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States of dependence: Lessons from the U.S. road from welfare to work

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1. Introduction

The Australian discourse on welfare reform is not idiosyncratic and owes much to an American policy rhetoric that champions mutual obligation and ‘work first’ models as a means to counter welfare dependency.

There are important differences between Australia and the United States with respect to the nature of welfare² systems, labour regulation, and the evolution and stringency of welfare reform measures. However, in the presence of shared policy objectives and directions, it is important for Australia to consider whether the imposition of labour market discipline on welfare recipients and low-wage workers in the U.S. has cultivated greater self reliance.

In considering how the problem of welfare dependency has been constructed in the United States, and what the 1996 welfare reform bill has accomplished, the paper will be organised as follows. Section 2 provides an overview of welfare reform measures under the 1996 *Personal Responsibility and Work Opportunity Reconciliation Act* and the concern with welfare dependency that underpinned the legislation. Section 3 assesses what welfare reform has accomplished in terms of labour market outcomes for single mother families. Section 4 provides a more detailed examination of changes in the composition of income and the extent to which earnings from paid employment have served to ameliorate poverty and reduce dependency. In Section 5 we consider the lessons from the U.S. model of welfare reform, focusing on the conduct of macroeconomic policy, the risks associated with changing public assistance from a counter-cyclical to a pro-cyclical form of support, and the deterioration of conditions in the low wage labour market. An alternative policy approach and concluding comments are contained in Section 6.

2. Welfare reform in the United States

2.1 The 1996 welfare reform bill – an overview

In August 1996, the *Personal Responsibility and Work Opportunity Reconciliation Act* (PRWORA) saw the replacement of Aid to Families with Dependent Children (AFDC) with the Temporary Assistance for Needy Families (TANF) block grant. Each state was now entitled to an annual block grant that was invariant to changes in the state’s welfare caseload. State TANF plans were implemented between September 1996 (Massachusetts, Michigan, Vermont and Wisconsin) and January 1998 (California) (Schoeni and Blank, 2000: 35).

Under the Act, states were given greater discretion in designing programs to promote the employment and self-sufficiency of TANF families and were required to show that at least 50 per cent³ of their TANF recipients were participating in work-related activities by 2002. This served to accelerate the ‘work first’ push of the early 1990s when a number of states were granted waivers from AFDC rules in order to test a range of welfare-to-work strategies (Strawn, Greenberg and Savner, 2001: 224).

The PRWORA also gave the states greater authority to impose sanctions on TANF participants⁴, and imposed time limits on the receipt of federal funds. In the majority of cases, adults must undertake a work activity within two years to ensure ongoing funding, and face a five-year lifetime limit on the receipt of federal aid. Ellwood (2001: 16) notes that the original welfare reform plan - introduced by President Clinton in 1994 but never passed - guaranteed a subsidised job to individuals who had

been in receipt of welfare for two years. We will argue that this guarantee was an important omission from the 1996 legislation.

2.2 The politics of dependence

The PRWORA evolved from concern with the character, size and cost of AFDC rolls. The availability of AFDC benefits was seen to shield single mothers from the discipline of the paid labour market and to encourage out-of-wedlock birth. The issue of ‘welfare dependency’ served to rally liberals and conservatives to a common cause. In Jamie Peck’s words (1998: 136):

The new imperative is to end welfare, not poverty per se, the objective being to correct those individual behavioural dysfunctions – such as moral laxity and inadequate work discipline – which are seen as a cause of poverty but more importantly as a consequence of the welfare system.

An explicit aim of TANF is to end the dependence of needy parents on state assistance by promoting job preparation, work and marriage. In this model, the causes of unemployment, poverty and dependency are constructed on the supply-side and derive from the deficiencies of dependent individuals, and from passive welfare measures which sponsor their inactivity. Understanding the construction of the problem is important to understanding the policy corollaries of time-limited benefits and mandatory participation in programs designed to improve the ‘employability’ of welfare recipients.

The focus on the individual owes much to the disregard for system-based explanations of dependency in the welfare reform debate. If dependency is a legacy of ill-conceived macroeconomic policy and an inadequate wage floor, then an effective policy response would focus on the policy settings required to maintain full employment at a living wage. More attention would be paid to the values and behaviour of a succession of U.S. Treasury Secretaries - including Robert Rubin, Larry Summers and Paul O’Neill - than to the values and behaviour of single mothers unable to find paid work.

