

**SUPPORTING WORK:
THE RELATION BETWEEN EMPLOYMENT OPPORTUNITIES AND
FINANCIAL AND OTHER SUPPORT PROGRAMS**

**TESTIMONY PRESENTED AT
THE PUBLIC FORUM OF
THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE**

August 19, 1993

by
Roberta Spalter-Roth, Ph.D.
Director for Research
Institute for Women's Policy Research

with

Beverly Burr
Research Associate
Institute for Women's Policy Research

FINAL VERSION

Good morning, I am Roberta Spalter-Roth, Director for Research at the Institute for Women's Policy Research, an independent social science research institute specializing in research on policy issues of concern to women. I am also an Assistant Professor in the Sociology Department of the American University. Accompanying me here today is Beverly Burr, a labor economist and a Ph.D. candidate at the American University, who is also a Research Associate at IWPR.

We are pleased to testify today before the Working Group on Welfare Reform, Family Support and Independence. The purposes of our testimony are to describe the employment patterns of single mothers with a history of AFDC receipt and paid employment and the implications for making work pay if the Administration continues to propose a time-limited welfare reform plan. We find that even the more employable AFDC recipients face periods of unemployment and underemployment. If they can no longer use AFDC to supplement their incomes during such periods, they will need to rely on government programs structured for workers with more stable and long-term jobs. We submit that two such subsidy programs, the Earned Income Tax Credit (EITC) and Unemployment Insurance (UI), as currently structured, will not adequately fill in the income gaps for many of these women. If AFDC is to be time-limited, then eligibility and benefit levels for EITC and UI will need to be expanded. We also suggest the need for two additional support programs--paid family leave and education and training credits. And as an alternative to subsidizing low-wage work, we suggest that strategies to create better jobs, and helping AFDC recipients to gain access to these jobs, are equally important.

One of the goals of the Working Group on Welfare Reform, Family Support and Independence is to "develop program and policies to improve the economic incentives to work and the distribution of financial and other supports to the working poor"--in short "to make work pay." But to support work, we first need to know the characteristics of employment patterns and job opportunities available to AFDC recipients. The quality of jobs available (including their longevity, their wage levels, and the likelihood that they result in upward mobility) will determine both the type and the magnitude of financial and other supports required to keep working families out of poverty. Can we, for example, expect steady work patterns, even if at low wages? If so, EITC may be the appropriate supplement. If employment is sporadic can Unemployment Insurance bridge the gaps? If not, what other support programs will be needed?

To begin to answer these questions, I will present preliminary findings from an ongoing Institute for Women's Policy Research study which employs the U.S. Bureau of the Census' Survey of Income and Program Participation (SIPP) to generate a sample of single mothers who receive welfare during a 24 month period (see Appendix for details). The study pinpoints the factors that increase the likelihood that this sample of single mothers (who represent about 2.8 million women) will engage in paid employment and the factors that increase the likelihood that those who do engage in paid employment can move their families out of poverty.

Today's Testimony: An Overly Optimistic Picture?

For the purposes of today's testimony, I will focus on the quality of the employment (including work patterns and job characteristics) of the more than four out of 10 members of the sample who package paid employment and AFDC receipt, either simultaneously or sequentially during the two year period. This group has higher levels of education (two-thirds have at least a high school diploma), more job training (about one-third have some additional job training), more work experience (they average about six years of work experience), fewer months receiving AFDC (an average of 14.0 months during the 24 month period), and a relative lack of work-inhibiting disabilities compared to those AFDC recipients who do not engage in paid employment and are largely reliant on AFDC.

The work patterns of these work/welfare packagers and the characteristics of the jobs they hold are likely reflective of the kinds of opportunities available to the more employable AFDC recipients. Therefore, we would suggest that the work patterns and jobs characteristics of this group represent an overly optimistic picture of the quality of employment opportunities available to the total population of recipients who will be expected to make the transition from AFDC to paid employment. And, this optimistic picture is not bright. What follows are some key findings from our study.

Key Findings: Patterns of Work and Characteristics of Jobs

The 43 percent of the sample (representing approximately 1.2 million women) whose income package included both AFDC and paid employment exhibited the following work patterns:

- ◆ They worked for an average of more than 1,800 hours over the two year-period (Table 1), approximately the same number of hours as all working mothers.
- ◆ During the two year period they held an average of 1.7 jobs, for a total of 54 weeks of employment (their longest job lasted an average of 46 weeks). Almost half the sample (44 percent) had two or more jobs. Of this group with multiple jobs, 60 percent had two jobs, 25 percent had three jobs, the remainder had 4 or more jobs during the 24 month period (Tables 1 and 4).
- ◆ They work at paid employment for 34 hours per week, on average, suggesting that when employed they are more likely to work full-time than part time. Thus, many do not have steady, part-time jobs but more sporadic full-time jobs (Table 1).
- ◆ On the average, these women spent almost 4 months (16 weeks) on layoff or looking for work (Table 1).
- ◆ They were most likely to be employed in low-wage jobs such as cashiers, nursing aides, food service workers, janitors, maids, and operatives. These jobs paid an average of \$4.39 per hour (in 1990 dollars). Food service jobs, among the most likely to be held by these women, have the shortest duration (29.7 weeks) and paid among the lowest wages (\$3.90 per hour). Cleaning service jobs paid even less (\$3.66 per hour). The highest paid jobs were precision production (\$5.91 per hour) and operatives (\$5.08 per hour). About 20 percent of all jobs held were of this type (Table 2).
- ◆ The hourly wages of high school graduates were higher and they were more likely to work at clerical rather than service jobs than were high school drop outs. Surprisingly the wages of those with federally-sponsored job training were lower than those without any training (although this group has a relatively high percentage of high school graduates in it). Those with federally-sponsored job training were more likely to be employed in blue-collar occupations such as operatives and laborers (Table 3).
- ◆ For the 45 percent of all work/welfare packagers who had more than one job, there does not appear to be any evidence that job change resulted in upward mobility in terms of increased wages, length of employment, or likelihood of working full-time (Table 4).
- ◆ During the two-year study period these work/welfare packagers earned an average of \$4,300 (in 1990 dollars) per year, and received an average of about \$2,300 in AFDC benefits. In spite of additional income from other family members (including child support) the income to poverty ratio for these families was about 95 percent of the poverty line and their families spent almost two-thirds of the 24 months in poverty (Table 1).

Policy Issues

Those AFDC recipients who package this benefit with paid employment, either

simultaneously or sequentially, are more educated, experienced, and trained than those AFDC recipients who do not. They are more likely to be high school graduates, have more years of work experience, and are more likely to have experienced federal job training. Despite their relatively high human capital, they hold many of the bottom-level jobs in our society. They are the cashiers, the nursing aides, the janitors, the maids, and the food service workers. Their employment experiences, on the average, involve working at more than one low-wage job of relatively short duration. They do not appear to gain substantial rewards for their work experience or to be upwardly mobile when they change jobs. What do these findings suggest for programs and policies to support work?

Given these women's family care responsibilities, the limited amounts of child support they receive (only 31 percent of this group received any child support, an average of \$800--in 1990 dollars--in child support annually), and the likelihood of employment in the low-wage, and short-duration jobs increasingly generated by the economy, many of these women will continue to need to depend on government income supports for their families' economic survival.

