the loss of health care coverage is factored in. This was documented repeatedly:

—" . . . for me, when I was working, I found it to be harder working because there's more debts. Your rent is more, and you have all these different cuts on your Food Stamps and your [AFDC] check, and then sometimes, you get cut off your medical card, so that means you have to buy medicine and cover your own doctor bills. . . . I wanted to work, but when I got off into working, I felt like it wasn't, it wasn't really for me, because by the time I got the money in my hands, somebody else was getting it."

—" . . . but if I had stayed on the job, they would have took my medical card. My check got cut partly, and my Food Stamps got cut."

—"When you work and go out and get yourself a job, and it's a minimum-wage paying job, you're really defeating your purpose as far as working, because you're just losing out on everything. They snatch the medical card, they snatch the Food Stamps, they snatch everything."

—"When you're working, they take it all away, even the medical card. You work a minimum-wage job, and if your child is sickly, you can't afford to be takin him to the doctor all the time, you can't."

—"Public Aid practically cut me off, as far as money, and they cut my Food Stamps. It was hard, it was really hard, and I

said, 'Man, I might as well go on and quit working, and be on Public Aid, because I'm not getting anywhere.'

—"I didn't have any money. I didn't have any more working than I did on Public Aid. I said, 'This just doesn't make any sense!' It seems like I was supposed to have more, but I didn't. I said, 'Forget this, I can't get a baby-sitter like I want to anyway, so I'm just going to sit at home on my butt and get my Public Aid'—that was my attitude."

One respondent, (who had worked continuously for the last eleven years) when asked what she thought the welfare department could do to help people such as herself, said:

—"They could stop taking your money every time you make it!! That's the way I feel, Then, if they didn't take your money, that would give a chance where you want to work. They take too much percentage of your money when you work... the working people catch it, that's who catch it! You ain't benefittin' nothing!"

The point here seems clear—it certainly appears to be clear to the women as they tell it: that the structure of the AFDC system brings heavy financial disincentives to bear on the question of whether or not to work.

The experience of going out to get a job, and then finding the cash grant and Food Stamps reduced in such a way that they were actually worse off financially was not lost on them. Also, the inability to purchase medical insurance on a minimum wage job was mentioned again and again.

The primary disincentives, which came up over and over, have to do with how the AFDC system interacts with the labor market. Women found again and again that when they would work at the low-wage, part-time jobs realistically available to them, they would suffer such a reduction in welfare grants, Food Stamps, and medical coverage that they often were worse off by working than by staying on AFDC.

Discussion

As the respondents described the various incentives and disincentives that bear on the decision to enter the job market,

it appears that the strongest incentives are internal ones, in the psychosocial domain, and the strongest disincentives are external, in the impinging environment. The strongest incentives, or forces that support work, are the feelings of enjoyment of mingling, socializing, being active and busy, the pride, the self-esteem, the escape from boredom at home, the sense of being independent and in control, and the dream of someday being free of AFDC.

The strongest disincentives, by contrast, come from outside the women. Those disincentives reside in the structure of the labor market and of the AFDC system. These structures interact to make work, as it is available to these women, not profitable.

These data indicate that the problem for this sample in leaving the welfare rolls to enter the labor market is not one of motivation. On the contrary, the motivation to work is frequently present, as is corroborated by other studies (Goodwin, 1972; Sarri, 1985; Wodarski et al., 1986). The problem lies in the experience of being worse off by working. The respondents gave repeated examples of the experience of job-hunting, beginning to work, and then discovering they were losing money and/or health coverage by so doing.

It is the "Catch-22" of women who start working in the labor market available to them, and find that they are worse off than when they were unemployed and on welfare. Although the women put the blame for this problem on welfare, it more accurately is the interaction of the AFDC regulations with the secondary labor market that penalizes the women in this study.

Looking at the AFDC system from the point of view of behavior theory, and what is known about the power of positive and negative reinforcement, it seems clear that the system fails to reward the desired behavior (working), and in effect punishes it through the rapid and extensive withdrawal of benefits and supports. If the respondents in this study had available to them jobs that provided earnings above the poverty level, then the response of AFDC to their work effort would not be damaging. As it is, however, the respondents are caught in a vicious cycle in which employment leads to increased hardship, which then creates an incentive to move back on to welfare.

Recommendations

Welfare policy reflects a view of recipients as a homogeneous group in regard to certain characteristics such as a lack of basic job skills and experience, and which are true of only a segment of the welfare population (Duncan, 1984; Weinberg, 1989). The women in this study are experienced at finding jobs and at working, and they have many positive things to say about the experience of working.

For women such as these, the education and job training programs (accompanied by threats for non-compliance) contained in recent welfare reform (*Family Support Act of 1988*) may be an inappropriate response to their problems. Their problem is neither unwillingness nor inability to work. What they need is some way of increasing their earnings. This could be done in one of several ways.

One way is simply to return to the pre-1981 work incentive program through AFDC, where inadequate wages were supplemented through welfare to bring the family above poverty. This arrangement also provided health insurance for the family, as well as support for day care costs.

Another possibility is to raise the minimum wage. The U.S. Congress has recently done this, but due to opposition from the Administration, was not able to raise it sufficiently to bring the earned income of women such as those in this sample above poverty (Gendel, 1989).

A third possibility is to supplement inadequate wages through the income tax system. This is currently done, to an extent, with the Earned Income Tax Credit, but, as with the minimum wage, it is not at a high enough level to bring most working poor families out of poverty (Moynihan, 1986).

Whatever mechanism for supplementing inadequate wages is used, there needs to be provision for health care and child care on an indefinite basis. Currently, women who exit welfare via earnings are entitled to twelve months of health care coverage and child care subsidy (*Family Support Act of 1988*). However, it is fallacious to assume that within twelve months the women will have increased their earnings enough to cover health insurance and full payment of child care. The jobs these

women perform pay sub-poverty wages, and have very flat wage scales (Bluestone & Harrison, 1986). Raises reported by respondents were typically .10 or .15 per hour—hardly enough to enable them to purchase health insurance or good child care for their children.

In our current economy, it is not realistic to assume that all welfare recipients can be trained and educated to hold jobs that will bring their incomes above poverty. Goodwin (1989, p. 63) found that research from recent work-training programs supported findings from previous decades: that “work training is useful, but in itself will not deplete welfare rolls.” Gueron (1987, 1988) found that welfare-to-work programs are most effective with chronically unemployed recipients, the so-called “hard-core.” She found that with work-experienced recipients (such as the ones in this study), the education and training programs available did not raise their incomes significantly. The problem here is a labor market one: welfare employment programs focus on the supply side of the market, but do nothing to address issues on the demand side, such as wages and benefits available.

Many writers (see for example, Bluestone & Harrison, 1987; Ellwood, 1988) are predicting that our economy is going to produce an increasing percentage of low-skill, low-wage jobs, primarily in the service sector. The women in this research sample already possess the necessary skill and experience to hold these jobs.

The reality for these women is that they likely never will have “careers” in the middle-class understanding of that term (Groves, Cassella, & Jacobs, 1982; Hooks, 1984). They can, however, have satisfactory work lives. Recall that most of the women in this study did not complain about the nature of their work; rather, they complained that working did not enable them to support their families in a manner any better than being on welfare, and sometimes made them worse off.

What is called for is a policy that supports existing motivation to work. Currently, our welfare policy is in effect punishing the desired behavior by withdrawal of supports when a recipient enters the labor market. The problem that is not addressed in current welfare reform is the reality of the labor market that awaits many recipients leaving the welfare rolls.

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