2.3 The great welfare switch

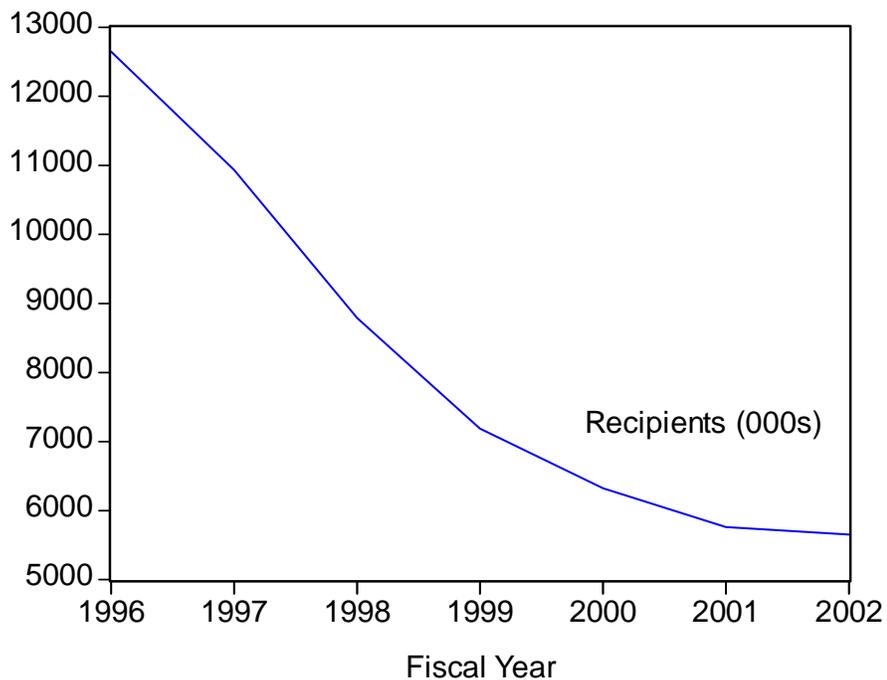
The policy analogue to the ‘work first’ theme of the 1996 reforms has been a dramatic increase in public assistance for low-income working families. The growth in federal outlays on Earned Income Tax Credits, child care and Medicaid indicate that the anti-welfare dynamic is as much about the redirection of assistance to low-wage workers as it is about the rollback in support for welfare mothers. In the short term, concerns about the culture of welfare have dominated concerns about the cost of cash and non-cash aid. Federal and state administrations are now spending far more on low income families but they are spending it very differently (Ellwood, 2001: 8).

Whether the sea change in public assistance serves to replace dependency with work will depend on the availability of paid employment; the impact of welfare reform on pay and conditions in the low-wage labour market; and whether the pay and conditions on offer are consistent with self sufficiency. In the following sections we will consider whether the 1996 reforms have realised their objectives.

3. What has welfare reform delivered?

The years following the implementation of the PRWORA reforms were marked by a sharp decline in the receipt of TANF assistance by low-income single mothers and a significant rise in their labour force participation. As shown in Chart 1, the average monthly caseload for the ADFC/TANF programs declined by 55 per cent between the fiscal years 1996 (12.65 million recipients) and 2002 (5.65 million recipients). The decline in welfare rolls is often presented as a panegyric to the U.S. model of welfare reform and associated commitments to price stability, balanced (or surplus) budgets and flexible labour markets. The analysis implies that measures to break welfare dependency will require lower levels of social and job protection and rising income inequality (Palley, 1998: 338).

Figure 1 Welfare caseloads, United States, 1996-2002



Source: U.S. Department of Health and Human Services data available at:

<http://www.acf.hhs.gov/news/stats/newstat2.shtml>

Note: The fiscal year is the twelve month accounting period used by the U.S. Federal Government that goes from October 1st to September 30th.

The analysis of welfare outcomes in this section has two objectives. First, to examine the macroeconomic environment that prevailed when reforms were introduced and to consider the effect of the economic slowdown in 2001-02 on the labour market outcomes of single mothers. Second, to examine changes in the level and composition of family income associated with changes in work and welfare behaviour, and to assess whether access to wage income has served to alleviate poverty and reduce dependency on cash and non-cash assistance.