The EITC is regarded as the primary means for subsidizing low-wage work. Is EITC, as currently conceived, an adequate substitute for AFDC in these women's income package? We have begun to do preliminary estimates of the impact of EITC reforms for the distribution of financial supports to these work/welfare packagers. Assuming their current work patterns, earnings, additional taxable income, and number of children, we estimate that about 80 percent of these work/welfare packagers would qualify for EITC for at least one year, and about two-thirds of these packagers would qualify for EITC in two consecutive years. Unless more of these women are able to obtain longer-term jobs, or jobs at higher wages, we estimate that about four-fifths will not qualify for the maximum credit amount on the basis of their earnings. We estimate that those who qualified would receive an average annual benefit of about \$1,100 (in 1994 dollars). This benefit level is less than the average annual amount of income that they receive from AFDC (see Figure 1). Thus, unless employment patterns change or the EITC credit rate is increased (possibly offset by decreasing the maximum creditable earnings) many women and their families could be worse off.

A second policy question is what happens to these women during periods of unemployment or periods out of the labor force as a result of childbirth, childcare, eldercare and so forth? Unlike AFDC, recipients do not receive EITC during periods of non-employment.

The traditional government program for periods of unemployment is UI. Our research indicates that only 11 percent of these work/welfare packagers receive this benefit. Lack of eligibility for UI can be partially explained by the low wages and short work periods many experience. Those who did receive this benefit were employed for an additional four weeks, had fewer weeks of part-time work, more spells of employment, received an additional 70 cents per hour, and were less likely to be employed in service occupations than those work/welfare packagers who did not receive UI (see Table 5). For those women who did qualify for UI benefits, almost half did not begin a new job at the end of their spell of UI benefits but rather began an AFDC spell.

Another barrier to their access to UI benefits is likely their family responsibilities, which keep them out of the labor force for longer periods than those qualifying for UI. In general, female heads of household are twice as likely as male heads to face unemployment without UI benefits.¹

UI, as currently structured, is not an adequate income support program for dealing with the periods of unemployment and the periods of non-employment that these women experience. If AFDC is time limited, UI will need to be restructured to increase eligibility (through decreasing the work and wage requirements and by providing transitional UI benefits for those entering or returning to work).

Neither EITC nor UI deal with time spent out of the labor force as a result of serious illness, or the serious illness of children or elderly parents. Given the current eligibility requirements, many of these women are unlikely to qualify for family and medical leave, even if they could afford to take unpaid leave. One possible program to provide paid family care leave would be to extend temporary disability insurance (TDI) as currently exists in five states to all other states and expand it to cover serious family emergencies. Such a program should be universal in scope (all workers could qualify). IWPR is currently conducting cost-estimates for such a program.

In addition, programs need to be developed to increase the possibilities for upward job mobility. One program currently being suggested would provide additional education and training credits based on periods of paid employment. Our research suggests that for this

¹ Falk, Gene. "The Uncompensated Unemployed: An Analysis of Unemployed Workers Who Do Not Receive Unemployment Compensation", *CRS Report for Congress*, Congressional Research Service, The Library of Congress, November 15, 1990.

program to be effective in filling in the gaps, eligibility for the education or training credits would need to be based on relatively short stints of employment (about six months) and would require the payment of livable stipends. Training in non-traditional, non-service occupations should be encouraged.

In conclusion, we suggest that in order to make work pay in the absence of AFDC benefits, EITC credits will need to be increased, UI will need to be expanded, a program to provide income during periods of illness and family crises will need to be developed, along with a program of education and training credits based on short periods of employment.

An equally important alternative to permanently subsidizing low-wage, short-duration jobs is to concentrate on strategies for making jobs better and helping AFDC recipients gain access to better jobs. Raising the minimum wage, encouraging pay equity, increasing enforcement of anti-discrimination policies, encouraging high performance work places, and supporting collective bargaining can increase the quality of jobs for all workers and reduce the amount of subsidization that they will require.

APPENDIX

The Sample Population of Work/Welfare Packagers

We use the 1984, 1986, 1987, and 1988 waves of the U.S. Bureau of the Census' panel study, the Survey of Income and Program Participation (SIPP) to develop a sample of single mothers who received AFDC for at least two out of 24 survey months. These women were interviewed for all 24 months, were mothers for at least 12 months, and were single for at least 12 months. We further divided the resulting sample of 1181 women (representing approximately 2.7 million AFDC recipients) into two sub-groups. The first group includes those who did not have at least 300 hours of work experience during the survey period and were largely reliant on AFDC benefits for their economic well-being. The second group contained those who included both AFDC receipt and at least 300 hours of paid employment in their income package. We refer to this second group as work/welfare packagers. We further divided these work/welfare packagers on the basis of whether they package paid employment and AFDC receipt these two income sources sequentially (sequential packagers) or at the same time (simultaneous packagers). These work/welfare packagers represent 43 percent of the total sample--about 1.2 million women.

TABLE 1
WORK/WELFARE PACKAGERS
Worker and Job Characteristics
(2 year period)

	TOTAL WORK/WELFARE PACKAGERS	SEQUENTIAL PACKAGERS	SIMULTANEOUS PACKAGERS
Population	1,198,955	636,626	562,329
WORK BEHAVIOR			
Jobs during survey	1.7	1.6	1.7
Wage & Salary Jobs	1.6	1.6	1.7
Self-Employment Jobs	0.1	0.0	0.1
Employment Spells During Survey	1.7	1.6	1.8
Employment spell starts	1.2	1.1	1.3
Employment Spell Stops	1.1	1.0	1.1
Employment spell transitions	2.3	2.2	2.4
Total hours worked	1821.3	1699.2	1959.6
Average weekly hours in weeks worked	33.8	36.0	31.3
Average monthly hours in months worked	137.3	144.8	128.9
Months worked	13.0	11.4	14.8
Weeks with employment	54.0	47.0	61.8
Weeks on layoff or looking for work	15.9	17.1	14.4
HUMAN CAPITAL			
Work Experience (years)	5.7	5.4	6.0
Highest grade completed	11.3	11.4	11.2
% with Job Training (ever or current)	33.7%	32.0%	35.5%
% with Federal Job Training (ever or current)	14.4%	14.6%	14.1%
Hourly earnings	\$4.39	\$4.58	\$4.18
INCOME AND POVERTY STATUS			
Total annual Family cash Income	11,702	12,244	11,089
Mother's earnings	4,312	4,288	4,340
AFDC Benefits	2,343	1,868	2,881
Family Income as % of Poverty Line	94.6%	98.2%	90.5%
Months in Poverty	15.7	14.9	16.6
Months on AFDC	14.0	10.8	17.6

Source: IWPR calculations based on the 1984, 1986, 1987, and 1988 panels of the Survey of Income & Program Participation.

PRELIMINARY DATA

TABLE 2
WORK/WELFARE PACKAGERS
Job Characteristics By Occupation

OCCUPATION	Total Jobs	Wage & Salary Job	Weeks	Full-Time Weeks	% of Wks Part-Time	Avg Wkly Hours	Hourly Earnings
TOTALS	857	95.1%	33.6	20.7	37.7%	33.1	\$4.24
Managerial	23	91.3%	41.5	33.5	19.3%	37.5	3.75
Professional	35	97.1%	37.0	19.6	47.0%	28.8	4.22
Technician	11	100.0%	36.4	25.5	30.0%	37.5	4.72
Sales	117	96.6%	30.3	14.8	51.1%	31.5	3.88
Administrative	152	100.0%	31.8	19.2	39.7%	32.5	4.49
SERVICE	330	90.9%	36.6	18.8	48.5%	30.1	\$3.62
Food Service	124	100.0%	29.7	11.3	61.8%	28.5	3.90
Cleaning Service	67	92.5%	44.3	15.6	64.7%	25.1	3.66
Personal Service	66	71.2%	34.3	21.3	37.8%	32.9	2.59
Other Service	73	100.0%	38.3	26.9	29.7%	33.8	4.33
Farming, Forestry	13	92.3%	15.2	11.0	27.4%	37.4	4.33
Precision Production	25	100.0%	30.6	24.2	20.9%	34.7	5.91
Operators & Laborers	151	100.0%	33.4	25.5	23.5%	36.6	5.08

