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ABSTRACT

This monograph is a review and analysis of over fifty research and development projects sponsored by the Office of Research and Development which have dealt with welfare recipients and the low-wage employed. The author examines the process by which welfare recipients move into the employed ranks and the extent to which this is accomplished through participation in employment and training programs. It is pointed out by the author that women receiving Aid for Families with Dependent Children (AFDC) fall into three groups: about 10% who are on welfare most of their working years, about 40% who fluctuate between low-income employment and welfare, and about 50% temporarily on welfare because of circumstances. A significant reported finding is that AFDC mothers with the highest education and recent work experience leave welfare more readily than other mothers. In addition, about half of the children of welfare households move out of poverty. According to the author, people move off welfare when they find jobs to enable them to achieve a higher living standard than welfare provides. Studies reviewed by the author demonstrate that 47% of the low-income people employed may remain poor, 25% may be out of poverty most of the time, and 28% may be out of poverty about half of the time. (CSS)

Income Inequality and Employment

R&D Monograph 66

U.S. Department of Labor
Ray Marshall, Secretary

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Ernest G. Green
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This report was prepared by Dr. Mary Fish of the Department of Economics, University of Alabama, for the Employment and Training Administration, U.S. Department of Labor, under research and development grant No. 21-01-77-14. Researchers undertaking such projects are encouraged to express freely their professional judgment. Therefore, points of view or opinions stated in this document do not necessarily represent the official position or policy of the Department of Labor.

The Office of Research and Development of the Office of Policy, Evaluation and Research, Employment and Training Administration, U.S. Department of Labor, was authorized first under the Manpower Development and Training Act (MDTA) of 1962, and then under the Comprehensive Employment and Training Act (CETA) of 1973, to conduct research, experimentation, and demonstration to solve social and economic problems relative to the employment and training of unemployed and underemployed workers. Research also includes national longitudinal surveys of age cohorts of the population at critical transition stages in working life which examine the labor market experience of these cohorts. Studies are conducted on labor market structures and operations, obstacles to employment, mobility, how individuals do job searches, and various problems that pertain particularly to disadvantaged persons. Experimental or demonstration projects may test a new technique of intervention, a different institutional arrangement for delivery, or innovative ways to combine resources.

Analyses of the results of the most significant of these studies, descriptions of process, handbooks of procedures, or other products designed specifically for planners, administrators, and operators in the CETA system are issued as monographs in a continuing series. Information concerning all projects in process or completed during the previous 3 years is contained in an annual catalog of activities, Research and Development Projects. This publication and those in the monograph series may be obtained, upon request, from:

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Foreword

This monograph is a review and analysis of over 50 research and development projects sponsored by the Office of Research and Development which have dealt with welfare recipients and the low-wage employed.

The monograph's author, Dr. Mary Fish, Professor of Economics at The University of Alabama, examines the process by which welfare recipients move into the ranks of the employed, and the extent to which this is accomplished as a result of participation in employment and training programs. Dr. Fish points out that those on welfare, particularly women receiving Aid for Families with Dependent Children (AFDC), fall into three groups: about 10 percent who are on welfare most of their working years; about 40 percent who fluctuate between low-income employment and welfare; and a final group of about 50 percent temporarily on welfare because of bad luck and circumstances. A significant finding is that AFDC mothers with the highest education and recent work experience leave welfare more readily than other mothers. In addition, children of households on welfare do not necessarily continue on in a welfare pattern, since about half of those who grow up in homes which are permanently poor eventually move out of poverty.

According to the author, people do move off of welfare when they can find jobs which enable them to achieve a higher standard of living than welfare provides. If work is available at or above the minimum wage, and if welfare recipients believe that the chance of being unemployed in the future is slim, they are more apt to leave welfare.

Another section of the monograph discusses changes which have resulted in higher incomes among the poor. The studies reviewed by the author point out that the low-income employed may not necessarily spend the remainder of their lives being poor. About 47 percent may remain poor; about 25 percent may be out of poverty most of the time; and a final 28 percent may be out of poverty about half of the time.

This monograph is an important source of information for policy-makers who are concerned with programs aimed at improving the lot of low-wage earners and moving the less fortunate permanently out of poverty and into a life of income and employment.

HOWARD ROSEN
Director,
Office of Research
and Development

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Preface

Many of today's poor families will escape poverty in the next few years, others will become enmeshed in a continuous cycle of temporary escape and reentry, and a few will remain poor. New research findings indicate, however, that if a hard-core group of poverty families really does exist, subsisting on welfare generation after generation, it is much smaller than previously imagined. Low-wage earners do move into and out of poverty and often move permanently out of the poverty class. New data also indicate that considerable movement exists among all income groups--low, middle, and upper.

This study specifically describes and analyzes the process by which poverty-stricken individuals and families move out of the poverty group: from welfare, to low-wage employment, and, finally, to a level above poverty, or even the middle-income category. It is a synthesis/analysis of over 50 Research and Development (R&D) projects sponsored by the Employment and Training Administration (ETA), on the subjects of income and employment. In addition, selected contributions from other sources are included in order to clarify or supplement the treatment of the basic issues. Several of these contributions have examined how individuals on welfare become gainfully employed and, once employed, move into jobs with wages adequate to raise their standard of living above the poverty level. Findings of these R&D projects, when examined as a body of cumulative knowledge, can be used as a framework for developing effective policies and techniques for the various employment and training programs focused on the economically disadvantaged.

Interest in income distribution, inequality, and change among social scientists has recently mushroomed. Within the last year, several books and numerous articles on these topics have been published by institutes, associations, and Federal Reserve organizations , while ETA R&D work offers investigators the results of substantial pertinent research on income patterns and movements.

Specifically, this study reviews and analyzes: (1) the extent to which welfare recipients and the low-wage employed change income levels as a result of participation in employment and training programs; (2) the characteristics which allow workers to move from an inadequate to an adequate wage-income level; (3) the change in income levels achieved by programs designed to upgrade skills; and (4) the type and amount of income change program participants can expect. This report is primarily intended for use by planners and practitioners, who implement policies and programs dealing with the problems of welfare recipients and the low-wage employed.

During the preparation of this report, Saul Parker was both a stern taskmaster and a superior project officer. His contributions, coupled with Judah Drob's worthwhile suggestions and encouragement, were excellent. I thank them. The guidance offered by The Director of the Office of Research and Development, Dr. Howard Rosen, has been very instrumental in this project. His farsightedness and insight in assisting numerous researchers in the projects synthesized in this report have been acknowledged so often that his total contribution is immeasurable.

An Overview

Developed during the 1960's, the concept of hard-core poverty stressed the idea that the obvious financial disadvantage of persons living in poverty created or reinforced numerous other disadvantages, both physical and mental, whose effects could be irremediable. In addition, it was assumed that many poor persons could not remove themselves from poverty because they did not have equal opportunities--that, at least for a portion of our population, the American system no longer allowed income mobility. Since Americans are inclined to believe that people should not have to suffer in dire poverty, the nation became very concerned. This concern was manifested in legislation to assist people who were poor, particularly when it was not their fault. As a result, both the welfare rolls and the amount of transfer payments to the poor grew considerably. Total spending for all social welfare programs increased from around $77 billion in fiscal year 1965 to over $286 billion in fiscal year 1975.

Bureau of the Census statistics indicate that there has been no substantial decline in the percent of Americans living in poverty in spite of extensive governmental programs to assist the disadvantaged. According to Census data, 19.1 percent of all households were poor in 1965 and 13.8 percent were still poor in 1975. However, recent income statistics from the Congressional Budget Office which include large in-kind welfare payments and adjustments for taxes indicate that the percentage of households (families and individuals living alone) living in poverty in 1976 was down to 6.9 percent. Since the mid-1960s, the attack on poverty has indeed been impressive if in-kind payments are included as part of family income. According to the Congressional Budget Office, 4.0 percent of all American families lived in poverty in 1976, compared to the Bureau of the Census figure of 7.5 percent. The Congressional Budget Office also estimated that, in 1976, 22.0 percent of all individuals living alone were below the poverty line when the Bureau of the Census income definition was used, while only 14.3 percent were living in poverty if the revised definition were used.

Employment and training programs provide complementary, not alternative, means for reducing the size of the poverty population and improving the position of the low-wage employed. These programs make up only one element--although an increasingly important one--of national efforts to improve the economic status of the poor. Economic growth policies hopefully diminish the size of the poverty population by generating new opportunities for full-time and better paying employment. Income transfer programs increase the disposable income of low-income individuals who are aged, dependent, disabled, or without work. Extension of collective bargaining and minimum wage laws also increases the incomes of poor persons who are employed in low-paying occupations.

Just as much recent socioeconomic analysis was not possible before the development of the computer, data concerning individual employment and income patterns over time were unavailable before the advent of longitudinal case studies. ETA is now supporting and has previously funded a number of studies which portray the changes in labor force participation and income received over time. Basically, the longitudinal studies indicate that, over the years, there has been a significant amount of mobility among income classes, suggesting that a great deal of opportunity still exists within our system.

The longitudinal studies have opened the door to new and revolutionary knowledge concerning the income movement of workers and their families over their life cycle. They have focused on three areas: (1) life-cycle income patterns and the prime reasons for income changes over time; (2) movements on and off welfare of recipients and the contributing factors to these shifts; and (3) income fluctuations over time of the low-wage employed.

Life cycle income patterns. People move between income groups although movement among the high and low income groups is less frequent. Over a fifteen-year period, it is anticipated that around 70 percent of all male workers change their relative income position by moving an average of 21 percentage points up or down the earnings-distribution scale. Factors which affect the relative earnings position of a household head include general and technical education, experience, on-the-job training, aging, sex, and race. In addition, family income and status is altered by the presence of more than one worker and several sources of income. For instance, in 1975, 54 percent of American families had two or more workers.

Movements on and off welfare. The welfare cases--particularly women who receive Aid for Families with Dependent Children (AFDC)--represent three groups of people: a small group of hard-core unemployed who spend most or all of their working years on welfare (10 percent); a larger group who move back and forth between low-income employment and welfare (40 percent); and a final group who are temporarily on welfare because they are down on their luck (50 percent). Most importantly, however, the children of welfare households do not necessarily perpetuate a welfare pattern. About one-half of the children who grow up in homes which are permanently poor will eventually move out of poverty.

One of the main reasons that people are on welfare is that their earnings cannot adequately support all members of their household. Families who remain on welfare have probably made economic comparisons between the income received on welfare as opposed to leaving welfare. The decision to leave or remain on welfare may be made with either full knowledge of the actual situation or with only limited knowledge. Families leave AFDC as a result of change in the family structure, because income earned by the mother disqualifies the household or the father works over the 100-hour maximum, or the eligibility standards and their application change. However, other factors are equally important. People leave welfare when the income they can receive from wages enables them to achieve a higher standard of living. If employment is available at or above the minimum wage and a low future unemployment rate is anticipated, people are more apt to leave the welfare rolls and not return. AFDC mothers with the highest education and/or recent job experience leave welfare more quickly than other mothers.

Income movement of low-wage employed. The low-income employed will not necessarily spend the rest of their lives being poor. Movement into the mainstream economy occurs quite frequently. Some, however, remain in poverty, while others move back and forth. About 47 percent of the people who have low incomes (excluding cash welfare payments) will remain poor; about 25 percent will be out of poverty most of the time; and around 28 percent will be out of poverty about half of the time.

Chances of the family of a low-income employed household head moving up are greater if the worker is white and male and the family is not large. A low, local unemployment rate also helps. Families leave poverty when the household head or another family member gets a jump in earned wages, perhaps because of getting a better job, when there is a change in family structure, or when another family member goes to work. In order for women household heads to move out of the low-income bracket, generally both the hours worked and wage rate received must increase. The outlook for female-headed household or a black household leaving poverty is not as promising as other types of households. In addition, we know that the younger the head of the household--perhaps up to the age of 45--the lower its chances of moving out of poverty; and the larger the number of children in the household, the poorer its chances of leaving poverty--that is, until the children grow up. Thus, programs must be planned on the basis of the probable income pattern of the participants prior to receiving assistance.

Program planners and practitioners must recognize that program participants are quite varied in background. Participants in the Work Incentive Program (WIN II) are not more likely to leave welfare than nonparticipants, although their employment increases and the level of welfare payments they receive decreases. Recent data show that in the first year after receiving WIN II services, participants increased their annual earnings by $330 to $470 over those who received no services. Male participants increased their annual employment by two to three weeks and women by three to four weeks. For women vocational training increased their average annual earnings by $500, job placement assistance increased income by $300, and on-the-job training and public service employment by $1,400. Men who received on-the-job training or public service employment as opposed to those who did not increased their annual earnings by $1,900 in the first year after receiving assistance. Work incentive programs encourage more women to accept employment, but do not encourage families to leave the welfare rolls.

Program planners and practitioners should know that in order for a worker to move from low-income employment, that training is needed to qualify for a job which pays a higher wage. And finally, if a worker is poor despite being well-qualified, then he or she needs help in finding an appropriate job.

The immediate needs of the low-wage employed and of welfare recipients are varied. For the hard-core poor, the entire gamut of employment and training services is needed. The low-wage employed who are alternatively on and off welfare need programs which will increase their wage level and the number of hours worked. Those who are temporarily down on their luck need help in speeding their economic recovery. The well-trained labor practitioner helps program participants set clear and achievable goals. In addition, practitioners need to recognize that family income often becomes a decisive factor in both moving on and off welfare and in accepting educational training and employment opportunities.

With the new data from longitudinal studies providing information on the income patterns of people over time, we can begin to consider the long-term effects of various programs. It is important to know how WIN and CETA programs actually change the pattern of wage income throughout a participant's earning years. Planners and practitioners need to understand income and mobility patterns of welfare recipients and the low-wage employed in order to provide effective employment and training services. The following chapters elaborate on each of these topics.

Distribution of Income

Because "the United States has a long-standing commitment to social mobility," according to Ginzberg, "it is important to ask what proportion of the population can reach a reasonably satisfactory level on the occupation-income ladder."[1] In other words, because we believe in socioeconomic mobility, we need to measure the extent to which it is present in our system. Ginzberg points out that level of income depends upon both employment and the wages received.[2] We can clearly perceive that the income of a household is dependent not only on the employment stability of the household head and other members of the family but also on the wages they receive.

In March ~~1976, 60~~ percent of the 3,020,000 families with male household heads who lived in poverty in 1975 were in the labor force. The comparable figure for all male-headed families was 80.6 percent.[3] Although male heads of poor families had a significant labor force participation rate, their unemployment rate was 15.9 percent, which was much higher than that of male household heads as a whole (5.0 percent). Coupled with their high unemployment rate, poor male-headed families receive low wages.

For the 2,430,000 poverty families headed by women in 1975, the labor force participation rate is much lower and the unemployment rate is much higher than for women household heads as a whole. Only 34.8 percent of the women heading poor families were in the labor force. Their unemployment rate was 25.6, considerably higher than the 9.8 figure for women household heads as a whole.[4] For women the problems are low labor force participation, high unemployment, and low wage rates.