3.1 The macro context

The 1996 reforms were introduced against the backdrop of a buoyant labour market during a period of strong and sustained economic expansion. Between 1996 and 2000, the annual growth rate of Real Gross Domestic Product averaged 4.1 per cent (U.S. Bureau of Economic Analysis, 2004) and by the fourth quarter of 2000, the unemployment rate had reached a thirty-year low of 4 per cent. The eight-month recession that commenced in March 2001 ended an unprecedented ten years of economic growth and saw the first over-the-year decline in employment since 1991 (Bureau of Labor Statistics, 2002a).

In assessing the impacts of welfare reform, Schoeni and Blank (2000) attribute much of the increase in labour force participation, earnings and income among less-skilled women to economic expansion. After controlling for economic effects, policies in the post-1995 period had a limited impact on work behaviour.

3.2 Examining (un)employment

Post-1996 there has been a significant rise in the share of highly disadvantaged single mothers with paid work. As shown in Table 1, less educated and more educated single women with children increased their participation in paid employment.

Table 1 Employment-population ratios for single mothers in the United States by educational attainment, 1996-2003

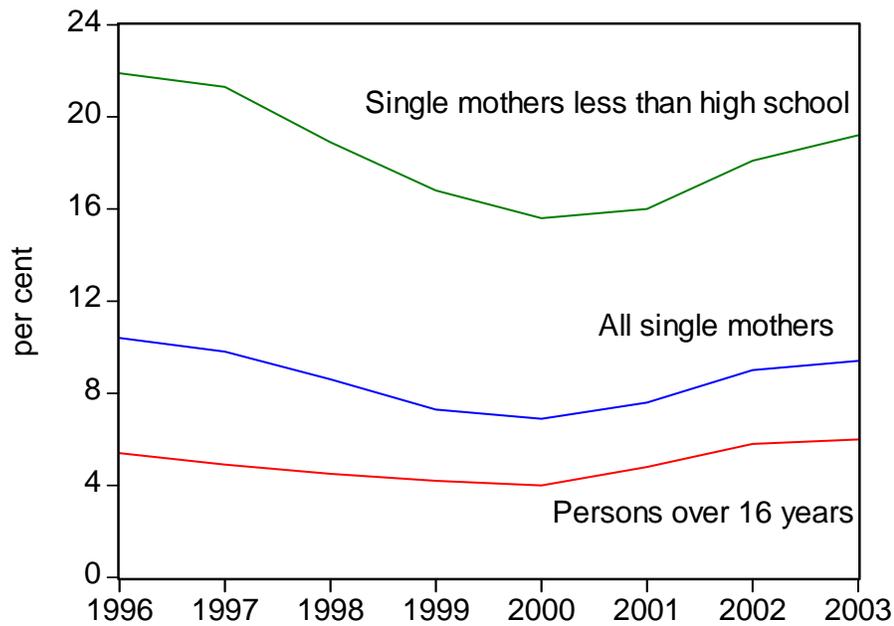
	All	Less than high school	High school	Some college	Bachelors or more
1996	65.9	38.3	67.2	75.2	88.4
1997	69.2	42.3	70.1	78.6	89.5
1998	71.8	46.7	72.2	80.4	90.4
1999	74.7	50.4	74.6	82.7	91.1
2000	75.5	53.7	75.4	83.1	89.6
2001	74.5	52.7	74.1	80.7	89.6
2002	73.5	51.1	72.2	80.0	88.8
2003*	71.8	48.4	71.9	77.8	86.9
Percentage point change					
1996 - 2000	9.6	15.4	8.2	7.9	1.2
2000 - 2003	-3.7	-5.3	-3.5	-5.3	-2.7

Source: Levitan and Gluck (2003) Table 1; tabulations based on Current Population Survey. * January through June.

The employment-population ratio for all single mothers increased by 9.6 percentage points (to 71.8 per cent) between 1996 and 2000. Over the same period, the change in work participation for single mothers without a high school qualification was a staggering 15.4 percentage points. Despite this progress, Levitan and Gluck (2003: 4) note that at the end of the economic boom, a significant gap in rates of job holding between education groups remained. In 2000, just 54 per cent of single mothers who had not completed high school were employed compared to 87 per cent of mothers who had attained at least a Bachelor's degree. Disturbingly, the recession of 2001 and

the subsequent sluggish recovery have served to wind back some of the earlier progress. Between January 2000 and June 2003, the employment-population ratio for single mothers without a high school degree declined by over 5 percentage points (to 48.4 per cent) against a decline of 3.7 percentage points for all single mothers. This is consistent with the high turnover and tenuous working conditions that characterise the secondary labour market and the sensitivity of unskilled workers to changes in labour demand. The changes in work participation are reflected in the national unemployment rate and the unemployment rates for women who maintain families as presented in Figure 2.

