

Research-in-Brief



COMBINING WORK AND WELFARE An Alternative Anti-Poverty Strategy

Combining Work and Welfare, a new Institute for Women's Policy Research (IWPR) study, questions the prevailing consensus that welfare "is perpetuating the American underclass and reinforcing its dependence on government handouts." This consensus has been institutionalized in the Family Support Act of 1988, which requires able-bodied adult recipients with children over age three (or age one, if individual states so opt) to participate in education, job search, or job training. Program success is evaluated on the basis of how many AFDC recipients move off the welfare rolls to paid employment.

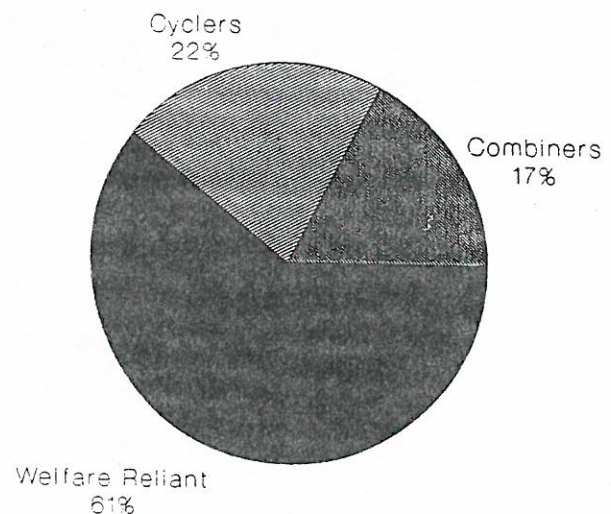
A series of recent studies of the effectiveness of welfare to work transitions indicate that AFDC recipients who make such transitions are likely to earn low wages, are unlikely to exit poverty as a result of their earnings, are unlikely to receive employer-provided health benefits, and are vulnerable to layoffs and other work interruptions.

In recognition of the difficulty welfare recipients have had in getting out of poverty through paid employment alone, Combining Work and Welfare defines success as moving families out of poverty through an income packaging strategy in which welfare recipients combine paid employment, receipt of means-tested welfare benefits, and income from additional sources.

Combining Work and Welfare investigates the conditions and factors that increase the probability that single mothers who receive AFDC benefits can use such an income package to move their families out of poverty.

The study is based on a sample of 500 single mothers, drawn from the 1986 and 1987 panels of the U.S. Bureau of the Census' Survey of Income and Program Participation (SIPP), who were AFDC recipients for at least two out of the 24 months of the study period.

Fig. 1: Types of Welfare Recipients



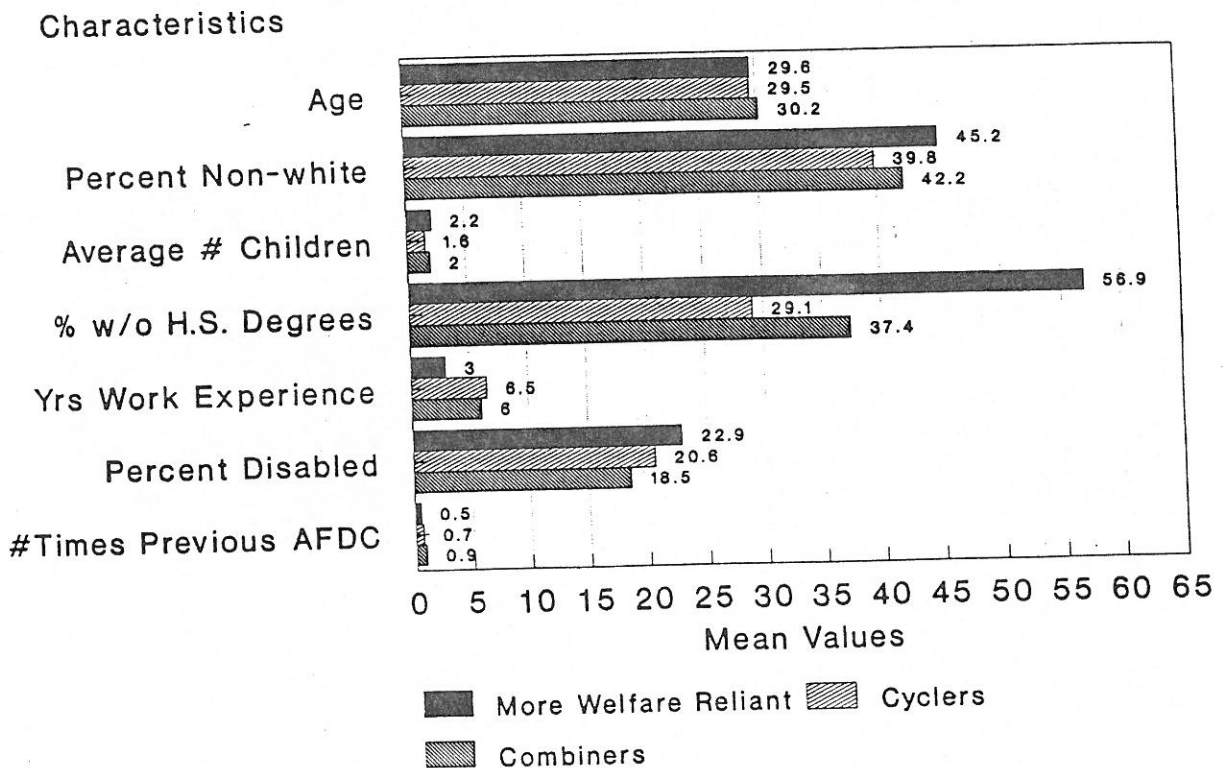
Source: IWPR calculations based on 1986 and 1987 SIPP panels.

The AFDC recipients in this study are divided into three groups, depending on their mode of income packaging: **combiners**, those who simultaneously combine work and welfare (working more than 600 hours, receiving at least two months of AFDC, and combining income from paid work and welfare simultaneously for at least four months); **cyclers**, those who cycle between paid work and welfare (working more than 600 hours, receiving at least two months of AFDC, and combining paid work and welfare simultaneously for not more than three out of the 24 months); and the **more welfare reliant**, those whose income is largely dependent on welfare benefits (working fewer than 600 hours during the 24 month period and receive at least 16 months of AFDC benefits). As the data from Combining Work and Welfare show:

- Forty percent of single mothers combine work and welfare or cycle between these two income sources during the two-year survey period (see Figure 1).

- Despite differences in their income packaging strategies, **combiners, cyclers, and the more welfare reliant are much alike in terms of their demographic characteristics and welfare history.** The major differences among them are in **educational levels and years of work experience.** (See Figure 2.) All three types of recipients are single mothers for close to the entire 24 months of the study, all are approximately the same average age, have similar previous marital histories, and are almost equally likely to be women of color. The more welfare reliant recipients do have more children (2.2, on the average, as compared to 1.6 for cyclers and 2.0 for combiners). Although the more welfare reliant receive AFDC for almost the full survey period, they do not on average have a more enduring welfare history. Cyclers are the most likely to have a high school diploma (71 percent) and the most previous work experience (6.5 years on the average). In contrast, the more welfare-reliant are the least likely to have a high school diploma (only 57 percent do) and the least work

Fig. 2: Selected Characteristics of Three Types of Single Mothers Receiving AFDC



Source: IWPR calculations based on 1986 and 1987 SIPP panels.

experience (3 years). Combiners fall between these two other groups in both instances.

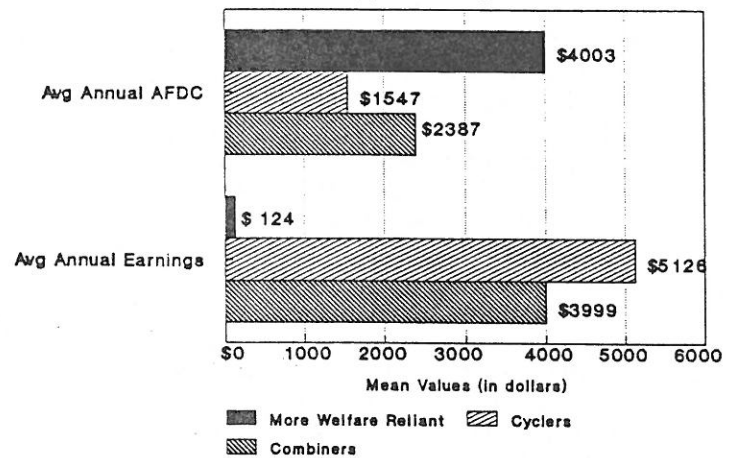
o Despite stereotypes to the contrary, demographic characteristics (such as race or marital status) and welfare history have virtually no effect on the probability that a single mother will add paid employment to AFDC benefits to make up her income package. Human capital variables are far more important in predicting this type of packaging. Having a high school diploma increases the likelihood of work/welfare packaging by 58 percent, when other factors are held constant. Years of work experience are less significant: each year of experience increases the probability of packaging by roughly five percent with other factors held constant. Disability status and number of children are two demographic characteristics that are significant; both decrease the probability of packaging. Such factors as age, race, recent births, previous marital status and welfare history are not at all significant in predicting income packaging. Other income sources, such as child support and non means-tested benefits, also positively affect the probability of income packaging.

o In addition to receiving welfare benefits, combiners and cyclers work almost half-time. In contrast, the more welfare reliant are employed for very few hours. Combiners receive AFDC for 17 out of the 24 months and work for almost 2,000 hours over the 24 month period (almost 20 hours per week, on average). Cyclers receive AFDC for an average of nine out of 24 months and average more than 2,000 hours at paid employment. The more welfare reliant receive AFDC for almost 23 out of the 24 months of the survey, and work for 53 hours over the 24 months.

o All three groups, combiners, cyclers, and the more welfare reliant, combine income from a variety of sources into an income package. For all three types of single mother AFDC families, earnings and means-tested benefits are among the largest sources of income (although for the more welfare reliant group, these earnings are predominantly those of other family members). (Figure 3 shows the dollar values of these income sources for the

three groups.) Means-tested welfare benefits, including AFDC, General Assistance, SSI, and other cash welfare benefits, constitute only 13% of the family income of cyclers, only 28% of the family income of combiners and 57% of the family income of the more welfare reliant.

Fig. 3: Annual Earnings & AFDC Benefits for Three Types of Single Mothers



Source: IWPR calculations based on 1986 and 1987 SIPP panels.

o Despite government efforts to increase child support payments, no more than two percent of the income package put together by combiners, cyclers, and more welfare reliant AFDC recipients is from this income source. Few of these single mothers and their families derive income from non means-tested benefits such as Social Security or Unemployment Insurance (despite the relatively high number of hours of paid work performed by cyclers and simultaneous combiners). This later finding supports the conclusions of other researchers that the United States has a two track welfare system, divided along gender lines.

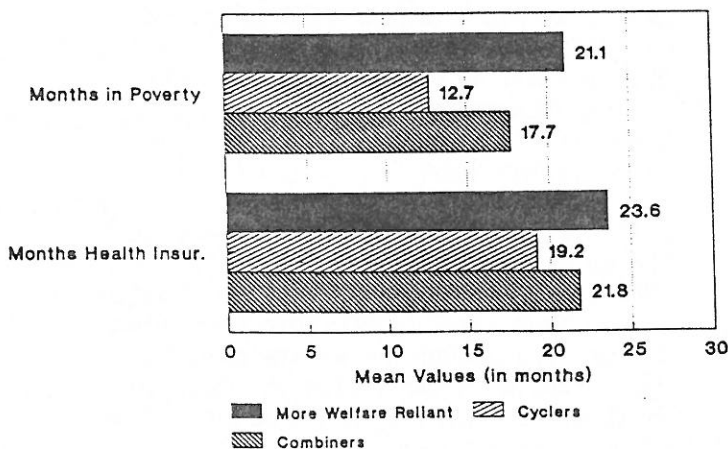
o The families of combiners, cyclers, and the more welfare reliant all face the likelihood of dire poverty, but the families of combiners and cyclers fare somewhat better. The income to poverty ratio for more welfare reliant families averages two-thirds of the official poverty line for a family of their size and composition. The average income to poverty ratio for cycler families is the highest of the three groups, just above the poverty line. Combiner families again fall in between; they have

cash incomes that average roughly 82 percent of the poverty line.

o The likelihood that AFDC single mothers can bring their families out of poverty increases significantly with more education and fewer children. A high school diploma increases the likelihood of living above poverty by 141 percent for families of cyclers and combiners. Having more children, on the other hand, significantly decreases the probability of bringing families of AFDC recipients out of poverty. More hours of work and availability of income from other sources (including non means-tested benefits) also positively affect the ability of single mothers to move their families out of poverty.

o A substantial number of AFDC recipients who manage to become "independent" of welfare for periods of time are without continuous medical benefits. Cyclers, who work the most hours at paid jobs and receive the fewest months of AFDC benefits, are less likely than combiners or welfare reliant to have health insurance (either private or public) during the study period (see Figure 4). Those packagers and their families who succeed in earning enough to bring their families out of poverty are unlikely to qualify for Medicaid during those months that they are not poor.

Fig. 4: Single Mothers on AFDC: Months in Poverty and with Health Insurance



Source: IWPR calculations based on 1986 and 1987 SIPP panels.

The findings from this study indicate that a substantial portion of AFDC recipients combine employment with means-tested welfare benefits in an income package, either simultaneously combining these two major income sources, or cycling between them. Not all single mothers can be expected to participate in paid employment, however. In particular, AFDC recipients with an above average number of children, little work experience and education, limited access to other income sources (including non means-tested benefits), and living in states with high unemployment rates are less likely to do so. Higher benefit levels are a more likely poverty-reducing measure in such cases.

The findings demonstrate that income packaging is more successful than means-tested welfare benefits alone as an anti-poverty strategy. Under the current system of government income disregards, however, long term combining of paid work and welfare can actually result in less income. As a consequence, income packaging on average does not result in sufficient income to move out of poverty or to purchase a market basket of goods (including child care, transportation, and health insurance) needed by a working single mother and her family.

Combining Work and Welfare concludes that in order to increase the income of AFDC families headed by single mothers, both wage-based and income support reform strategies should be undertaken. In the second phase of this study, IWPR will test the effectiveness of such policy strategies. We hope that this research will serve to legitimate combining work and welfare as an anti-poverty strategy and help to redefine the effectiveness of all welfare reform programs away from the simple percentage of families removed from the welfare rolls and toward movement out of poverty.

The full report, *Combining Work and Welfare: An Alternative Anti-Poverty Strategy*, by Roberta Spalter-Roth, Heidi I. Hartmann, and Linda Andrews, is available from the Institute for Women's Policy Research for \$15. This research project was funded by the Ford Foundation.