Levitan and Taggart also suggest that low earnings are at least as much a problem as unemployment.[5] Many full-time workers earn strikingly low wages which are inadequate to support their families. The family lives in poverty although there is a full-time breadwinner. Freedman indicates "that only about one out of every four employed persons has an earned income sufficient to provide a family with at least a moderate standard of living."[6]

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[1]Marcia K. Freedman, Labor Markets: Segments and Shelters (Montclair, New Jersey: Allanheld, Osmun and Co. Publishers, Inc., 1976), p. x.

[2]Freedman, Labor Markets, p. x.

[3]U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 106, Characteristics of the Population Below the Poverty Level: 1975" (Washington, D.C.: U.S. Government Printing Office, 1977), p. 104.

[4]U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 106, p. 104.

[5]Sar A. Levitan and Robert Taggart, III, Employment and Earnings Inadequacy: A New Social Indicator, Policy Studies in Employment and Welfare No. 19 (Baltimore, Maryland: The Johns Hopkins University Press, 1974).

[6]Freedman, Labor Markets, p. x.

Of course, not all workers support a family, and many families have more than one wage earner. Of the estimated 55,465,000 families with civilian heads in the United States in 1975, 12.6 percent of the families had no workers, 34.3 percent had one worker, and 53.2 percent had two or more workers in the family.[7]

Participants in employment and training programs have income goals for their families. Exact definitions of a "just income distribution" and "equal opportunity" are elusive. Nevertheless, Thurow[8] maintains that an income level that is regarded as necessary for a family to live decently exists and is recognized. He concludes that people estimate their own family needs to be a fraction more than half the United States average family consumption level.[9] And the income level a family says they need will continually increase by the same fraction that average income increases in the nation. The income level that we regard as satisfactory--and the level necessary for a fmaily to afford basic necessities--seems to be hovering around the current average family income level. People in the United States do have an idea of how to categorize their neighbors as rich, poor, average, or prosperous; and they do so rather consistently in terms of a relative average income.

The problem of poverty will not disappear as average income increases for poverty is a relative concept. In the United States the official poverty level is based on the poverty index adopted in 1969 by the Bureau of the Budget. What we refer to as poverty thresholds--the level that is socially and economically necessary to survive--is continuously increasing as standards and prices go up.[10]

One of the objectives of a democratic society is to increase the number of people who are truly participants in the mainstream of economic life, from the standpoints of both income earned and the goods and services they can purchase. Rainwater recommends that the minimum acceptable income figure be placed at about 80 percent of the current median family income. Rein and Miller[11] like this formula because it allows for large differences in income but limits the number of poor. The plan would facilitate almost full participation in the "good life." For example, the median income in the United States in 1976 was $14,958.[12]

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[7]U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 106, p. 105.

[8]Lester C. Thurow, Generating Inequality: Mechanisms of Distribution in the U.S. Economy (New York: Basic Books, Inc., Publishers, 1975), pp. 46-47.

[9]Thurow, Generating Inequality, pp. 46-47.

[10]Martin Rein and S. M. Miller, "Standards of Income Redistribution," Challenge, Vol. 17, No. 3, July/August 1974, pp. 20-26.

[11]Rein and Miller, Challenge, pp. 20-26.

[12]U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 107, "Money Income and Poverty Status of Families and Persons in the United States: 1976," Advance Report (Washington, D.C.: U.S. Government Printing Office, 1977), p. 11.

Table 1. Income Distribution by Race, 1976

(Numbers in thousands. Families and unrelated individuals as of March of the following year)

Money Income	Families						Unrelated individuals					
	All races		White		Black		All Races		White		Black	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total	56,710	100.0	50,083	100.0	5,804	100.0	21,459	100.0	18,594	100.0	2,559	100.0
Under $2,000	1,106	2.0	835	1.7	248	4.3	2,667	12.4	2,100	11.3	489	19.1
$ 2,000 to $ 2,999	1,086	1.9	720	1.4	339	5.8	3,165	14.7	2,564	13.8	572	22.4
$ 3,000 to $ 3,999	1,741	3.1	1,212	2.4	500	8.6	2,561	11.9	2,2[illegible]1	12.2	260	10.2
$ 4,000 to $ 4,999	1,909	3.4	1,448	2.9	427	7.4	1,753	8.2	1,546	8.3	187	7.3
$ 5,000 to $ 5,999	2,220	3.9	1,821	3.6	363	6.3	1,555	7.2	1,363	7.3	168	6.6
$ 6,000 to $ 6,999	2,216	3.9	1,830	3.7	357	6.2	1,332	6.2	1,190	6.4	123	4.8
$ 7,000 to $ 7,999	2,194	3.9	1,829	3.7	345	5.9	1,177	5.5	1,017	5.5	146	5.7
$ 8,000 to $ 8,999	2,333	4.1	2,039	4.1	257	4.4	1,048	4.9	941	5.1	99	3.9
$ 9,000 to $ 9,999	2,161	3.8	1,865	3.7	265	4.6	913	4.3	826	4.4	75	2.9
$10,000 to $10,999	2,355	4.2	2,094	4.2	228	3.9	979	4.6	869	4.7	101	3.9
$11,000 to $11,999	2,228	3.9	1,985	4.0	213	3.7	621	2.9	542	2.9	73	2.9
$12,000 to $12,999	2,349	4.1	2,086	4.2	220	3.8	654	3.0	593	3.2	52	2.0
$13,000 to $13,999	2,317	4.1	2,059	4.1	225	3.9	428	2.0	380	2.0	44	1.7
$14,000 to $14,999	2,232	3.9	1,992	4.0	208	3.6	427	2.0	389	2.1	25	1.0
$15,000 to $15,999	2,513	4.4	2,285	4.6	199	3.4	389	1.8	348	1.9	38	1.5
$16,000 to $16,999	2,138	3.8	1,950	3.9	164	2.8	298	1.4	265	1.4	30	1.2
$17,000 to $17,999	2,266	4.0	2,074	4.1	165	2.8	234	1.1	211	1.1	19	0.7
$18,000 to $19,999	3,907	6.9	3,596	7.2	254	4.4	363	1.7	329	1.8	29	1.1
$20,000 to $24,999	7,326	12.9	6,800	13.6	427	7.4	459	2.1	432	2.3	22	0.9
$25,000 to $49,999	9,013	15.9	8,504	17.0	379	6.5	364	1.7	357	1.9	6	0.2
$50,000 and over	1,098	1.9	1,060	2.1	18	0.3	71	0.3	69	0.4	2	0.1
Median Income	$14,958		$15,637		$ 9,242		$ 5,375		$ 5,606		$ 3,840	
Mean Income	$16,870		$17,525		$11,276		$ 7,236		$ 7,499		$ 5,475	

NOTE: Totals do not add to 100 percent due to rounding.

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 107, "Money Income and Poverty Status of Families and Persons in the United States: 1976," (Advance Report) U.S. Government Printing Office, Washington, D.C., 1977, p. 11.

Rainwater is suggesting that the official poverty line be drawn at $11,966. Thus, no family's income would fall more than 20 percent below the middle income. Of course, this gives an income distribution that places a large number of people in a small range on the left side of the median and an equal number over a large range on the right side of the median.[13]

How is income actually distributed in the United States? Table 1 presents the income received by the 56,710,000 families and 21,459,000 persons who live alone, referred to as unrelated individuals, in the United States. For all races, the median or middle income in 1976 was $14,958; $15,537 for white families and $9,242 for black families. The mean or average income for families of all races in 1976 was $16,870; $17,525 for white families and $11,276 for black families. Unrelated black persons had a median income of $3,840 and a mean income of $5,475; white unrelated individuals had a median income of $5,606 and a mean income of $7,499. Table 1 also gives the number and percent of families and unrelated individuals that fall into each money income class by race.

Table 2 shows the share of family income in 1976 received by quintiles or groups comprising 20 percent of the families. The families falling in the lowest quintile, those with incomes from 0 to $7,441, received only 5.4 percent of total family income in the United States. The families in the highest quintile received 41.1 percent of the family income. It is not surprising that the income distribution among white families and families of blacks reveals the same basic pattern. Nonetheless, among black families income is distributed more unequally: lowest 40 percent of the black families received 14.8 percent of the black family income and the highest 40 percent got 69.0 percent of the income in 1976. For white families, the lowest 40 percent received 17.9 percent of family income while the highest 40 percent claimed 64.5 percent of the family income.

A person living alone and earning over $11,000 a year is in the top 20 percent that receives 48.3 percent of all income paid to unrelated individuals; an income of $2,464 or below, puts one into the poorest quintile and among the group that had claimed to only 4.0 percent of the income paid to unrelated individuals. A similar pattern is shown for both whites and blacks. It can be seen that unrelated individuals face greater inequality in income than families.

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[13]Rein and Miller, Challenge, pp. 20-26.

Table 2. Income Received by Families and Unrelated Individuals, Percent Distribution by Quintiles, 1976

Quintile position		Total	White	Black
	Families			
Lowest 20%	$7,441 or below	5.4	5.8	4.8
Second 20%	$12,400 or below	11.8	12.1	10.0
Third 20%	$17,500 or below	17.6	17.7	16.4
Fourth 20%	$23,923 or below	24.1	23.9	25.5
High 20%	above $23,923	41.1	40.6	43.5
	Unrelated individuals			
Lowest 20%	$2,464 or below	4.0	4.1	3.7
Second 20%	$4,032 or below	8.8	9.0	8.7
Third 20%	$6,836 or below	14.8	14.9	14.0
Fourth 20%	$11,000 or below	24.1	24.0	25.0
High 20%	above $11,000	48.3	48.1	48.6

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 107, "Money Income and Poverty Status of Families and Persons in the United States: 1976," (Advance Report) U.S. Government Printing Office, Washington, D.C., 1977, p. 11.

A Lorenz curve is drawn to depict the distribution of income by showing the cumulative percentage relationship between the percent of income and the percent of families. The curve is viewed in relationship to a diagonal line representing complete equality in the distribution of income. The Gini ratio measures the extent of inequality: 0 is no inequality and 1 is complete inequality. The ratio equals the area between the Lorenz curve and the diagonal line, divided by the area under the diagonal line. The 1972 Lorenz-Gini calculated for both persons living alone and families is .400; the comparable figure for families is .359.[14]

It is commonly accepted that progressive taxation and other government programs have had little equalizing effect on the distribution of income. Since

[14]Morton Paglin, "The Measure and Trend of Inequality: A Basic Revision," American Economic Review, Vol. 65, No. 4, September 1975, p. 603.

World War II federal and state expenditures for education and training have accelerated along with programs aimed at increasing the opportunities of the economically disadvantaged, not to mention the increases in cash welfare benefits and escalation of in-kind benefits to the poor since the mid-1960s. Despite these extensive efforts, commonly used measures to determine the extent of unequal distribution of income such as the Lorenz curve and the Gini concentration ratio have recorded only slight impacts on the distribution of income.

Table 2 and the Lorenz-Gini should be interpreted carefully. One might think that 20 percent of the families rightfully should get 20 percent of the income, 50 percent of the families should get 50 percent of the income, etc. This implies that regardless of skills and age of the wage earners, all families should receive the same income. We know families have variations in income over their life cycles. The family headed by a young wage earner anticipates a higher income as the wage earner matures. The average family income increases with the age of the family head until the principal wage earner reaches fifty. When the household head nears fifty, the average family's income begins to decline.[15] A comparison of the income of heads of families who are in their early twenties with those in their late forties depicts a considerable difference in income that is due to age.

Paglin has adjusted data for the years 1947 to 1972 for life cycle income changes by comparing families at the same state of their life cycle. By recognizing that family income and wealth vary both over the life cycle of the family as well as among families, Paglin differentiates between "intrafamily variation of income over the life cycle" and "interfamily income variation."[16]

Paglin sheds new light on the impact of the income redistribution policies initiated during the last thirty years. The 1972 Paglin-Gini for households is .249 and for families .239. According to Paglin, an application of his concept of equal lifetime family incomes, but differences among generations, "to U.S. income and wealth data reveals that estimates of inequality have been overstated by 50 percent, and the trend of inequality from 1947 to 1972 has declined by 23 percent."[17]

Poverty Level

Table 3 presents the number of families and unrelated individuals who were living below the poverty level in 1976. The 5,311,000 families in poverty represented 9.4 percent of all American families. The figures also show that

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[15]Paglin, American Economic Review, pp. 598-599.

[16]Paglin, American Economic Review, p. 598.

[17]Paglin, American Economic Review, p. 608.

24.9 percent of all unrelated individuals or 5,344,000 were living below the poverty level. Some common trends found among the poor are depicted in Table 3. Only 7.1 percent of the white families were below the poverty level, as opposed to 27.9 percent of the black families. Female headed families were more apt to be poor than male headed ones. While only 5.6 percent of the male headed families were poor in 1976, 33.0 percent of families headed by women were poverty-stricken. Of the white families headed by women, 25.2 percent (1,379,000 families) were below the poverty level. Being black and living in a family headed by a woman resulted in a 52 percent chance of being poor.

Table 3. Families and Unrelated Individuals

Below the Poverty Level, 1976

(Numbers in thousands. Families and unrelated individuals as of March of the following year)

Characteristic	Number	
All families	5,311	
Male head		2,768
Female head		2,543
White families	3,560	
Male head		2,182
Female head		1,379
Black families	1,617	
Male head		495
Female head		1,122
All unrelated individuals	5,344	
Male		1,787
Female		3,557

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 107, "Money Income and Poverty Status of Families and Persons in the United States: 1976," (Advance Report) U.S. Government Printing Office, Washington, D.C., 1977, p. 20.

The poverty statistics published by the Bureau of the Census were designated by the Office of Management and Budget as the official data series to be used by federal agencies. This was based on an index developed in 1964 by the

Social Security Administration and revised in 1969 by a Federal Interagency Committee. The index is based on the Department of Agriculture's 1961 Economy food plan and is intended to reflect differences in the consumption requirement of families based on their size and composition, their residence (farm or nonfarm), and the sex and age of the family head. The poverty level is set at three times the present cost of obtaining the Department of Agriculture's 1961 Economy Food Plan. The food-to-income ratio of one-third is based on the Department of Agriculture's 1955 Survey of Food Consumption that demonstrated that families of three or more persons spent approximately one-third of their income on food and the other two-thirds on other items such as shelter, clothing, and transportation.[18] The poverty thresholds are updated each year to reflect changes in consumer prices. Table 3 reflects the 1976 poverty cutoffs based on size of family, sex of head, and farm versus nonfarm residence. A nonfarm family consisting of four persons had a poverty cutoff of $5,815 or less in 1976; a comparable farm family would not be at the poverty level until its income falls to $4,950.[19]

The poverty income cutoffs are used in the CETA programs to determine an applicant's economic eligibility for employment and training programs. According to ETA, an economically disadvantaged person is one who either is a member of a family whose income based on family size and location is not above the current poverty guidelines or whose family receives cash welfare payments. Poverty income thresholds set by the Department of Labor for employment and training programs are continually updated. The 1977 income guidelines presented in Table 4 were on the average $320 more for an urban and $275 for a farm family than the 1976 guidelines used by the Bureau of the Census in Table 3. The poverty income levels set in 1977 as guidelines for a family of four living in the continental United States were $5,850 for an urban and $4,980 for a farm family. However, in Hawaii the comparable figures were $6,730 and $5,730, while in Alaska, they were still higher at $7,320 and $6,230.[20]

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[18] U.S. Bureau of the Census, Current Population Reports, Series P-60 No. 106, pp. 4-6.

[19] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 107, p. 20.

[20] Employment and Training Administration, U.S. Department of Labor, ETA Interchange, Vol. III, No. 4, May 1977, pp. 1 and 3.

Table 4. 1977 Poverty Guidelines by Family Size

and Farm-Nonfarm Residence

Family Size	Continental U.S.		Hawaii		Alaska	
	Nonfarm	Farm	Nonfarm	Farm	Nonfarm	Farm
1	$2,970	$2,550	$3,430	$2,940	$3,720	$3,200
2	3,930	3,360	4,530	3,870	4,920	4,210
3	4,890	4,170	5,630	4,800	6,120	5,220
4	5,850	4,980	6,730	5,730	7,320	6,230
5	6,810	5,790	7,830	6,660	8,520	7,240
6	7,770	6,600	8,930	7,590	9,720	8,250

SOURCE: United States Department of Labor, Employment and Training Administration, ETA Interchange, Vol. III, No. 4, May 1977, p. 3.

The publication of Poverty Status of Families Under Alternative Definitions of Income[21] by the Congressional Budget Office triggered a controversy concerning the number of families and persons in the United States who actually live in poverty. The number of families that the Bureau of the Census classifies as poor partially depends on the definition of income used by the Bureau. The Bureau of the Census definition of income includes all money income before taxes and government cash transfer payments, for example, social security, government pensions, and welfare payments. The Bureau of the Census omits all in-kind income and tax payments from the official definition of income while the Congressional Budget Office includes in-kind payments and subtracts taxes from its definition of income. Following the publication of the Congressional Budget Office's Background Paper on poverty, Alice M. Rivlin, the Director of the Congressional Budget Office, and Mollie Orshansky, a statistician for the Social Security Administration who developed the poverty index initially adopted by the Council of Economic Advisors in 1964, have carried on a lively debate.

The discussion is still not settled. Statisticians, welfare workers and practitioners are lined up on both sides. Orshansky is presently revising the Official Poverty Base in terms of the food index. The arguments in favor of including in-kind payments as income when determining the income status of families are probably strong enough to eventually change the official concept of income to one that includes government in-kind payments and deducts taxes.

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[21]Congressional Budget Office, U.S. Congress, Poverty Status of Families Under Alternative Definitions of Income, Background Paper No. 17 (Washington, D.C.: U.S. Government Printing Office, January 1977).

When the present official Bureau of the Census' definition of poverty income was developed in 1964, a number of judgments had to be made regarding what items to include as income and whether taxes should be subtracted from the income figure or left in as they were. Social welfare programs involving in-kind payments were far less important in 1965 than they are now,[22] when such payments represent an important form of income for the poor. Yet, it is unrealistic to assume that government administrators and legislators are eager to include in-kind payments in the official definition of income. To qualify for a number of federal aid programs, the official poverty cutoffs are used. If in-kind payments are designated as income, both the number of people eligible for a variety of programs and the federal funds that can be claimed for these programs are lessened.

The number of persons eligible for CETA programs would be affected by a change in the definition of income if the official poverty thresholds are altered. Some of the participants in CETA who are receiving food stamps, Medicare, and Medicaid may well be disqualified. This would be a mistake. An alternative would be to define an economically disadvantaged person as a member of a family receiving cash or in-kind welfare assistance.

The use of the official poverty thresholds to achieve more than one objective is the heart of the problem. The number of households living in poverty if both cash and in-kind welfare payments are included as income is a statistic which gives us some understanding of the number of people who are poor. The standard of living that a number of families achieve is a combination of earned income and several forms of welfare assistance. The question is not whether they have earned the income or the form in which the income is paid; the question is what is the standard of living they are able to acquire. The issue of qualifying for various federal programs needs to be handled on a different basis. Employment and training programs should assist individuals and families to become self-supporting at an income above the poverty level.

Income Movements

The Longitudinal Employer-Employee Data file compiled by the Social Security Administration contains quarterly observations on individual earnings histories for 1 percent of all the labor force covered by Social Security. Schiller's study focuses on a sample of 74,227 men in this file, who were between the ages of sixteen and forty-nine in 1957 and who earned at least $1,000 in that year. The men sampled also had earnings in 1971, the final year covered by the study. Since the earnings of these men varied from under $853 to over $17,665 in 1971, they represent low, middle, and upper income families. Schiller traces the changes in the relative earnings positions of these workers over the fifteen years studied.[23] For each year, the earnings distribution is divided into twenty parts or ventiles; the twentieth ventile is the bottom and the first is the top.

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[22]Congressional Budget Office, Poverty Status of Families, p. vi.

[23]Bradley R. Schiller, "Equality, Opportunity, and the 'Good Job,'" Public Interest, No. 43, Spring 1976, p. 113.

Each man included in the sample was assigned a ventile in 1957 and 1971, depending upon his earnings position in each of these years. His earnings' movement was determined by comparing the two assigned ventiles.

The men in Schiller's study demonstrated considerable income mobility throughout their working years. Schiller defines mobility as the movement up or down the income distribution by at least 10 percent. Seventy-one percent of all the workers were, in fact, mobile. The average move was 4.22 ventiles (21 percent) up or down the earnings distribution.[24] As many have suspected, the poorest and the richest families have less of a chance to change their economic status than the middle income families. The weakest rates of income mobility were experienced by the lowest and highest earners. For example, 48 percent of those labeled as the highest earners in 1957 remained at the top in 1971; but one-third of those classified as the lowest earners in 1957 were still the poorest in 1971. This also means, however, that 66 percent of those in the lowest ventile in 1957 did not stay there during the next fourteen years. Only 29 percent of the total sample did not change their ventile position.[25] Few were poverty-stricken one year and rich the next or vice versa, but within the bulk of the system there was considerable mobility. A low income family is not locked into poverty and a low-wage earner has hope of bettering his earnings.

Although the same percentage of black and white workers had income mobility, on the average black workers moved smaller distances, 3.7 ventiles versus 4.2 for white workers. Furthermore, black workers who were in the bottom ventile found it more difficult than white workers to move to higher ventiles; and black workers who began in the top ventile found it more difficult than whites to remain there. Blacks did not improve their relative positions in relation to white workers during the years of study.[26] The average position of the black worker remained at the thirteenth ventile. Between 1957 and 1971, black workers received lower earnings than white workers and had fewer opportunities to increase their earnings throughout their careers.

Researchers have suspected that the pattern of income distribution in the United States had become quite rigid because statistics on the percent of total income claimed by the poorest 20 percent of the families and the percent of income received by the richest 20 percent have remained about the same over the years. Schiller provides a provocative explanation of why the income distribution pattern appeared to remain remarkably stable over the years, although workers were mobile.[27] He draws an analogy between the distribution of income in a given year and the game of musical chairs. While each of the chairs remains in a fixed position, the people circle around the chairs as the music plays. Each time the

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[24] Schiller, Public Interest, p. 115.

[25] Schiller, Public Interest, p. 115.

[26] Schiller, Public Interest, pp. 117-118.

[27] Schiller, Public Interest, pp. 111-120.

music stops people sit in different chairs, but the chairs stay in the same spots. Although the chairs remain in the same positions in the circle, different people sit in the chairs. In terms of income distribution and mobility, the poorest 20 percent of the wage earners continued to claim less than 5 percent of the total income, but only one-third of the wage earners in the lowest 20 percent in 1957 were still in this group in 1971.

It is one thing to recognize that income mobility exists in the United States; it is another to specify why the men in the sample move from one income group to another. Increases in the relative earnings position of workers over the fifteen-year period of Schiller's study were only partially the result of aging and gaining experience. When workers obtained special experience or training different from that of others in their specific cohort, their wages increased. In Schiller's study, the special experiences of the workers had a greater impact on income over the life of the study than did the process of aging.[28] This indicates that on-the-job training, skill development and a variety of job experiences enhances the life-time earnings of men in the workforce.

In addition, there is an unmeasured individual difference among men associated with ability or human wealth, but not attributed to family background, education, or measured ability, that "accounts for 40 percent of the total earnings variation."[29] Nonetheless, the research of Schiller and Lillard indicate that individual investments in basic education, technical education and on-the-job training, for example, do have significant positive earnings results.

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[28]Schiller, Public Interest, pp. 111-120.

[29]Lee A. Lillard, "Inequality: Earnings vs. Human Wealth," American Economic Review, Vol. 67, No. 2, March 1977, p. 49.

Welfare Households

In The Human Economy, Ginzberg (Chairman of the National Commission for Manpower Policy) places the welfare movement in our country in sharp focus when he says that we realize it is "morally wrong" to expect individuals to be always self-sufficient. Events of life, accidents, sickness, disabilities, aging, and a high unemployment rate, for example, cannot be controlled by an individual; but he or she must live with the effects.[1]

The Federal Government administers a number of programs which are designed to take over whenever these difficulties occur. These programs can be divided into two types: those that are designed to maintain individuals and families, preventing them from falling below a very low standard of living and intended to meet their most pressing needs; and those designed to help individuals and families overcome whatever disadvantages may be keeping them in poverty.

Examples of the first type of programs are Aid to Families with Dependent Children (AFDC), food stamps, public housing, Old Age and Survivors Insurance, and Medicaid. Each of these involves some kind of means or earnings test and is intended to express society's determination to establish some floor below which nobody need sink.

The second type of program includes those conducted under CETA and WIN. In a real sense Unemployment Insurance is also of the second type. These programs assume that participants are temporarily in trouble but that they can be assisted to rise out of their dependent status. Much R&D work has been done to determine how these programs can best achieve their goal of promoting an end to dependence.

To make the best use of each type of program it is essential to distinguish between those individuals and families who have what it takes to make their way upward in terms of income and those who are forced by their circumstances to remain dependent.

In 1976 the UI system spent over $19 billion on unemployment compensation benefits for seven million people. Unemployment compensation is a program which is reciprocal in nature: the higher the national unemployment rate, the larger the number of people receiving unemployment benefits and the higher the gross amount of benefits paid. However, the program is not linked to any test of need. Old Age and Survivors Insurance and Supplemental Social Security income programs totaled some $73 billion. In 1976 the almost $6 billion paid out under Supplemental Security Income represented assistance primarily to the aged, the disabled, and the low-income, fatherless children. The costs of Medicare, which provides medical benefits to the aged and disabled who receive Social Security aid, totaled some $10 billion. AFDC benefits amounted to some $10 billion. Medicaid, a subsidy providing for medical care for families receiving assistance from the AFDC program and for other low-income families, cost over $15 billion in the same year. The Food Stamp program, which is a food-voucher program for

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[1] Eli Ginzberg, The Human Economy (New York: McGraw-Hill Book Company, 1976), pp. 55-56.

low-income families, paid benefits of over $5 billion, and public housing costs totaled about $1.5 billion in 1976.[2] Food stamps , Medicaid, public housing, school-lunch programs, commodity distribution, and Medicare: all of these are in-kind welfare programs. AFDC and Supplemental Social Security income are cash welfare programs. Unemployment insurance benefits along with Old Age and Survivors Insurance are based on past employment and are social insurance programs.

In general, welfare usually means AFDC, food stamps, and Medicaid. These programs are the most controversial, fraught with argument and dissatisfaction. Misuse of funds occasionally occurs within these programs, due to mismanagement and fraudulent claims by recipients. Complaints of legislators and the general public involve our attitudes regarding the three goals which our welfare system attempts to achieve simultaneously. First, we choose to provide a subsistence level of living to people who cannot provide for themselves (for example, children and disabled persons). Second, welfare recipients who are able, are encouraged to work and remove themselves from the welfare rolls as soon as possible. Finally the dollar cost of welfare programs should be kept to a minimum. Since it is difficult to focus on all three goals simultaneously, programs attempt to achieve one or two of these goals, for example, to provide subsistence and to minimize the dollar costs of the programs. While controversy usually involves all three criteria, it often focuses on the goal the program may not have assigned as its top priority, in this case, to assist the employable to become self-supporting.

The Social Security Act of 1935 provided for permanent old-age insurance and temporary unemployment insurance.[3] Eligibility for Social Security depends on past work force participation and involves contributions on the part of both the employer and employee. An added component of the Social Security Act, AFDC, was originally envisioned as a temporary federal program. The responsibility for the blind, aged, and mothers with dependent children was to become the responsibility of states.[4] Instead, both the insurance programs for old-age and public assistance programs have remained primarily a federal concern and have mushroomed.

In the last several decades, AFDC has experienced phenomenal growth. Levitan, Rein, and Marwick discuss the reasons for this. They note that, since 1940, our population has increased over 50 percent and the population under fourteen years has grown more than 80 percent.[5] In the South, the labor force

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[2]Social Security Administration, U.S. Department of Health, Education and Welfare, Social Security Bulletin, Vol. 40, No. 1, January 1977.

[3]George F. Rohrlich, "The Place of Social Insurance in the Pursuit of the General Welfare," Journal of Risk and Insurance, Vol. 36, No. 4, September 1969, pp. 333-353.

[4]Rohrlich, Journal of Risk and Insurance, pp. 333-353.

[5]Sar A. Levitan, Martin Rein, and David Marwick, Work and Welfare Go Together, Policy Studies in Employment and Welfare No. 13 (Baltimore, Maryland: The Johns Hopkins University Press, 1972), p. 9.

needed in agriculture has greatly declined, causing people to migrate to urban centers or to more industrialized areas of the country in search of jobs and a better life style. A large city requires a different type of labor force and often creates a changed family structure. As more mothers have become household heads--whether through divorce, desertion and separation, illegitimacy, or what have you--the number of AFDC cases has increased.

The Federal Government and some local and state welfare agencies have eased the eligibility requirements by allowing families with unemployed fathers to receive benefits. The Federal Government has assumed a greater share of the costs of welfare programs. The growth in food stamps, Medicaid, and public housing benefits, as well as increases in allotted child-care payments and expenses which are work-related, have enlarged the expenditures of the programs. As the AFDC program has continued to offer expanding in-kind and cash benefits, the attractiveness of the welfare program in relationship to other ways of acquiring income has increased.[6] Friedman and Hausman suggest that program structure has a powerful effect on welfare participation. The states which pay the higher benefits also have a larger number of cases, although these states also have higher average family incomes.[7]

The national welfare rights movement, according to Lyon, has been highly effective in its program to inform low-income families of their benefits or rights under the welfare system, as well as in "legitimatizing of the dependency."[8] He also states that no factor has been as important a cause for the increase in welfare caseloads as the knowledge and acceptance of the right of dependency. The upswing in AFDC caseloads in the late sixties and early seventies was only partially the result of more families qualifying for assistance; it was also the result of more of the eligible poor registering for AFDC benefits. Many eligible families who in the past were not aware of or willing to accept welfare moved on to the rolls for the first time.[9]

Recipients Who Can Leave Dependent Status

Families move onto welfare generally when a job is lost or when there is a layoff or a dramatic change in the structure of the household (for example, a desertion, a divorce, or a new baby). Whatever the cause, the available income becomes inadequate to meet the family's needs and the household qualifies for welfare benefits.

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[6]Levitan, Rein, and Marwick, Work and Welfare Go Together, pp. 8-19.

[7]See Barry L. Friedman and Leonard J. Hausman, Work and Welfare Patterns of Low Income Families (Waltham, Massachusetts: The Florence Heller Graduate School for Advanced Studies in Social Welfare, Brandeis University, June 1975). pp. 3-7.

[8]David W. Lyon, The Dynamics of Welfare Dependency: A Survey (Santa Monica, California: The Rand Corporation, December 1976), p. 25.

[9]Lyon, Dynamics of Welfare Dependency, p. 25.

One welfare recipient may move from welfare to an adequate earned income, and return to welfare in the future. Another recipient may leave the welfare rolls but not leave poverty. Remember that being a welfare recipient sometime in the future is a distinct possibility for many of the low-income employed. Friedman and Hausman point out that many potential welfare recipients are in jobs which do not carry the protection of unemployment insurance benefits. The low-income households have scant assets to tide them over a period of unemployment. As a consequence, for many, unemployment results in a move to welfare.[10]

Friedman and Hausman suggest that movements to the welfare rolls increase when the unemployment rate increases.[11] A trade-off is occurring. Part of the increase in the number of families on welfare is due to an increase in unemployment. Many of those who are laid off or whose jobs are eliminated when the economy moves into a recession must move directly to welfare. For these people, their direct cost on welfare may well be greater than the cost to the government of providing public service and other types of jobs. As Lyon notes, "there is increasing evidence that the job market does have a measurable effect on the welfare decision in spite of widespread concern that 'welfare' is somehow a system quite apart from the ups and downs of the national economy." He goes on to say that "many of the factors that bring about the turning to the AFDC rolls, such as separation, loss of job, loss of nonearned income, are likely to increase during a recession when unemployment is increasing."[12]

Most families probably use the welfare system as it is--as a temporary income-support program to assist them during periods of prolonged unemployment or of loss of income normally received. Welfare researchers know that families go on and off welfare continuously. Some households do not stay on welfare very long, but return intermittently. A large number leave welfare never to return again.[13] But there is also a permanently entrenched welfare population mired in poverty. The underclass are the poorest who have little hope of leaving poverty.

Rein and Rainwater analyzed women in the University of Michigan Survey Research Center's Panel Study of Income Dynamics (a national sample of over 10,000 adults from over 5,000 families).[14] They estimate that only about 14 percent or 7 million of the 50 million women in the United States in the 18 to 54 age range in 1968 were welfare recipients during the decade 1968 to 1977. They found that of the roughly 750,000 women age 18 to 54 who move to AFDC each year, the average will be on the welfare rolls for about four out of the next ten years. Generally, the woman recipient will spend two years on welfare and

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[10] Friedman and Hausman, Work and Welfare Patterns, p. 20.

[11] Friedman and Hausman, Work and Welfare Patterns, p. 20.

[12] Lyon, Dynamics of Welfare Dependency, p. 21.

[13] Lyon, Dynamics of Welfare Dependency, pp. 4-5.

[14] Martin Rein and Lee Rainwater, "How Large Is the Welfare Class?" Challenge, Vol. 20, No. 4, September/October 1977, pp. 20-23.

then leave the rolls for one or more years before returning for several more years.[15]

Of the 7 million women on welfare during the decade, 770,000 or 11 percent stayed on welfare for nine of the ten years under consideration. The actual number of entrenched welfare women was even smaller. Of the 770,000 women, some 154,000 of those receiving long-term benefits derived less than 50 percent of their family income from welfare. Families in this group are those that receive welfare payments for the foster children for which they are caring. Thus only one of every ten families headed by women receiving AFDC benefits at a given time are entrenched welfare recipients.[16]

Boskin has used the State of California's AFDC five-year survey data on individual households over the period 1965 through 1970 in two studies, one with Amemiya and the other with Nold.[17] In the Boskin-Amemiya study of 658 households that came on welfare in 1965, it is noted that 17 percent or 113 of those sampled remained on AFDC for the entire period. In 1970, 213 households or 32 percent of the 658 families were receiving AFDC payments. Again the same pattern of movement on and off welfare is seen. Although employment opportunities decreased between 1965 and 1970 for the California households included in the survey, according to the authors, only about one-third of the households on welfare in 1965 who left the rolls returned by 1970. About 17 out of every 100 families on welfare in 1965 stayed over the five year period, 30 out of a 100 families moved off and on welfare during the five years. This means that in the State of California during this study a bit over 50 out of every 100 cases on AFDC would leave their present AFDC classification and probably not return, whereas 47 percent of the households would have a difficult time providing enough earned income to support their families.[18]

In the Boskin-Nold study, the researchers state that the median amount of total time a case spent on welfare during the period was fourteen months.[19] They note that "the estimated expected duration on welfare (each time on welfare) ranges from about eleven months to over sixty months."[20] Conversely, the

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[15] Rein and Rainwater, Challenge, pp. 20-23.

[16] Rein and Rainwater, Challenge, pp. 20-23.

[17] Michael J. Boskin, Welfare Dependency and Low Income Labor Markets (Palo Alto, California: Stanford University, July 1975).

[18] Takeshi Amemiya and Michael Boskin, "Regression Analysis When the Dependent Variable Is Truncated Lognormal, with an Application to the Determinants of the Duration of Welfare Dependency," in Boskin, Welfare Dependency, pp. 1-21.

[19] See Michael J. Boskin and Frederick C. Nold, "A Markov Model of Turnover in Aid-to-Families with Dependent Children," pp. 22-53, in Boskin, Welfare Dependency, p. 32.

[20] Boskin and Nold, "A Markov Model of Turnover" in Boskin, Welfare Dependency, 39.

anticipated number of months off welfare (each time a person comes off) varies from fifteen to thirty-four months.[21] The expected duration off welfare is longer for whites than nonwhites and for those who receive wages higher than the minimum. Clearly, whites who can get a job that pays above the minimum wage not only are less apt to be on welfare, their length of stay on the rolls is shortened.[22] At the time of the Boskin-Nold study a pattern of racial discrimination in employment was clearly operative--one that led to a longer time on welfare for nonwhites than for whites.

Lyon points out that researchers have found that "two years is the median length of stay" on the rolls. Thirty percent of the cases receive aid for one year or less while only 18 percent remained on welfare for more than five years.[23] Welfare benefits become long-term for a limited percent of the cases. The statistics quoted by Lyon, taken from the work of Rein and Rydell and others, indicate that the chronically welfare dependent represent at most one-third of all cases receiving assistance over a long time period.[24]

Rainwater and Rein, in an earlier analysis, based upon the data in University of Michigan's Panel Study of Income Dynamics, followed female-headed families that were on welfare at least once between the years 1967 and 1972.[25] By 1972, 41 percent of the women involved were employed, although at the time of the interview some were on and others were off welfare. In addition, 69 percent were employed at least once during the five-year period. In fact, 50 percent of all income the women received during the five-year period came from earnings although for those women on welfare in 1967 only 24 percent of their income that year came from earnings.[26] Thus, women who head families provide for their children's well-being from several sources often at the same time. When potential earned income was larger than the combination of earnings and welfare the women left welfare. But a number of women on welfare earn wages to supplement their families' welfare income. When women are on welfare their earnings have fallen.

The New York story is sad; many of the welfare recipients are migrants who have tried to be self-supporting for several years. They eventually move

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[21] Boskin and Nold, "A Markov Model of Turnover" in Boskin, Welfare Dependency, p. 39.

[22] Boskin and Nold, "A Markov Model of Turnover" in Boskin, Welfare Dependency, p. 39.

[23] Lyon, Dynamics of Welfare Dependency, p. 5.

[24] Lyon, Dynamics of Welfare Dependency, p. 9.

[25] Lee Rainwater and Martin Rein, Sources of Family Income and the Determinants of Welfare, Joint Center for Urban Studies of MIT and Howard University, May 1976, is cited in Lyon, Dynamics of Welfare Dependency, p. 35.

[26] Rainwater and Rein, Sources of Family Income and the Determinants of Welfare, cited in Lyon, Dynamics of Welfare Dependency, p. 35.

onto the welfare rolls because of physical or mental handicaps or other problems not related to their jobs. Welfare cases in New York may be unique, as Ostow and Dutka mention in their research based on a review of selected case records from 1971 through 1973.[27] Their study does not present a pattern comparable to other cities, for in New York City cases are not as mobile and the gap between work and welfare appears wide. The reasons that recipients originally become welfare recipients--disabilities and handicaps--may preclude even part-time employment and offer a dismal employment outlook. Few of the New York recipients are employable; less than 5 percent of the males and even fewer females find employment between periods on welfare.[28]

Capacity to Become Independent

Over the years a number of myths have developed concerning welfare recipients and their environment. Goodwin's research clearly demonstrates that welfare recipients do not differ markedly from other persons with low incomes with respect to basic life goals and work ethics.[29] Both groups represent the same social strata and face common problems. With respect to personal characteristics and background, the two groups are similar. Thompson and Miles compared the personal characteristics of welfare recipients with those of former recipients and low-income persons who had never been on welfare. Welfare recipients fell within the average range of scores on characteristics such as "emotional stability," "undisciplined self-conflicts," and "tenseness."[30] Their welfare status was not associated with deviant personality characteristics. However, the white women who were on welfare had less confidence and felt less secure than those who had left or who had never been on welfare. Their recent failure to support their families and need to turn to AFDC explains their lack of self confidence.[31]

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[27]Miriam Ostow and Anna B. Dutka, Work and Welfare in New York City, Policy Studies in Employment and Welfare No. 21 (Baltimore, Maryland: The John Hopkins University Press, 1975), pp. 72-77.

[28]Ostow and Dutka, Work and Welfare in New York City, pp. 72-77.

[29]Leonard Goodwin, What Has Been Learned from the Work Incentive Program and Related Experiences: A Review of Research with Policy Implications (Worcester, Massachusetts: Worcester Polytechnic Institute, February 1977), p. 31.

[30]Guy H. Miles, David L. Thompson, and Albert J. Macek, The Characteristics of AFDC Population That Affect Their Success in WIN, Vol. 5 (Minneapolis, Minnesota: North Star Research and Development Institute, October 1972) is cited in Goodwin, Work Incentive Program and Related Experiences, p. 22.

[31]Miles, Thompson, and Macek, The Characteristics of AFDC Population, cited by Goodwin, Work Incentive Program and Related Experiences, p. 22.

In their comparative analysis of working welfare recipients and low-wage employed in Detroit, Miller and Ferman[32] emphasized that both groups have about the same income level, but those on welfare had larger families and fewer income sources. The kinds of jobs they hold, primarily low-paying service oriented jobs, do not differ. In the Miller and Ferman 1972 study, 94 percent of the men on welfare and 90 percent of the low-income men not on welfare worked at least 50 percent or more of the time. Of the poor women who received no welfare, 66 percent worked at some job at least one-half of the time and the majority of the women on welfare did the same. For both groups, a combination of factors--race, sex, family disruption and size, education and training, and Southern origins--lead to low-wage employment.

Nonetheless, there are some differences between welfare recipients and other poor persons. Generally welfare recipients have a lower level of education, their job potential is less bright, they have more medical problems, they have more children and fewer resources to fall back on in case of an emergency than non-recipient poor persons.[33] Low-income households when bombarded with family instabilities and problems choose welfare as a viable alternative for a particular time in the life of the family, but there is no indication it is chosen as a long-term source of income or as a way of life.[34]

Using national data from the late 1960s, Hausman examined the earning potential of both men and women on welfare. Using a combination of educational level and occupational category, he forecast what their expected earnings might be in relationship to their needs based upon family size. His work clearly reveals that about two-thirds of the female and about one-third of the male recipients on welfare under AFDC, because of their education and skill levels, probably could not earn enough to support their families at or above the poverty level.[35]

Over 30 percent of all poor families have at least five members and many are both large and disrupted. The causal implications often drawn from these statistics, that families are poor because they are too large and have unstable

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[32] J. A. Miller and L. A. Ferman, Welfare Careers and Low Wage Employment (Ann Arbor, Michigan: Institute of Labor and Industrial Relations, December 1972).

[33] Goodwin, Work Incentive Program and Related Experiences, p. 31.

[34] Miller and Ferman, Welfare Careers and Low Wage Employment. pp. v-x.

[35] Leonard J. Hausman, The Potential for Work Among Welfare Parents (Washington, D.C.: U.S. Department of Labor, Manpower Administration, Manpower Monograph No. 12) is cited by Goodwin in Work Incentive Program and Related Experiences, p. 12.

marriages, collapse under close scrutiny. Most poor families had insufficient funds before the family grew large or broke up. Economic insecurity may be a factor that contributes to both the disruption of a family and to its high fertility rate.[36] Among the poorest families, separation is associated with unemployment or low intermittent income. Research shows that unemployment or inadequate wages may cause a father to lose his "feelings of confidence and authority with the family," which may ultimately lead to desertion.[37]

Researchers recognize that the increase in female-headed families during the last decade has broad and deep-seated origins. However, studies do show that the welfare system does not counter the trend toward female-headed families in any way and may encourage it. The research survey by Lyon (referring to Honig) shows that the size of the average AFDC payments received by women has an "effect on the proportion of adult women who are heads of families and on the welfare participation rate of these families."[38] In short, the welfare program probably does have some effect, although it may be limited in nature.

Using the Michigan Panel Study of Income Dynamics from 1968 to 1972, Sawhill and her associates have documented the rapid growth in the number of female-headed families, which now comprise a majority of all poor families. They doubt that there is any impact by welfare programs on family structures. After allowing for state differences in AFDC qualifications and benefits, they note that the system does not affect the rate at which families break up. However, they also point out that the type of welfare program available does affect the decision of low-income women to marry or remarry.[39] Thus, AFDC payments to mothers may, in some cases, actually inhibit the formation of two-parent households.

The opportunities of moving up economically are greatly enhanced when there are two breadwinners in a family rather than one, so a family that is intact has a potential economic advantage. Goodwin emphasizes that outer-city black families who have become economically self-sufficient usually have an income comprised of the wages of both husband and wife. In his study of such families, he finds that husbands with only a tenth grade education on the average were working at jobs that were not much different than those held by men participating in the WIN program or by men who were still living in the ghetto.