Figure 2 Unemployment rates for all persons and single mothers, United States, 1996 – 2003



Source: United States Bureau of Labor Statistics (2004) *Labor Force Statistics from the Current Population Survey*, Table A-7 and Levitan and Gluck (2003), Table 2.

The U.S. unemployment rate fell from 5.4 per cent in 1996 to a thirty-year low of 4.0 per cent in 2000. Over the same period the unemployment rate for all single mothers declined by 3.5 percentage points (to 6.9 per cent) while the rate for single mothers who had not completed high school fell by 6.3 percentage points (to 15.6 per cent). While the national unemployment rate increased to 6.0 per cent by 2003, the impact of the downturn was felt most acutely by single mothers with less than a high school degree. The unemployment rate for this cohort jumped from 15.6 to 19.2 per cent between 2000 and 2003.

3.3 At your service

What do we know about the type of jobs attained by mothers who make a transition from TANF to paid employment? Occupational outcomes for welfare leavers can be examined using the second longitudinal file from the U.S. Census Bureau Survey of Program Dynamics (SPD). Hisnanick and Walker (2003) estimate that between 1996 and 1999 the number of former public assistance recipients who worked in service sector occupations increased by 15 per cent or 140,000 between 1996 and 1999.

Notable increases were observed in the proportion of welfare recipients employed as private household cleaners and servants (from 1.9 per cent in 1996 to 6.5 per cent in 1999), janitors and cleaners (3.5 to 10.4 per cent), cooks (1.2 to 14.3 per cent), and orderlies and attendants (8 to 18 per cent). The job demands for these occupations are physically demanding and lack general educational development, while the benefits from these jobs are “marginal at best” (Hisnanick and Walker, 2003: 13).

In 2002, the Bureau of Labor Statistics estimated that minimum wage workers were concentrated in service occupations. Over 10 per cent of hourly-paid workers who reported earnings at or below \$5.15 per hour were in service jobs. Two-thirds of all low-wage workers in 2002 were in service occupations with 19.5 per cent of all food service workers, and 17 per cent of private household workers, paid at or below the federal minimum wage (Bureau of Labor Statistics, 20002b). These occupations have been key destinations for single mothers exiting TANF however the recession of 2001, and subsequent ‘jobless recovery’, has seen vacancies in retail trade and services decline by 22.5 and 16.1 per cent, respectively. We will now examine the earnings and income of women who maintain families in more detail before we consider whether ‘work first’ policies have reduced the dependency of these families on state assistance.

3.4 Earnings and income

Between 1996 and 2003, the real median earnings of full-time, year-round male and female workers increased by 8.4 per cent and 11.0 per cent, respectively (U.S. Census Bureau, 2004: Table A-2). Over the same period the federal minimum wage declined by 7 per cent in real terms (Economic Policy Institute, 2004: Table 4)⁵.

Table 2 Median hourly wage (2003 dollars) for single mothers in the United States by educational attainment, 1996-2003

	All	Less than high school	High school	Some college	Bachelors or more
1996	\$8.70	\$7.01	\$8.36	\$9.64	\$14.02
1997	\$8.57	\$6.85	\$8.28	\$9.54	\$12.56
1998	\$10.12	\$6.92	\$9.00	\$11.25	\$17.30
1999	\$10.43	\$7.15	\$9.19	\$11.00	\$18.62
2000	\$10.64	\$7.45	\$9.58	\$11.42	\$18.42
2001	\$10.59	\$7.76	\$9.70	\$11.39	\$18.11
2002	\$11.06	\$7.72	\$10.19	\$11.72	\$19.36
2003*	\$11.00	\$8.00	\$10.00	\$12.00	\$18.50
Average annual percentage change in real median hourly wage					
1996 - 2000	5.6	1.6	3.6	4.6	7.8
2000 - 2003	1.4	3.0	1.8	2.0	0.2

Source: Levitan and Gluck (2003) