



An Initiative Convened By The National Campaign for Jobs and Income Support

FUZZY MATH?: Administration and Herger Proposals to Increase Work Hour Requirements for Welfare Parents Are Unworkable

April 10, 2002

BACKGROUND

The Bush Administration's "Working Toward Independence" proposal, unveiled on February 26th, 2002, lays out the Administration's priorities for welfare reform reauthorization. The Bush proposal has been roundly criticized by the nation's Governors and by others for increasing work requirements. Currently, at least 50 percent of the caseload must work 30 hours per week up to 20 of which must be in narrowly defined work activities. The Bush proposal would require 70 percent of the caseload to be working at least 40 hours per week, and increase the number of hours that parents must be engaged in work activities to 24 hours. The proposal also reduces the number of months during which parents can pursue vocational educational education from 12 months to three months. The increase in work participation requirements is even greater than it appears because the Bush proposal eliminates the caseload reduction credit, which allows states with caseload declines to meet a lower work participation rate and replaces it with a less generous employment credit.

It is important to understand that the net effect of the Bush work requirements will be that states will have to aim to have *much more than 70* percent of their caseload in work activities to achieve a 70 percent rate. Similarly, it is unlikely that a state would in practice allow recipients to do the minimum 24 hours of work activities and use the other 16 other hours for other purposes, because the Bush proposal gives no credit for parents working less than 24 hours. Again, states will have strong incentives to require parents to work *more than 40* hours per week in hopes of reaching the prescribed goals.

In response to criticism of its proposals, the Administration has made two significant changes. The legislation to be introduced by Representative Wally Herger (R-CA), Chair of the House Human Resources Subcommittee, will closely mirror the Bush plan. It is expected to include provisions suggested by the Administration that would provide "leave" for workfare workers to the same extent that such leave is available to state employees. This change recognizes the reality that few workers work 40 hours year-round, because most have holiday, sick, vacation, and parental leave. Unfortunately, the Herger/Bush proposal maintains the basic 40-hour requirement, which according to new research (attached) by the Institute for Women's Policy Research, would create a higher employment requirement for welfare mothers than for other mothers in America.

Several weeks ago, Secretary Thompson “clarified” that the Administration intended to continue to apply the Fair Labor Standards Act, the nation’s minimum wage law, to workfare workers. While that reversal was an important step in the right direction, it raises a whole new set of problems, because many states are simply not going to be able to pay the minimum wage and meet the 40-hour requirements.

SUMMARY OF FINDINGS

The Bush proposal to increase the hours of work per week presents a number of problems for states administering welfare programs and recipients receiving cash assistance.

- ?? **Only 5 states could move recipients receiving the maximum cash assistance and food stamps grant into 40 hours of work and still pay the minimum wage** as required by the Fair Labor Standards Act, which guarantees the minimum wage and worker protections: AK, HI, NH, NY, and WI. It should be emphasized that a significant number of families do not receive the monthly maximum benefit, so this analysis actually overstates the extent to which states could comply with the minimum wage requirements and the 40 hour requirements simultaneously.
- ?? **Four states could not pay the minimum wage if recipients were required to work 24 hours per week:** AL, LA, MS, and TN. It is important to emphasize that the vast majority of states would have to impose work requirements closer to 40 hours than to 24 hours in order to comply with the Bush proposal.
- ?? **Only 14 states could pay the minimum wage for a 24 hour workweek for families receiving “unearned income”:** AK, MI, MT, NV, NH, NM, NY, ND, OR, SD, VT, VA, WV, WI, and WY. In many states, significant numbers of families receive unearned income (for example, social security or Supplemental Security Income) that reduces their welfare cash grant, generally on a dollar for dollar basis. For example, 25 percent of TANF families in South Carolina receive unearned income, reducing their welfare benefits by an average of \$157 per month. That effectively reduces the number of hours such South Carolina families can work under the minimum wage rules to 17.
- ?? **Only 6 states could pay the minimum wage for 24 hours of work per week if the recipient were not receiving food stamps:** AK, HI, NH, NY, VT, and WA. In many states, large numbers of welfare families do not receive food stamps. The minimum wage calculation is based on the total of cash welfare and food stamps benefits. In Missouri, for example, 29 percent of welfare parents do not receive food stamps. For these parents, the maximum hours that can be worked under the minimum wage rule is 13.
- ?? **Low-income parents working 40 hours per week at the minimum wage would lose their cash assistance grants after the first month in 26 states because they would be earning too much:** AZ, AR, CA, CO, CT, DC, FL, GA, ID, IN, KS, MD, MA, MI, MT, NE, ND, OK, OR, PA, SD, VT, WA, WV, WI, and WY. There is a bizarre contradiction in the Bush welfare plan. If a welfare parent got a minimum wage job at 40 hours a week, they would in most states be ineligible to receive welfare because their earnings would be too high. The plan creates a strong incentive for states to *keep* welfare recipients on welfare and place them in unpaid workfare positions, rather than to place them in wage-paying jobs.

?? **The increased work hours unfairly burden low-income single mothers with a heavier workload than most mothers in America.** Of all mothers with children under 18, 64 percent do not work year-round at 40 or more hours a week; of all single mothers, roughly 60 percent do not work year-round at 40 or more hours per week. The average number of hours worked per week by mothers with children under 18 is 35, for single mothers 36. Only 32 percent of all mothers with children under 6 work 40 hours per week, year-round. New analyses by the Institute for Women's Policy Research show that this pattern holds true in 21 states for which CPS data was analyzed.

A BETTER ALTERNATIVE

Instead of making people receiving welfare work dead-end, no-wage jobs, education and training—including the full continuum of basic, secondary, and post-secondary education, English as a Second Language, and skills training—should count as a work activity. Workfare programs have not been shown in a single study to improve employability or incomes for participants. By contrast, numerous studies have shown the impact of education and training on income and wellbeing for families.

Another alternative to workfare is wage-paying public jobs that provide real education and training opportunities. There are now over 30 transitional public jobs programs now in operation around the country. These programs create temporary jobs for welfare recipients and other low-income adults in the public sector and in non-profit organizations. They provide individuals with limited skills and work experience the chance to gain experience on-the-job while improving their skills in a way that leads to better long-term wages and benefits. They combine work with education and/or training, along with mentorship and work supports, in a way that ultimately gives participants stronger standing in the work world as they continue to progress in careers over time. Because these are wage-based programs and not punitive “workfare” programs, they do not count against participants' TANF time limits, allow participants to earn social security credits, and may qualify participants for the Earned Income Tax Credit and the Refundable Child Tax Credit.

1. Increased hours per week

The Administration takes the “work first” approach to a new level by increasing the hours low-income parents are required to work to receive cash assistance from 30 hours to 40 hours per week. For at least 24 hours, recipients must be engaged in direct work, including unsubsidized employment, subsidized private sector employment, subsidized public sector employment, on the job training, supervised work experience, and supervised community service. The remaining 16 hours are left to state discretion, but may be used for community service, education and training, or counseling.

Critics of the plan wonder if the jobs exist to fulfill these hours. Many recipients currently work 2 jobs to meet the 30-hour requirement, since most job opportunities are entry-level, part-time positions. Others meet the requirement because they are allowed to count a broader range of activities, including education and training, as work. By increasing the required hours of direct work, states are faced with a dilemma. The Fair Labor Standards Act and the 1996 welfare reform law guarantee that recipients required to work for benefits do not have to work any more hours than the amount of the combined cash assistance and food stamp benefit divided by the minimum wage.

When the *maximum* benefit-level is divided by 40 hours per week, only 5 states can pay the minimum wage¹: Alaska, Hawaii, New Hampshire, New York, and Wisconsin. A welfare recipient could only work 22 hours in Alabama at the federal minimum wage of \$5.15 an hour. (Table 1.)

Four states could not pay the minimum wage if recipients were required to work 24 hours a week, the amount of direct work required by the Bush proposal: Alabama, Louisiana, Mississippi, and Tennessee. These states have the lowest maximum cash assistance grants for low-income parents and some of the highest rates of poverty in the country. (Table 2.)

2. Reduced benefit levels and the minimum wage

While a very small number of states could pay the minimum wage if recipients were receiving the *maximum* benefit, several factors reduce a welfare recipient’s overall benefit level, including unearned income, nonreceipt of benefits, paid earnings, sanctions, or a combination of all of the above.

Only 14 states could pay the minimum wage for 24 hours of work per week to their entire caseload if “unearned income” were subtracted: Alaska, Michigan, Montana, Nevada, New Hampshire, New Mexico, New York, North Dakota, Oregon, South Dakota, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming. Unearned income, including Social Security, Supplemental Security Income for people with disabilities, and child support, reduces the welfare cash assistance grant dollar for dollar. More than 24 percent of the caseloads in South Carolina and Nevada have unearned income that reduces their overall cash assistance grant. If the overall benefit level were reduced by the unearned income monthly average in Arkansas, low-income parents could only work 3 hours a week. How states would fulfill the 24-hour direct work requirement and overall participation rate for these recipients is unclear. (Table 3.)

Similarly, many welfare recipients do not receive food stamps, although eligible, for a variety of reasons including lack of outreach, unduly long applications and paperwork, and burdensome recertification requirements. Excluding the food stamps benefit from the overall calculation

¹ Except in the 12 states with higher state minimum wage laws, the federal minimum wage of \$5.15/hour applies.

significantly reduces the number of hours low-income parents are able to work at the minimum wage. If the food stamps benefit were subtracted, welfare recipients could work 24 hours per week in only 6 states: Alaska, Hawaii, New Hampshire, New York, Vermont, and Washington. A sizable number of welfare recipients do not receive food stamps. In North Carolina, the percentage not receiving food stamps is as high as 51 percent. Welfare recipients could not work 40 hours in any state if they did not receive food stamps. (Table 4.)

3. Loss of Benefits

Low-income parents working 40 hours per week in subsidized employment at the minimum wage would lose their cash assistance grants after the first month because they would be earning too much in 26 states: Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Indiana, Kansas, Maryland, Massachusetts, Michigan, Montana, Nebraska, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, Washington, West Virginia, Wisconsin, and Wyoming. (Table 5.)

All states have caps on the monthly wages recipients can earn and still qualify for cash assistance grants. These 26 states have caps that are less than the monthly wage of a 40-hour workweek. People in these states fulfilling the 40-hour week would be quickly moved off of assistance without benefits, training, or a job that pays above poverty wages.

4. Unrealistic work burden

The increased work hours unfairly burden low-income single mothers with a heavier workload than the rest of America. Of all mothers with children under 18, 64 percent do not work year-round at 40 or more hours a week; of all single mothers, roughly 60 percent do not work year-round at 40 or more hours per week. The average number of hours worked per week by mothers with children under 18 is 35, for single mothers 36. (Table 6.)

Only 32 percent of all mothers with children under 6 work 40 hours per week, year-round. The Administration's position that mothers receiving benefits should work as much as other mothers do ignores the reality that most mothers with children do not work 40 hours a week.