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[36] Bradley R. Schiller, The Economics of Poverty and Discrimination (Englewood Cliff, New Jersey: Prentice-Hall, Inc., 1976, 2nd ed.), p. 100.

[37] See Goodwin, Work Incentive Program and Related Experiences, pp. 84 and 87.

[38] Marjorie Honig, "The Impact of Welfare Payment Levels on Family Stability," in Studies in Public Welfare (Part I) The Family, Poverty, and Welfare Programs: Factors Influencing Family Instability, U.S. Congress, Joint Economic Committee, Paper No. 12 (Washington, D.C.: U.S. Government Printing Office, 1973) cited by Lyon, Dynamics of Welfare Dependency, p. 24.

[39] Isabell V. Sawhill, Gerald E. Peabody, Carol A. Jones, and Steven B. Caldwell, Income Transfers and Family Structure (Washington, D.C.: The Urban Institute, September 1975), p. vii.

The one impressive difference is the wife's contribution of wages. These outer-city black men have stayed on the job and married women (with an eleventh grade education on the average) who contribute 30 percent of the family income. Thus, when low-income families remain intact, there is a much greater chance of moving out of poverty. In addition, a major way out of poverty for a low-income mother is marriage, which allows her to combine her earnings with those of a husband.[40]

Wiseman found that over 50 percent of all mothers who were household heads had children too young for kindergarten, and that almost 90 percent had "children young enough to require supervision if the mother or father is expected to be away for extended periods of time."[41] The Department of Health, Education, and Welfare, in a survey of AFDC mothers in ten cities, found that adequate provisions for child care could be made if they were given a good job.[42]

Levitan and Taggart conclude that much of the differential between welfare and non-welfare mothers is explained by handicapping employment characteristics.[43] Even if a welfare mother has no child care responsibilities and is in good health, lack of employment experience is often a major problem. Levitan, Rein, and Marwick estimate that 27 percent of welfare mothers have never worked. Few welfare mothers are well educated. It is true that the median educational level of welfare mothers during the decade of the 1960's rose from less than nine years to more than ten years. Nevertheless, their educational level still represents two years less education than the median level for women in general.[44] Those women who have worked have held jobs in occupations that pay very poorly, that require only low skills, and which are often temporary in nature.[45] The

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[40]Leonard Goodwin, Do the Poor Want to Work? A Social Psychological Study of Work Orientations (Washington, D.C.: The Brookings Institution, 1972), pp. 8 and 27.

[41]Michael Wiseman, "County Welfare: Caseload Growth and Change in Alameda County, California, 1967-73," in Frank S. Levy, Clair Vickery, and Michael Wiseman, The Income Dynamics of the Poor (Berkeley, California: Institute of Business and Economic Research, The University of California, January 1977), p. 225.

[42]Levitan, Rein, and Marwick, Work and Welfare Go Together, p. 58.

[43]Sar A. Levitan and Robert Taggart, III, Employment and Earnings Inadequacy: A New Social Indicator, Policy Studies in Employment and Welfare No. 19 (Baltimore, Maryland: The Johns Hopkins University Press, 1974), pp. 21-22.

[44]Levitan, Rein, and Marwick, Work and Welfare Go Together, p. 59.

[45]Levitan, Rein, and Marwick, Work and Welfare Go Together, p. 62.

women earn very little and cannot support the number of children they have.[46]

Goodwin notes that many of the women who lack child-care responsibilities and who are neither working nor looking for work have health problems which severely handicap their employability.[47] The work of Roe suggests that a significant number of those considered nonemployable because of medical problems can become functional in the employment market. Roe found that the disabilities of 59 welfare recipient women and 12 men in upper state New York were most commonly dental problems including decay and improperly fitted dentures, gross obesity, emotional disturbances, and other common physical problems such as the need for proper glasses and anemia. Although the program lasted only six months, so the results of the remedial steps taken are limited, medical treatment and counseling along with rehabilitation helped about 15 percent of those persons classified as medically disabled to find jobs or stay on jobs.[48]

Women on welfare need the opportunity to gain work experience and to upgrade their skills in order to obtain better paying jobs. There should be an intensive effort to train the better educated women for more technical employment. Women AFDC recipients require health care and child-care facilities. Moreover, they need more effective measures to combat racial and sexual discrimination, particularly for those qualified for entry into high-wage blue-collar jobs. The problem is a compounded one; many have never worked and need to be placed in their first job. Others have worked but need to be placed in better jobs which often means a needed improvement in their skill level. For an AFDC mother to leave welfare she must have a job that pays her an adequate amount to support an average family of three children.

Fathers are present in about one-fifth of the AFDC families. According to Levitan, Rein, and Marwick, about two-thirds of the AFDC fathers are incapacitated for various reasons while receiving benefits. Those who are not handicapped have either exhausted their unemployment insurance, have worked in noncovered employment, or are unable to support their typically large family on the wages they earn.[49] Often, these men are members of minority groups. In 1973, 60 percent of male heads of AFDC families were not in the labor force. Another 12 percent were currently employed and about one-half of these were employed only part-time, leaving about 28 percent unemployed. Of those currently unemployed over a third had worked within the previous year.[50]

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[46] Friedman and Hausman, Work and Welfare Patterns, p. 41.

[47] Goodwin, Work Incentive Program and Related Experiences, pp. 12-13.

[48] Daphne A. Roe, Physical Rehabilitation and Employment of AFDC Recipients (Ithaca, New York: Cornell University, 1975) cited in Goodwin, Work Incentive Program and Related Experiences, pp. 13-14.

[49] Levitan, Rein, and Marwick, Work and Welfare Go Together, pp. 51-52.

[50] Friedman and Hausman, Work and Welfare Patterns, p. 36.

In 1969, only 20 percent of welfare fathers were high school graduates and only about one-half of the fathers had not completed the eighth grade. Less than one-fifth of the total labor force has this little formal schooling. Although almost all of the unemployed fathers have worked full-time, few possess valuable job skills. They are primarily service workers in jobs that offer little job stability and very low wages.[51]

The men on AFDC are older than the women household heads and usually have a spouse and older children. While the majority of the AFDC fathers are unable to work, those who are part of the labor force experience high unemployment. Those who are employed work at blue-collar jobs for decent wages, but still their wages are inadequate to support their large households. The men clearly need added income to supplement their earned wages.[52] Besides employment opportunities, they need more skill training and upgrading as well as job counseling to assist them in obtaining higher paying jobs and ones that offer more security. Enforcement of the laws against racial discrimination would be highly beneficial to AFDC fathers.

Goodwin asked welfare recipients how they feel about work and welfare. He asked, "Do you want to work?" He found that men and women on welfare, be they black or white, identify working and having a good job with self-esteem and esteem for others. The welfare poor thus have the same attitude toward working and a good job as do members of the middle-income group and the working poor. Moreover, the aspirations of welfare parents are the same as those of middle-income parents: they want a good education for their children, a nice house, and a good job. The aspiration of having a "good job" and a belief in the work ethic are, unequivocally, parts of the welfare home. Goodwin points out that the teenage sons of mothers who have been on welfare throughout the children's lives believe in a strong work ethic and understand clearly the importance of work. Welfare becomes an acceptable alternative to them only after they have experienced continuous failure in the world of work. Thus, welfare parents and their children do not need to be educated in the merits of work; to the contrary, they need a chance to be successful in a job that allows them to be self-supporting.[53]

A family that leaves the welfare rolls and becomes self-supporting achieves several secondary goals which include an increased feeling of self-worth for the head of the family which has beneficial effects on the children of the family.[54] Poor adults differ from the affluent ones in terms of their experiences of success and failure in the economy. And there is evidence to suggest that

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[51] Levitan, Rein, and Marwick, Work and Welfare Go Together, p. 52.

[52] Miller and Ferman, Welfare Careers and Low Wage Employment, p. 14.

[53] Goodwin, Do the Poor Want to Work? pp. 101-113.

[54] Guy H. Miles, David L. Thompson, and Albert J. Macek, A Study of Low-Income Families: Implications for the WIN Program, Vol. 1 (Minneapolis, Minnesota: North Star Research and Development Institute, July 1972), p. 2.

children who are born poor face discriminatory barriers to advancement in the educational and occupational worlds which thrust them into failure more often than their middle-class counterparts. But, be assured, welfare is not passed on from generation to generation for either boys or girls.[55]

Goodwin's findings have important implications for program planners and employment service personnel working with young people raised in welfare homes. These youth often do not have the training and skills needed for participation in the job market, but they usually do have a favorable sociological orientation toward the necessity of work. On-the-job-training, skill courses, and "how to do it lessons" are needed by these youth, but they do not need to be taught the merits of working and earning wages. When a youth from a welfare home leaves a job, the reason for leaving, whether the youth is fired or quits, probably has little to do with the youth's work ethic.

Decisions That Recipients Must Make

Households move off welfare because they are no longer eligible to receive benefits. This can occur for several reasons: the family structure changes, the income earned by the mother disqualifies the household, or the number of hours a father works on a job disentitles the family. Of course, families can often arrange their affairs to establish or maintain their right to receive benefits. For instance, a father who works over 100 hours a month may move away from the household to prevent the loss of welfare benefits. If a family can do better on welfare than on its own, it probably will remain on the rolls; if it can live more comfortably on its own income, it will move off welfare. The impact of the work ethic is indirect: if the family can have a higher income living on earned wages than on welfare benefits, they will work. What we are concerned with here are the specific factors which affect a family's decision to move off welfare.

Stack's studies of black second-generation welfare families show that poor families living in the ghetto have developed strategies to survive amidst their poverty. She hastens to say that the strategies do not compensate for the poverty nor do they perpetuate dependence on welfare from generation to generation.[56] Of particular relevance to an analysis of the income changes of welfare families is Stack's belief that many authorities fail to recognize that some conditions which are often described as characteristic of the "culture of poverty"--for example, underemployment, unemployment, low wages, harsh and crowded dwellings--are simply conditions of the poor and in no way portray a unique culture.[57]

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[55]Goodwin, Do the Poor Want to Work? p. 118.

[56]Carol B. Stack, All Our Kin: Strategies for Survival in a Black Community (New York: Harper and Row, Publishers, 1974), pp. 128-129.

[57]Stack, All Our Kin, p. 23.

If long term welfare recipients are not part of a unique culture, they do not have special beliefs or ways of life to pass on to their offspring.

Stack carefully examined the welfare family's decision-making process.[58] The family has to weigh the security of welfare versus the possibility of upward mobility that employment might bring. If the family chooses not to take a job, most potential for upward mobility is lost and the family's life pivots around welfare poverty. On the other hand, if the jobs available are low-paying and temporary, clients must choose between the permanent security of welfare payments and the unstable earnings in the job market. If seasonal or temporary employment is available, the family must decide how this job will change their welfare eligibility. They must consider if they will loose Medicaid and other benefits that are often more cherished and reliable than cash welfare payments. For example, families lose about 45 cents in food stamps for each additional dollar earned. For families receiving income from several welfare programs, the loss in benefits could be as high as 70 to 80 percent when family earnings increase.[59] If the loss in total benefits is too great, the job will be turned down. Since getting reinstated on the welfare rolls is difficult should the job not work out, often involving investigations, mountains of red tape, and hours of waiting in the welfare office, families at the margin of poverty run a crucial risk of being without income by accepting a job that removes their welfare eligibility.

A welfare recipient is much less likely to leave welfare and much more apt to return to welfare if the wage he or she anticipates is less than the minimum wage. Conversely, one who will be receiving the minimum wage or above has a far greater chance of both moving off and staying off welfare for longer periods. In turn, a person who expects a high unemployment rate is much less apt to go off welfare and more likely to return in a much shorter period of time than his friends who seldom face unemployment.[60] This is one of the reasons that nonwhites are more apt to stay on welfare and return to welfare: their wage level is more apt to be below the minimum wage and their expected duration of unemployment is more apt to be long-term.[61]

Friedman and Hausman believe that the regulations and administrative characteristics of welfare programs have an important impact on turnover rates since they determine the eligibility of the applicants. "Benefit levels, benefit-loss (or tax) rates, income accounting systems, work registration requirements, and the myriad of other welfare rules and their administration all affect turnover--even if they have no impact on recipient behavior--by determining the conditions of their eligibility."[62] Welfare authorities work under rules and

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[58] Stack, All Our Kin, pp. 23, 24, 114, and 126.

[59] Edgar K. Browning, "How Much Equality Can We Afford?" The Public Interest, No. 43, Spring 1976, p. 97.

[60] Boskin and Nold, "A Markov Model of Turnover" in Boskin, Welfare Dependency, p. 36.

[61] Boskin and Nold, "A Markov Model of Turnover" in Boskin, Welfare Dependency, p. 36.

[62] Friedman and Hausman, Work and Welfare Patterns, p. 2.

regulations, time constraints, and often overburdening caseloads. Most agencies face budget limitations. Caseworkers manipulate their cases in expedient ways that affect new case openings, closings, and turnover rates.

Ostow and Dutka state that non-work factors, rather than seasonal or unstable employment are the primary cause of movement on and off welfare in New York City. New York City welfare recipients again appear to be unique. In their study less than 10 percent of the women leave welfare because they get a good job, and only 25 percent of the men leave welfare for job-related reasons.[63] Job related reasons for leaving welfare in this study included employment, increased earnings, and in a few cases the receiving of unemployment insurance benefits. The other reasons given for ending welfare benefits, those classified as non-job related, included decreased need, "refused compliance," client's request, and miscellaneous. It is possible that removal from rolls due to economic reasons is a bit higher than indicated because the category refused compliance would include people who had concealed earnings or jobs from the welfare agency as well as other sources of income. Although the results of the study regarding why families leave welfare are somewhat ambiguous, it is clear that only a limited percent of the New York welfare families leave welfare because of increased employment earnings.

Welfare programs, particularly AFDC, attempt to reduce poverty and also to give welfare recipients an incentive to work. The AFDC work incentive program is especially noteworthy in that it disregards a portion of the earned income of clients in the calculation of benefits. The AFDC program's ultimate goal is for the family head to become economically self-sufficient; however, the program recognizes that it is also a worthy goal for a household head and/or its other members to achieve partial self-support.

During the 1960s, over half the states permitted monthly earnings of up to $50 per child or $150 for all children in any family to be disregarded in determining welfare payments. The 1967 amendments to the Social Security legislation made it possible for the first $30 of monthly earnings plus one-third of all additional income to be disregarded in determining benefits to be paid to welfare mothers. AFDC mothers lose 67 cents in benefits for each dollar earned over $30 a month. Male family heads, should they work more than 100 hours per month, are excluded from AFDC rolls.

The actual amount of earned income that is disregarded varies from state to state and among individual caseworkers within a state, since the Social Security amendments of 1967 left room for interpretation. Some researchers are not convinced that welfare recipients understand the operation of the earnings disregard.[64] Calculations are complicated, if not quite confounding. Inter-

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[63] Ostow and Dutka, Work and Welfare in New York City, pp. 74-77.

[64] Michael Wiseman, "County Welfare: Caseload Growth and Change in Alameda County, California, 1967-73," in Frank S. Levy, Clair Vickery, and Michael Wiseman, The Income Dynamics of the Poor (Berkeley, California Institute of Business and Economic Research, University of California, January 1977).

preting work-related expenses and income is often left to the individual caseworker, who may change from month to month and who may not understand the calculations too well.[65]

The work incentive incorporated into the welfare program is measured by looking at the benefit-loss rates on work efforts of recipients--the rates at which welfare income is taken away or "taxed" as earnings increase. The break-even level refers to the amount of money a person can earn, excluding disregards, before losing all welfare benefits. Beyond the break-even level of earnings, the recipient no longer receives any cash benefits.

Studies show that the higher the loss rate, the less the work effort; and the lower the loss rate, the more the work effort. For example, Hausman's analysis of AFDC mothers in Alabama, Kentucky, and Mississippi offers an opportunity to compare recipient behavior with varying benefit payments and income disregards.[66] Although he cautions against generalizing his findings to other states, Hausman points out that AFDC mothers in these three states are aware of changes in their family incomes, whether the change occurs in the form of cash or in-kind welfare payments or in other types of non-welfare income. Hausman's analysis also indicates that increased welfare benefits or negative income taxes would encourage some reduction in employment. If the benefits outweigh the losses, welfare mothers do work. The mothers, perhaps appropriately, are not as aware of the precise benefit-loss rate changes on earnings calculated by economists as they are of the actual dollar and cents changes in family income.[67]

The most difficult problem in evaluating work incentives is that an AFDC qualification based on a means-tested program also allows additional welfare benefits such as food stamps, Medicaid, public housing, and child care. Although each program has a separate income threshold establishing eligibility, earned wages nibble away at the in-kind programs. The loss in benefits as earned income increases varies among the programs.[68] Most analysts estimate that if cash and in-kind benefits are added together, as welfare recipients begin to earn income they lose more in benefits than the wages they receive. During Congressional debates dealing with negative income taxes, it was pointed out that AFDC families receiving food stamps, Medicaid and housing subsidies, and other forms of in-kind benefits face a tax rate as high as 120 percent on their earnings.[69] That is to say, a dollar's increase in earned wages will result in

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[65]Levitan, Rein, and Marwick, Work and Welfare Go Together, p. 81.

[66]Leonard J. Hausman, "The Impact of Welfare on the Work Effort of AFDC Mothers," The President's Commission on Income Maintenance Programs--Technical Studies (Washington, D.C.: Government Printing Office, 1970), pp. 83-100.

[67]Hausman, "The Impact of Welfare on the Work Effort of AFDC Mothers," The President's Commission, p. 98.

[68]Edgar K. Browning, "How Much More Equality Can We Afford?" The Public Interest, No. 43, Spring 1976, pp. 90-110.

[69]Lyon, Dynamics of Welfare Dependency, p. 13.

a loss of up to $1.20 in combined in-kind and cash welfare benefits received.

One of the most important in-kind payments appears to be Medicaid. Several researchers conclude that a number of welfare cases move onto the rolls merely because of the need for medical assistance or health insurance. It is clear that short-term welfare cases have impressively higher levels of Medicaid payments than cases that are on the roll for three years or more. Several studies focus on the fact that if the cash welfare and in-kind benefits are totaled, the welfare recipient's income level will be greater than the amount received on a full-time minimum-wage job. Cash benefits represent only about 55 percent of the income available to the welfare recipient; the in-kind program and other benefits represent 45 percent. Clearly, the in-kind programs have a significant effect on a household decision to remain on the welfare rolls.[70]

Lyon, in summarizing the research on welfare incentives, identifies two studies in this area which are of special interest: Appel's study on AFDC mothers in Michigan and a study by Garfinkel and Orr using national data. The researchers' findings indicate that after the implementation of a lower tax rate on earnings, more mothers work; however, the average welfare mother does not increase her earned income. What probably happens is that more benefit and less loss from earnings encourages more mothers to take some employment; but the average number of hours worked per mother does not increase. The researchers noted that employment rates seem to increase somewhat as the benefit-loss incentive increases, but they also found that incentive programs do not particularly encourage families to leave the welfare rolls.[71]

Goodwin believes that Smith's findings verify that the 1967 earnings exemption had little impact. After reviewing a national longitudinal study in twelve cities, Smith points out that 16.6 percent of the AFDC mothers were engaged in full or part-time work in December 1967 and that in January 1977 the comparable figure was 17.1 percent--less than a 1 percent increase.[72]

Wiseman finds no increased likelihood of unemployed AFDC fathers taking jobs due to the earnings exemption. The 100-hour limitation reduces both the probability that parents will take jobs and that they will leave welfare. Since the 100-hour limitation is not adjusted for family size or need, the larger the family the less likely the father will take a job. If a father deserts and then finds employment, he can actually improve the total family income.[73] Some fathers do leave their families to accept jobs which, alone, could not provide earnings comparable to what is available on welfare.

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[70] Lyon, Dynamics of Welfare Dependency, p. 18.

[71] Lyon, Dynamics of Welfare Dependency, p. 16.

[72] See Vernon Smith, Welfare Work Incentives (Lansing: Michigan Department of Social Services, 1974) cited by Goodwin in Work Incentive Program and Related Experiences, p. 69.

[73] Wiseman, "County Welfare" and "Change and Turnover" in Levy, Vickery, and Wiseman, Income Dynamics.

Given the orientation of the Work Incentive Program (WIN)--one of concentration on finding jobs for welfare recipients--it is important to determine the program's impact on the employment, income level, and welfare benefits of participants. Whether a WIN enrollee moves off of welfare and becomes self-supporting depends upon several factors: the composition of the family, the number of family workers and their wages, income received by the household from welfare and other programs, and the income-level change anticipated if the family shifts from welfare payments to a total wage-earned income. All of these factors determine whether or not a family leaves welfare and becomes self-supporting. In most cases, the family is the economic decision-making unit for the household, not the individual. Most welfare programs, AFDC for example, concentrate on family income. The earnings-test is based on family income. Family income determines the economic position of the individual.

While WIN works with the individual, the goals for the individual in the program are related to the family. Employment and training practitioners as well as social workers need to recognize that the family situation of WIN participants affects their decisions. In one fashion or another, participants weigh factors that affect their families' well-being. Employment and training staffs assisting WIN participants to become economically self-sufficient need to take into account the economic decision-making of the participants.

How WIN Has Reduced Dependency

The Work Incentive Program (WIN) authorized in 1967 by amendments to Title IV of the Social Security Act, helps employable welfare recipients find jobs and, therefore, achieve economic independence. All recipients of AFDC who are sixteen years of age or over are required to register for WIN to be eligible for AFDC. Exemptions, however, are provided for persons in poor health, those who are too old, and those who have preschool children. WIN registrants who are provided with needed services are required to accept appropriate employment when it is available in order to continue to receive AFDC benefits.

State agencies or the public employment services in most states are responsible for the training and employment of WIN registrants under a grant from the Department of Labor. Between 1968 and 1972 (WIN I), the program focused on developing the individual through counseling, training, and other social services. However, amendments to the Social Security Act in 1971 (WIN II) directed the program to emphasize direct job placement and to provide training and other assistance when a job was not feasible. Since that time, direct placement has been continually strengthened through intensive employment services provided to WIN participants. When registering with WIN, AFDC recipients are referred to employment counselors who try to find jobs for them immediately. If an appropriate job is not available, the recipients may be provided with public service employment. If training and experience is clearly needed by a recipient, on-the-job and classroom training is available.

Goodwin notes that about 10 percent of the adult AFDC recipients are able to participate in the WIN program.[74] In fiscal year 1975, 328,000 welfare

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[74] Goodwin, Work Incentive Program and Related Experiences, pp. 12-13.

recipients were certified as entering WIN, while over three million heads of households were AFDC recipients. Goodwin figures that if the WIN program omits the 16 percent who are presently employed, then nearly three-fourths of the AFDC adults (100 percent minus the 16 percent and 10 percent) are classed as unsuitable for employment or training because of numerous problems such as lack of child-care arrangements, old age, poor health, and other things.[75]

Participants who have been placed, unquestionably, are an elite subgroup of the AFDC recipients.[76] Studies of WIN participants in states as diverse as Minnesota and New Jersey substantiate this fact. For example, the WIN program in Camden, New Jersey, is a rallying point for "career-oriented" women. The research in The Work Incentive Program: Making Adults Economically Independent showed that the WIN participants "are active and extroverted personalities and are oriented positively to the world of work."[77] They seek social mobility for themselves and their families. During the process of screening AFDC recipients, the most able, the ambitious, the younger, and the better educated are automatically placed in the WIN program. The older, the poorly educated, the retiring AFDC recipients are given the training slots that are left if there are any. This approach to the selection of WIN participants is probably not planned by the employment and training practitioners or welfare workers; rather, it is the automatic result of choosing the best person for a position. The policy ends up as a double edged sword. On the one hand, the elite participants of WIN are more apt to become employed and receive wages that call for a decrease in welfare benefits. Yet, they may well have found satisfactory employment without the program. The AFDC recipients who are less promising employees to begin with are less apt to benefit from WIN and are also less able to find employment and to increase the wages they earn without professional assistance.

A Report on Predicting Job Tenure[78] considers ES applicants and WIN enrollees in New York, Houston, Los Angeles, Detroit, Washington, D.C., Denver, and San Antonio. The study investigates the potential of developing and administering a biographical information form that eventually could be used for forecasting individual employment outlook. For WIN enrollees, basic identification information, their history in the program, and type of program termination were collected. More extensive data were collected for ES applicants.[79]

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[75] Goodwin, Work Incentive Program and Related Experiences, pp. 12-13.

[76] Samuel Klausner, et al., The Work Incentive Program: Making Adults Economically Independent, Vol. 1 (Philadelphia, Pennsylvania: University of Pennsylvania, March 1972).

[77] Klausner, Work Incentive Program, p. x.

[78] Frank W. Erwin and James W. Herring, A Report on Predicting Job Tenure Among ES Applicants and Completion of Job Entry Among WIN Enrollees Through the Use of Biographical Information (Washington, D.C.: Richardson, Bellows, Henry and Co., Inc., January 1975).

[79] Erwin and Herring, Report on Predicting Job Tenure.

Along the same vein, Hubbard[80] believes his research verifies the potential of using biographical data to identify the subgroup of both ES applicants and WIN enrollees who are most apt to stay on the job and in the employment and training programs and, therefore, are potentially the more successful.

As Hubbard points out, by identifying the most promising persons among the disadvantaged, the costs of the employment and training programs in relationship to the benefits would fall.[81] Nonetheless, if the opportunities to participate in the programs are based on potential success, the outlook for the disadvantaged is bleak.

The primary goal of the WIN program is to help enrollees obtain a job or move to a better paying one and, thereby, reduce the level of welfare payments and number of cases. In fact, the WIN program should allow a combination of goals for all participants are not able to achieve the same objectives. WIN participants have different backgrounds and have varying qualifications for employment. For some to hold a half-time job is a sterling achievement, others are nearly ready to support their families with the wages they earn.

Numerous studies conducted on a local, regional, and national level, have evaluated the impact of WIN. Of course, to review all of these projects here is not germane to our objective of sketching the process by which welfare recipients are able to move up the rungs on the ladder to full-employment and income self-sufficiency. Since WIN is a step in this process, it is appropriate to present some of the recent R&D studies to give a glimpse of the present and potential impact of the WIN program.

Wiseman's study indicates that job experience significantly improves the chances of subsequent employment. He also states that a significant positive effect exists as a result of previous employment training through WIN I.[82] Such training may be decisive in upgrading a woman's job qualifications. Considering WIN I, Wiseman says that he suspects that completion of the program resulted in employment or at least greater likelihood that AFDC recipients would take jobs and become self-supporting.[83]

Schiller's longitudinal study, completed in 1976, evaluates the impact of

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80 Robert Hubbard, Interaction Effects of Personality, Job Training, and Labor Market Conditions on Personal Employment and Income (Ann Arbor, Michigan: Survey Research Center, Institute for Social Research, The University of Michigan, May 1976).

81 Hubbard, Interaction Effects of Personality, Job Training and Labor Market Conditions, p. 59.

82 Wiseman, "County Welfare" and "Change and Turnover," in Levy, Vickery, and Wiseman, Income Dynamics.

83 Wiseman, "County Welfare" and "Change and Turnover" in Levy, Vickery, and Wiseman, Income Dynamics.

WIN II between March 1974 and September 1975.[84] Overall, its primary aim was to measure any net gains in earnings and reductions in welfare payments experienced by active participants as a result of WIN II. A national sample of a total of 5,000 registrants at seventy-eight WIN sites and a series of three interviews per participant were used to determine the difference in earnings among comparable registrants who participated in the WIN II program and those who merely registered. The difference between the earnings gains and welfare reductions of the participants and the nonparticipants was considered to be the net impact of the WIN program.[85]

The average earnings gains of participants in the first year after receiving WIN II services were some $330 to $470 over that of comparable WIN registrants who received no services. Average net gain in annual employment was two to three weeks for men and three to four weeks for women. However, the benefits were not identical for all participants. Those participants who had little recent work experience had larger net earnings increases than WIN participants who had recent work experience. For participants with little recent work experience, the net earnings increase was $600 for men and $675 for women. Participants with recent work experience did not do much better than comparable groups who had no WIN services; their net gain amounts to only about $190 for men and $40 for women. Average net benefits to black participants were far below those for whites. Among black men, participants did no better than comparable nonparticipants; among white men, the program participants gained an average of $580 more in earnings than their nonparticipant counterparts. The average net earnings gain in the first year for black women participants versus nonparticipants was $255. For white women, the gain was the largest for participants over nonparticipants, with an earnings difference of $635.[86]

For women, Schiller's results indicate a significant impact on earnings from vocational training ($500 per year), from job placement effort (about $300 per year), and a respectable impact from on-the-job training and public service employment (about $1,400 per year). On an overall basis, WIN II had a beneficial effect on the job earnings of the women who participated in the program, more so than for men. Male participants in general education, job placement, and vocational training programs showed no significant increase in earnings.

For males in WIN, interviewed between March 1974 and September 1975, only on-the-job training or public service employment participants show an earnings improvement over their comparison group. These men receive about $1,900 more per year than their counterparts during the follow-up period. A word of caution voiced by Schiller should be inserted here, however. When these results were tabulated, a number of the participants, both male and female, were still in

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[84] Bradley Schiller, The Impact of WIN-II: A Longitudinal Evaluation (Washington, D.C.: Pacific Consultants, 1976).

[85] U.S. Department of Labor, Employment and Training Report of the President, 1977 (Washington, D.C.: U.S. Government Printing Office, 1977), pp. 60-63.

[86] U.S. Department of Labor, Employment and Training Report of the President, 1977, pp. 61-62.

subsidized on-the-job training or public service employment. The question, of course, is whether current government-supported higher earnings will continue if recipients can shift over to the private sector.[87]

WIN participants in the Schiller study were no more likely, on the average, to leave welfare than nonparticipating registrants with similar characteristics. This is explained largely by the work incentive features of the WIN program (earnings and work expense disregard), which provide for only a partial reduction of the AFDC grant--rather than elimination of welfare benefits--as individual earnings increase up to a specific level. In Schiller's study, nonetheless, the level of benefit payments decreased by about $165 for men and $105 for women in the first year.[88] Wiseman also notes that employment services do not significantly increase the likelihood of welfare termination but that they do increase the likelihood of employment and lower the level-of-welfare payments.[89]

In a recent summary, Goodwin points out the dilemma between the impact of WIN I and WIN II. The first program "was not very effective in moving large numbers of persons off welfare and into workfare." While WIN II placed more participants in jobs, immediate job placement is not as important as "the extent to which WIN graduates obtain higher paying jobs and hold them longer than a comparable group that does not receive WIN services.[90] Using the last two criteria of higher wages and longer employment, according to Goodwin, WIN I was more effective than WIN II.[91]

The welfare case movement studies recently completed provide good approximations of the flow of AFDC cases. We now have a relatively good grasp of the patterns: of merely passing through for many, of moving in and out for others, and of being mired in for some. WIN participants fall into all of these groups. Analyses of the yearly benefits of the WIN program in terms of changes in employment, wages earned, and numbers who leave welfare are needed in relationship to the anticipated pattern of the WIN participant prior to enrollment in the program.

There is a difference between short-term and long-term success. The program which seeks to move people from welfare to work may be successful on a

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[87]See Schiller cited by Goodwin in Work Incentive Program and Related Experiences, p. 50.

[88]U.S. Department of Labor, Employment and Training Report of the President, 1977, pp. 61-62.

[89]Wiseman, "County Welfare" and "Change and Turnover" in Levy, Vickery, and Wiseman, Income Dynamics.

[90]Goodwin, Work Incentive Program and Related Experiences, p. 100.

[91]Goodwin, Work Incentive Program and Related Experiences, p. 100.

short-term basis, but unsuccessful on a long-term basis. When recording short-term results a program may overlook the possibility of long-term success.[92] We now can verify the short-run benefits of the WIN program, but little information is known about long-term results. The WIN program is over ten years old. Now is the time to set up studies that measure the long-term benefits received ~~by WIN participants.~~

It is important for staff members to assist WIN participants in setting practical short-term and long-term goals. From a time perspective, a short-term success may be for a participant to leave welfare or to find an appropriate job. To lessen the number of times an individual returns to welfare, or to increase the number of years off of welfare could be a worthy long-term goal for some. This is not an easy task, but it is the only way to truly begin to record the impact of the WIN program on diverse participants.

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[92] Friedman and Hausman, Work and Welfare Patterns, p. 226.

The Low-Wage Employed

The low-wage employed have several shared characteristics that differentiate them from the general work force. They are generally young, primarily women, and/or members of a minority race. More often than not, they are low-skilled, have little education, and frequently work only part time.[1] Each of these characteristics warrants a closer look.

It can be generally stated that the greater the number of women working in the firm, the lower the wage rate, and the fewer the women, the higher the average wage rate.[2] Women make up more than two-thirds of the work force in the apparel and textile manufacturing industries, in general merchandising, and in medical and other health services. In banking, insurance, eating facilities, and personal service jobs, women comprise more than half of the labor force. Even when they work in the same industries and occupations, women generally receive lower average wages than men.[3]

Nonwhites historically have been relegated to occupations and industries which are low-waged. Their employment opportunities are limited to the secondary labor market. They face segregation and discrimination, particularly in gaining access to skilled and technical occupations. When holding comparable job slots, they frequently are paid lower wages than whites.[4] Because the jobs available to them were limited, minorities tended to develop skills in those occupations which were opened to them, instead of developing new skills. The economic problem caused by discrimination becomes almost self-perpetuating.

Forty-two percent of the poor population lived in the South in 1967 compared to 24 percent of the nonpoor. However, when these data are screened for the impact of race, the difference between the South and other parts of the United States becomes less important. As Levy explains it, "poverty is disproportionately nonwhite and nonwhites live disproportionately in the South. When data are controlled for race, the influence of the South *per se* becomes less important."[5]

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[1] Charles T. Stewart, Jr., Low-Wage Workers in an Affluent Society (Chicago, Illinois: Nelson Hall, 1974), p. 13.

[2] Francine D. Blau, Pay Differentials and Differences in the Distribution of Employment of Male and Female Office Workers (Cambridge, Massachusetts: Harvard University, January 1975).

[3] Marcia K. Freedman, Labor Markets: Segments and Shelters (Montclair, New Jersey: Allansheld, Osmun and Co. Publishers, Inc., 1976), p. 88.

[4] Stewart, Low-Wage Workers, pp. 201-205.

[5] Frank S. Levy, "How Big is the American Underclass?" pp. 27-170 in Frank S. Levy, Clair Vickery, and Michael Wiseman, The Income Dynamics of the Poor (Berkeley, California: Institute of Business and Economic Research, University of California, January 1977), p. 63.

Most of the low-paid work force have less than a high school education. Poor and nonpoor female household heads were not dramatically different in regard to educational attainments, although the poor had about one-to-two grades less education.[6] Male heads among the poor have four-to-five years less formal education than the nonpoor. Most blacks in low-wage jobs have low educational levels.[7] The numbers and proportions of minorities receiving a higher education is now increasing. However, unless there are opportunities for blacks to enter the higher skilled occupations, increased educational levels amongst blacks will not result in any pay off to their human capital or personal investment.[8]

A high proportion of farmers, farm and nonfarm laborers, domestics, operatives, textiles and apparel workers, and employees in retail stores, hotels, motels, hospitals, and restaurants earn relatively low wages. Manufacturers of lumber and wood products, furniture and fixtures, rubber and miscellaneous plastic products, leather and leather products, and miscellaneous other manufacturing industries also employ a large number of low-wage workers.[9] These industries are generally crowded with minority workers, competitive, low-profit and unorganized.[10]

The Employment and Training Report of the President[11] emphasizes that the income support offered by additional workers in the family varies by both the type of family and the member who is unemployed. Families headed by women seldom have other members of working age, while male headed households do.[12] Where the unemployed male heads a household, in about half of the cases another family member is employed. When the household head is an unemployed woman, in only about 8 percent of the cases is there another employed family member.

A large number of the low-wage women provide additional needed income for the family. The proportion of families in which husbands and wives are both earners has steadily increased since World War II. In 1975, 52 percent of the

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[6] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 57.

[7] Stewart, Low-Wage Workers, pp. 202-205, and Barry A. Bluestone, The Personal Earnings Distribution: Individual and Institutional Determinants (Ann Arbor, Michigan: Institute of Labor and Industrial Relations, The University of Michigan, 1974), pp. 276-279.

[8] Bluestone, Personal Earnings Distribution, p. 279.

[9] Stewart, Low-Wage Workers, pp. 16-22.

[10] Bluestone, Personal Earnings Distribution, p. 276.

[11] U.S. Department of Labor, Employment and Training Report of the President, 1977 (Washington, D.C.: U.S. Government Printing Office, 1977), p. 17.

[12] U.S. Department of Labor, Employment and Training Report of the President, 1977, p. 17.

wives in husband-wife families were employed and in only 3 percent of these families the wife was the only wage earner.[13] Among the husband-wife families designated as poor in 1975, only 24 percent of the wives worked and an additional 4 percent were the only breadwinners in the family.[14] In poor families, wives have a low probability of being able to supply additional income.[15] In a poor family with two workers, both incomes will be low.[16] Still, the additional income provided to the family may mean the difference between a family being poor or being able to move above the poverty level to a more comfortable life.

Whether one's annual income is above or below the poverty level depends to an impressive extent on the number of hours worked. Among the poor, there are a large number of unemployed and temporary, part-time, or seasonal workers. One out of every four of those workers who are employed less than half the year is poor. Conversely, only one out of twenty of those who are employed at least thirty-five or more hours per week throughout the year lives in poverty.[17]

Children in poor families are slightly younger than children in nonpoor families. This often prevents wives in poor families from entering the job market. However, as the children grow up, mothers have more opportunities to enter the labor force. Eventually, the children themselves are old enough to enter the labor force, at least on a part-time basis. It is almost as if the young family is passing through poverty and then moving on to a better life.

Analysis of Characteristics

Using Michigan's Panel Study of Income Dynamics, Levy examined employment patterns and work force characteristics by comparing poor households with those that are not poor.[18] He did not count welfare payments as part of the family

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[13] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 106, "Characteristics of the Population Below the Poverty Level: 1975" (Washington, D.C.: U.S. Government Printing Office, 1977), p. 105.

[14] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 106, p. 106.

[15] Freedman, Labor Market, p. 104.

[16] Sar A. Levitan and Robert Taggart, III, Employment and Earnings Inadequacy: A New Social Indicator (Policy Studies in Employment and Welfare No. 19, Baltimore, Maryland: The Johns Hopkins University Press, 1974), p. 25.

[17] Bradley R. Schiller, The Economics of Poverty and Discrimination (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1976, 2nd ed.), pp. 66-67.

[18] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 63.

income and includes only household heads who are under sixty and who are not crucially disabled. A poor household has earned income that falls below the poverty line. His 1967 poor (9.9 percent) and nonpoor populations are shown by race and sex of households in the table below. The table portrays some interesting differences between the poor and the nonpoor households. Sixty percent of the poor lived in male-headed households, whereas 91 percent of the nonpoor lived in male headed households. While 9 percent of the nonpoor households were headed by nonwhites, 55 percent of the poor households were headed by nonwhites.

Table 5. Poor and Nonpoor by Race and Sex

of Household Heads (millions of individuals)

Type of household heads	1967 Poor population		1967 Nonpoor population	
	Number	Percent	Number	Percent
White males	5.02	31	123.45	83
Nonwhite males	4.70	29	11.89	08
White females	2.45	15	10.49	07
Nonwhite females	4.18	26	2.21	01
Total	16.35	100	148.04	100

SOURCE: Frank S. Levy, "How Big is the American Underclass?" in Frank S. Levy, Clair Vickery, and Michael Wiseman, The Income Dynamics of the Poor (Berkeley, California: Institute of Business and Economic Research, University of California, January 1977), p. 57.

Levy vividly portrayed the odds of being poor in 1967. "Suppose a person in 1967 was under 60 and the head of his household was both under 60 and not critically disabled." A person in a white, male-headed household had only a 4 percent chance of being poor. Members of a family headed by a nonwhite man had a 28 percent chance of living in poverty.[19] In a family headed by a white female, one's chances rose to 19 percent. A person in a family headed by a nonwhite woman had a 65 percent chance of being poor.

Poor male household heads worked almost as much as the nonpoor ones (in Levy's study, only 5 percent of the poor lived in households where the male

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[19] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 56.

does not work at all). But the poor male household heads averaged about nineteen hours of work per week, while the nonpoor ones averaged twenty-three hours a week.[20] There was, however, a significant difference in work patterns of poor and nonpoor females who headed households. Half of the poor female household heads did not work at all, and those who did averaged 1,000 hours annually compared to 1,600 for nonpoor families headed by women.

Actual wages for male heads of households in the poor population are about 35 percent of those earned by male heads of households living above the poverty line.[21] Levy calculates what he calls "an average estimated wage" for a worker--the wage which he should earn given his experience, education, and present location. The average wages received by male heads of households in the poverty category are 40 percent below their estimated wages. Female household heads in the poverty group were similar to the males in regard to the percentage received of their estimated wages.[22] The study shows that the wages the poor received need not be permanently low since they are only partially based upon the qualifications of the worker. However, for female household heads, neither wages nor low hours really make a difference; the substitution of the average estimated wage and normal hours makes little change in their level of living. Even reducing families to two children will, at best, only reduce the problem by 30 percent. This is because the distribution of wages received by women household heads is lower than that of men.[23]

Unemployment and Income

Unemployment is a transitory phase through which part of the work force passes but does not stay, according to Smith.[24] The incidence and duration of unemployment decreases as a worker ages. Black unemployment rates and those of women are higher partially because their jobs are more likely to be peripheral.

As the unemployment rate reached its highest post World War II levels in the mid-1970s, the Department of Labor initiated research on unemployment

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[20] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 65, and Barry L. Friedman and Leonard J. Hausman, Work and Welfare Patterns of Low Income Families (Waltham, Massachusetts: The Florence Heller Graduate School for Advanced Studies in Social Welfare, Brandeis University, June 1975), p. 63.

[21] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 71.

[22] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 71.

[23] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 76-77.

[24] Ralph E. Smith, "The Opportunity Cost of Participating in a Training Program," Journal of Human Resources, Vol. 6, No. 4, Fall 1971, p. 511.

insurance exhaustees to gain a greater understanding of their labor market behavior, behavior and changes in family economic status and to examine several pertinent policy issues. Over 2,000 individuals living in Atlanta, Baltimore, Chicago, and Seattle who exhausted their regular unemployment insurance (UI) benefits in October, 1974, were interviewed: at the time their benefits ran out; four months later;[25] and, over a year after the exhaustion of regular benefits.[26] Fifty-nine percent of the sample received some extended unemployment benefits during the post-exhaustion year. Exhaustees were more likely to be women and older. The interviews indicated a high level of "work related disabilities." Most of the involved families were childless. Exhaustees generally had incomes below the general population, but clearly did not represent a poverty population, and covered a broad range of family income classes.[27] In addition, exhaustees were employed in occupations and industries similar to unemployment beneficiaries in general. Unemployment exhaustees were a diverse group who represented a cross-section of the unemployed. They experienced a substantial amount of employment during the study, but they did not use UI benefits as a long term means of income support.[28]

Unemployment lowered family income by a third, while exhaustion of unemployment benefits on the average caused a decline of an additional third. But the actual income decline depended upon whether or not the family had other wage earners or sources of income. In the second set of personal interviews (four months after exhaustion of benefits), households, on the average, had re-established their incomes to what they were prior to exhaustion of benefits. More than fifty percent of the restored income came from the wages earned by exhaustees and another 30 percent represented an extension of unemployment benefits and means-tested transfer programs.[29] At the final interview, average family incomes were above those received before the regular unemployment benefits were exhausted. Young, white, and male exhaustees had higher reemployment rates than old, nonwhite, and female exhaustees.[30] Four months after regular benefits

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[25]Walter Nicholson and Walter Corson, A Longitudinal Study of Unemployment Insurance Exhaustees, Final Report on Waves I and II (Princeton, New Jersey: Mathematica Policy Research, Inc., January 1976).

[26]Walter Corson, Walter Nicholson, and Felicity Skidmore, Experiences of Unemployment Insurance Recipients During the First Year After Exhausting Benefits, Final Report Wave III (Princeton, New Jersey: Mathematica Policy Research, Inc., August 1976).

[27]Nicholson and Corson, A Longitudinal Study of Unemployment Insurance Exhaustees.

[28]Corson, Nicholson, and Skidmore, Experiences of Unemployment Insurance Recipients.

[29]Corson, Nicholson, and Skidmore, Experiences of Unemployment Insurance Recipients.

[30]Corson, Nicholson, and Skidmore, Experiences of Unemployment Insurance Recipients. p. 13.

were exhausted, the reemployment rate was about 25 percent; after a year's time it increased to 36 percent. More than two-thirds of the reemployment took place in the first four months after unemployment benefits were exhausted.[31] Reemployment hopes decrease as the months go by.

A limited number of exhaustees said they were transfer program recipients at one time or another during the year; 24 percent of the families received food stamps and about 7 percent received AFDC benefits. Few of those eligible applied and many exhaustees were not eligible for most "means-tested" transfer programs. Unemployment benefits are targeted to replacing losses in earnings, not to reducing poverty. As a result, when benefits are exhausted, the use of means-tested welfare programs is not large.[32]

Movement of the Low-Income Group

Levy categorized people as poor or nonpoor according to the proportion of time they spent in poverty.[33] Over the seven years of his study, 75 percent of the original poverty population moved out of poverty at least once, and 37 percent moved back and forth across the line more than once. Fifty-eight percent left poverty and did not return. The other side of the picture presents a sadder outlook: 45 percent of the 1967 poor remained in poverty at least four years of the seven year study, and only 25 percent lived above the poverty line at least five of those years.[34]

The potential for leaving poverty varies with different demographic characteristics. Male-headed households are more likely to leave poverty than are female-headed ones, and the odds are better for small families than large ones.[35]

Levy, in examining the movement of the poor population between 1967 and 1968, found that during the space of one year's time, 31 percent of the poor crossed the poverty line -- either because the household head or another member

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[31]Corson, Nicholson, and Skidmore, Experiences of Unemployment Insurance Recipients, p. 13.

[32]Nicholson and Corson, A Longitudinal Study of Unemployment Insurance Exhaustees and Corson, Nicholson, and Skidmore, Experiences of Unemployment Insurance Recipients, p. 32.

[33]Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 27-170.

[34]Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 130.

[35]Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 115-123.

of the household experienced a change in income, or because the head of the household changed, generally through marriage.[36] Households that moved out of poverty were primarily male-headed, with fewer than three children. However, the key factor was a sizeable jump in the wage rate received by the household head. Levy points out many of those who left poverty still had incomes low enough so that "a piece of bad luck would leave them poor again."[37]

The 1967 data indicated that male household heads in the poor population whether on welfare or not, were working nearly full time. They were poor because they had large families and low wages. Their wages were not only lower than the national averages but also lower than would be anticipated, based on their qualifications.[38] A worker moved out of poverty because he found a job for which he was qualified.[39] Whites, however, had a much higher chance of finding an appropriate job and leaving poverty than nonwhites. In addition, the unemployment rate makes a difference, because "when the country's unemployment rate rises from 4 percent to 6 percent, a male household head's probability of leaving poverty is cut by one-third."[40] Levy emphasized that male household heads in his sample may have had just plain bad luck.

Inasmuch as poor female household heads have such low incomes, the likelihood of their leaving poverty through their own resources is limited. White females whose families actually left poverty in 1968 had both wage and hour increases of 40 percent. They also received other private income including alimony and child support payments. Between 1967 and 1968, nonwhite female heads leaving poverty had wage increases of 40 percent and hour increases of 70 percent. In these nonwhite households additional private income was negligible.[41]

What is the destiny of the children under eighteen years of age who represented about 70 percent of the 7.7 million people who were poor most of the time between 1967 and 1973? Although Levy recognized that the panel study contained a limited number of observations on children who were in poor households in 1967 and who by 1973 were old enough to form households of their own,

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[36] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 113-114.

[37] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 135.

[38] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 9.

[39] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 78.

[40] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 108.

[41] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, p. 96.

nonetheless, the inferences are exciting. Young white males growing up in poverty had a 90 percent chance of permanently moving out of poverty when forming their own households. Nonwhite males had an 80 percent chance of moving out of poverty. For young females from poverty households forming their own homes, the corresponding figure dropped to 40 percent. Levy calculated that about one-half of the permanent poor were children who will eventually move out of poverty.[42] Thus, Levy suggested that the poor have far more mobility than is generally believed.[43]

Education and Training Programs

Research concerning the relationship of education to higher wages is fraught with methodological problems. Past experience substantiates that there is a positive return to education as a whole. Wirtz pointed out that the numerous studies conducted during the 1960s indicated that the rates of return to the worker on money spent for education in terms of increased lifetime income are between 6 percent and 22 percent.[44] Although the exact percentage of national economic growth attributed to the education and training of the labor force is not precisely known, Wirtz suggests that the figure falls between 15 percent and 25 percent.[45]

It is also clear that lifetime earnings resulting from education depend upon the occupation in which it is used. Earnings are related to the quality of the job, which may or may not be related to the expertise of the worker.[46] There are wide discrepancies among lifetime earnings resulting from education by age, race, and sex. Educational pay offs for minorities and women are limited as long as they are forced to enter and remain in unskilled jobs. Although minorities as a whole are now less educated than whites, even if their educational levels were higher across the board, they might not get better jobs or earn higher incomes to the same extent as whites. The job specifications might merely rise with general educational levels and minorities would continue to be the last hired.

The level of educational attainment in the United States has taken a giant step in the last three decades. Wirtz emphasized that the mean educational

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[42] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 117-123.

[43] Levy, "How Big is the American Underclass?" in Levy, Vickery, and Wiseman, Income Dynamics, pp. 67-68.

[44] Willard Wirtz and the National Manpower Institute, The Boundless Resource: A Prospectus for an Education/Work Policy (Washington, D.C.: The New Republic Book Co., Inc., 1975), pp. 158-159.

[45] Wirtz, Boundless Resource, p. 160.

[46] Freedman, Labor Markets, p. 4.

level of the labor force aged eighteen through sixty-four rose from 8.6 years for men and 9.8 years for women in 1940 to 12.0 years for men and 12.1 years for women in 1973. He also pointed out that competent studies have verified that during the past quarter century there has been little increase in the skill requirements of jobs within "homogeneous skill clusters" and no significant changes in the educational backgrounds the jobs require.[47]

For both men and women, education plays a role in acquiring higher-level jobs. High school graduation continues to be an important demarcation point, but lifetime earnings attributed to the B.A. degree appear to have declined over the decade of the 1960s. Perhaps it is meaningful to think of diplomas as permission slips needed to apply for particular jobs. Educational qualifications allow people to compete for jobs, but they do not necessarily guarantee employment.[48]

Expenditures in education should result in a reduction in on-the-job training costs. If reductions in training costs are larger than the costs of acquiring the education, there is both a social benefit and a personal benefit to the individual. Conversely, if the reductions in training costs are smaller than the costs of acquiring the education, there is a social cost and actually a negative return to society. However, the return to the individual is a different matter.[49] Workers who will require the lowest training costs for an employer most often get hired. As Thurow and others have emphasized, education is a badge that indicates a worker knows how to learn.[50] Certainly, if all workers increase their educational backgrounds, they do not change their relative positions. If a few choose not to follow the crowd, not to become better educated, however, they cannot qualify for the better paying jobs and will fall behind.[51]

There is a great need for the careful identification of jobs which require skills that are not readily available and for the training of persons so they can meet the requirements for these jobs. Employment and training programs can develop workers with the appropriate education and training to fill jobs for which there are shortages of workers.

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[47] Wirtz, Boundless Resource, pp. 88-89.

[48] Freeman, Labor Markets, p. 97.

[49] Lester C. Thurow, Generating Inequality: Mechanisms of Distribution in the U.S. Economy (New York: Basic Books, Inc., Publishers, 1975), p. 185.

[50] Thurow, Generating Inequality, pp. 86-88.

[51] Thurow, Generating Inequality, p. 185.

A diploma is merely a first step to obtaining a job. After the basic job requirements are met, work experience and training become very important.[52] Training may take place in vocational schools, but most workers learn their skills on the job. According to Schiller,[53] not only does the worker learn on the job, but both the quality and quantity of on-the-job training have a definite effect on the worker's wage rate. Schiller indicates that workers who receive more training also experience higher rates of promotion and, therefore, receive higher earnings. Conversely, those who receive little on-the-job training experience slow promotions and even slower wage-rate increases. On-the-job training is the basic explanation for higher earnings in Schiller's research. He also points out that the most important features of a job are the number and quality of skill development opportunities it provides. Although recognizing that it is not entirely clear what determines the availability of on-the-job training, he believes that skills in a plant are primarily passed on from worker to worker on an informal basis. He concludes, however, that the amount of training offered depends upon the size of the firm and the "amount of interaction between workers of different skills."[54]

Since they are establishing themselves in the world of work, a high proportion of teenagers and young adults under twenty-five are found in low-wage employment. Low-wage jobs have a constructive role as trainers of the young and as temporary employment for workers who have upward mobility. According to Freedman, merely growing older is one of the most important factors leading to an opportunity for a higher paying job for white men. The top one-third of the earnings distribution belongs in descending order to mature males; to young males; to mature females; and finally, to young females. Although the middle one-third of the earnings distribution has more equal representation, mature men still hold the strongest position. Following a different order, jobs that develop in the bottom one-third of the earnings distribution primarily go to young women; to mature women; to young men; and finally, mature men.[55] For women and black men, growing older does not yield benefits that are comparable to those of the white male. Black workers and women continually face higher unemployment rates, lower earnings, and more involuntary mobility than their white counterparts.[56] Both women and black men are clustered in poor-paying occupations and industries that offer little promotional potential.

The manner in which jobs, particularly low-wage jobs, are allocated generally is based upon education, sex, race, age, and personal behavior.[57]

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[52]Stewart, Low-Wage Workers, p. 211.

[53]Bradley R. Schiller, "Equality, Opportunity, and the 'Good Job,'" The Public Interest, No. 43, Spring 1976, pp. 111-120.

[54]Schiller, Public Interest, pp. 119-120.

[55]Freedman, Labor Markets, p. 74.

[56]Freedman, Labor Markets, p. 97.

[57]Freedman, Labor Markets, p. 71.

Most of the low-wage jobs go to minority groups and females. Training, education, and work experience can pay off for these workers in the form of better jobs and higher earnings. Perhaps it is true also that the extent to which better jobs and higher earnings are available varies significantly according to sex, race, and class.[58]

Stewart[59] lists the following deficiencies and drawbacks which present problems for low-wage workers: lack of basic education for routine job entry and as a necessary foundation for vocational training; lack of skills; paucity of training; lack of information about jobs; unwillingness to accept available openings; lack of appropriate work attitudes; discrimination; and employer ignorance about realistic job requirements. Stewart also mentions other problems such as possession of a skill not in demand in a locality, lack of availability of full-time or continuous employment, and low-wage foreign competition.

Ways of attacking the problems of the low-wage employed are through the changing of hiring standards, reducing the high school dropout rate, providing training and vocational education, restructuring jobs to fit worker limitations, offering vocational guidance in employment services, training workers to qualify for better jobs, changing attitudes in relationship to realistic expectations, providing better job analyses, improving employer selection and training procedures, and eliminating discriminatory practices.[60] The enforcement of equal employment opportunities specified by federal legislation will assist in providing opportunities in the primary job market for minorities and women. Tax benefits for firms willing to employ and train the unskilled will open up new opportunities. In addition, the present minimum wage of $2.65 an hour is to be raised to $2.90 in 1979, and to $3.35 in 1981. These scheduled increases will help protect the low-wage employees, particularly, nonwhite workers and women, against poverty. However, the employment of youth and of workers in temporary jobs initially may be discouraged by these minimum wage increases.

Do Employment and Training Programs Reduce Poverty?

The Department of Labor under the Manpower Development and Training Act of 1962 (MDTA) and Economic Opportunity Act of 1964 (EOA) was authorized to better the job opportunities of the disadvantaged and underemployed. Under MDTA, government-supported on-the-job training (OJT) by employers was emphasized. Skill training was focal, although related classroom instruction and supportive services were also provided.

Although numerous studies evaluated the effectiveness of the training provided under the program, it is extraordinarily difficult to measure the

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58 Bluestone, Personal Earnings Distribution, p. 289.

59 Stewart, Low-Wage Workers, pp. 213-214.

60 Stewart, Low-Wage Workers, pp. 213-214.

increased earnings generated. Nonetheless, the results indicate that training programs have a considerable impact on employee earnings. Wirtz's summary of these cost/benefit studies suggests that the rates of return from training expenditures range anywhere from 12 percent to 56 percent.[61]

With the use of Social Security records, a comprehensive study of the earnings of persons receiving training in 1964 revealed that their earnings increased over the amount they otherwise would have received in 1965 by between 8 and 18 percent. Ashenfelter, the primary researcher of this study, contends that although training effects on earnings decline over time, some effects on earnings persist even five years after the training process occurred.[62]

Perry concluded that skill training and job development programs had the most impact on earnings, while prevocational training and work experience had the least.[63] In 1964 the gain for men from institutional MDTA training was $1,447 and for women $1,182; the gain in OJT was $1,743 for men and $1,426 for women. However, the gains for women were partially due to the fact that they were not fully employed prior to training.[64]

MDTA was experimental in nature and inadequately funded in terms of the objectives set for the programs. As a whole, the overall evaluations have been favorable. Yet, when dealing with programs so sensitive that they may change the livelihood and lifestyle of labor force participants, authorities will have healthy disagreements about most facets of the programs. Criticisms have often been leveled at the training programs of the Department of Labor. The critics say that the jobs associated with the training efforts have actually required little training and have paid extremely low wages. Furthermore, the critics believe that they are jobs with high turnover rates and not the types that usually become permanent jobs, that training provided was in low-paying occupations and, in some cases, did not help trainees make the transition from low-level jobs with substandard earnings to jobs paying an average earnings level. Finally, critics say that the training merely circulated labor from one set of low-paying jobs to another.

MDTA was replaced by the Comprehensive Employment and Training Act of 1973 (CETA). Today, CETA with amendments and extensions is the legislation providing for basic employment, training, and other programs for the economically disadvantaged, the unemployed, and the underemployed.

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[61]Wirtz, Boundless Resource, p. 159.

[62]Orley Ashenfelter, "Manpower Training and Earnings," Monthly Labor Review, April 1975 is cited by Wirtz, Boundless Resource, p. 159.

[63]Charles R. Perry, et al, Impact of Manpower Training Programs in General and on Minorities and Women (Philadelphia, Pennsylvania: University of Pennsylvania, 1975).

[64]Perry, Impact of Manpower Training Programs, p. 77.

ETA policies and programs have resulted in improved employment and training opportunities for minorities and women, and have focused on the underclass. ETA is currently taking steps to strengthen the links between employment and training programs and the private sector, to expand the number of industries where apprenticeships are available, and to develop innovative programs that are managed and staffed properly. As continuing progress is made through these efforts and through further R&D contributions of new techniques, data, and insights, there is hope that the remaining challenges faced by the low-wage employed will be alleviated.

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