Source: WPR calculations based on the 1984, 1986, 1987, and 1988 panels of the Survey of Income & Program Participation

PRELIMINARY DATA

TABLE 3
WORK/WELFARE PACKAGERS
Characteristics of Longest Job*

	DROPOUTS	GRADUATES	FEDERAL JOB TRAINING
Population	398,256	800,699	172,445
JOB TYPE			
Percent Wage and Salary Job	96.6%	96.2%	95.8%
Percent Self-Employment Job	3.4%	3.8%	4.2%
Hours Worked	1324.8	1692.6	1236.8
Weeks Worked	43.3	48.1	35.6
Full-Time Weeks Worked	23.2	32.2	21.9
Part-Time Weeks Worked	20.1	15.9	13.7
Predominantly Part-Time Jobs	35.5%	23.6%	23.2%
Average workweek length	32.9	35.6	36.7
JOB EARNINGS			
Total earnings	\$5,060	\$7,729	\$5,367
Average hourly earnings	\$3.69	\$4.42	\$3.96
OCCUPATION			
Managerial and Executive	0.7%	3.7%	2.5%
Professional	0.8%	4.2%	6.1%
Technician	0.0%	1.3%	1.8%
Sales and Related	14.5%	11.5%	4.1%
Cashier	8.6%	7.1%	3.1%
Administrative Support and Clerical	2.3%	22.6%	16.4%
Service	52.9%	33.1%	40.2%
Food Service	15.0%	9.8%	11.5%
Cleaning Service	17.7%	4.0%	3.1%
Personal Service	12.1%	8.6%	9.4%
Other Service	8.1%	10.7%	16.2%
Farming, Forestry and Fishing	3.9%	0.0%	0.0%
Precision Production, Craft and Repair	1.0%	5.2%	1.9%
Operators, Handlers and Laborers	23.8%	18.4%	27.0%
INDUSTRY			
Agriculture	6.5%	3.0%	4.2%
Mining	0.0%	0.0%	0.0%
Construction	0.8%	0.3%	0.0%
Manufacturing			
Nondurables	9.8%	9.1%	15.7%
Durables	7.9%	8.2%	9.2%
Transportation, Communication and Utilities	0.8%	1.2%	0.0%
Wholesale Trade	2.8%	2.7%	3.6%
Retail Trade	26.0%	23.0%	12.7%
Finance, Insurance and Real Estate	1.2%	4.3%	0.0%
Service	42.8%	41.9%	51.1%
Public Administration	0.6%	4.8%	3.5%

* Longest job is the job at which the AFDC mother worked the most hours.

Source: IWPR calculations based on the 1984, 1986, 1987, and 1988 panels of the Survey of Income & Program Participation.

TABLE 4
WORK/WELFARE PACKAGERS
Selected Characteristics of All Jobs
(2 year period)

Number of Jobs Held During Survey

	One	Two	Three	Four	Five	Six
Population	674,472	318,722	131,845	52,709	14,063	5,232
Percent of Population	56.3%	26.6%	11.0%	4.4%	1.2%	0.4%
FIRST JOB						
Hourly Wage	\$4.16	\$4.17	\$4.55	\$3.74	\$3.95	\$4.85
Weeks Employed	51.6	34.2	23.9	17.4	11.1	12.5
Predominantly Part-Time	30.5%	43.5%	36.4%	51.0%	50.1%	100.0%
Average Hours per Week	33.5	31.2	31.4	29.5	32.5	22.2
SECOND JOB						
Hourly Wage		\$4.01	\$4.15	\$2.93	\$3.79	\$4.08
Weeks Employed		26.3	14.5	24.0	12.2	15.8
Predominantly Part-Time		39.2%	43.2%	28.4%	36.1%	61.3%
Average Hours per Week		31.9	31.0	34.6	31.9	23.5
THIRD JOB						
Hourly Wage			\$4.25	\$3.86	\$4.64	\$4.81
Weeks Employed			19.1	21.5	10.8	18.5
Predominantly Part-Time			31.6%	40.7%	16.1%	66.1%
Average Hours per Week			34.2	30.7	35.0	24.3
FOURTH JOB						
Hourly Wage				\$4.34	\$5.61	\$3.68
Weeks Employed				17.1	16.1	10.8
Predominantly Part-Time				34.9%	36.3%	61.3%
Average Hours per Week				34.9	40.2	35.0
FIFTH JOB						
Hourly Wage					\$4.63	\$4.05
Weeks Employed					7.6	12.3
Predominantly Part-Time					36.3%	66.1%
Average Hours per Week					36.4	29.3
SIXTH JOB						
Hourly Wage						\$4.03
Weeks Employed						7.7
Predominantly Part-Time						27.4%
Average Hours per Week						30.5

Source: IWPR calculations based on the 1984, 1986, 1987, and 1988 panels of the Survey of Income & Program Participation.

PRELIMINARY DATA

TABLE 5
WORK/WELFARE PACKAGERS
Worker and Job Characteristics
Of Individuals Who Received Unemployment Insurance
Versus Individuals Who Did Not
(2 year period)

	ALL WORK/WELFARE PACKAGERS	Not Unemployment Insurance Recipients	Unemployment Insurance Recipients
Packager Population	1,198,955	1,069,508	129,447
As % of Packagers	100.0%	89.2%	10.8%
HUMAN CAPITAL			
Work Experience	5.7	5.4	7.8
Highest grade completed	11.3	11.3	11.1
Job Training (ever or current)	33.7%	32.9%	39.9%
Federal Job Training (ever or current)	14.4%	14.2%	15.8%
Hourly earnings (in 1990 \$)	\$4.39	\$4.32	\$4.99
EMPLOYMENT PATTERNS			
Jobs during survey	1.7	1.6	2.3
Employment Spells During Survey	1.7	1.6	2.2
Total hours worked	1821.3	1788.5	2092.6
Full-Time Weeks Worked	29.2	28.9	32.0
Part-Time Weeks Worked	17.3	18.0	11.8
Weeks with Employment	54.0	53.6	57.3
Weeks on layoff or looking for work	15.9	14.2	29.8
JOB EARNINGS			
Total earnings (in 1990 \$)	\$6,842	\$6,799	\$7,196
Average hourly earnings (in 1990 \$)	\$4.18	\$4.14	\$4.48
OCCUPATION			
Managerial, Professional, & Technical	6.7%	6.4%	8.7%
Sales and Related	12.5%	12.0%	17.0%
Administrative Support and Clerical	15.9%	14.8%	24.6%
Service	39.7%	41.7%	22.8%
Farming, Forestry and Fishing	1.3%	0.6%	7.3%
Precision Production, Craft and Repair	3.8%	4.2%	0.0%
Operators, Handlers and Laborers	20.2%	20.3%	19.5%

Source: IWPR calculations based on the 1984, 1986, 1987, and 1988 panels of the Survey of Income & Program Participation

PRELIMINARY DATA

Figure I.

Effectiveness of EITC as a substitute for AFDC
among Work/Welfare Packagers
(Based on Preliminary IWPR Estimates)

◆ Estimated percentage of recipients who would qualify for EITC in one of two years	80%
◆ Estimated percentage of recipients who would qualify for EITC in two consecutive years	65%
◆ Estimated percentage of recipients who would qualify for maximum earnings credit on the basis of their earnings	20%
◆ Estimated average annual benefit (in 1994 dollars)	\$1,100
◆ Current average annual AFDC payment (in 1994 dollars) of those who would qualify for EITC	\$2,100
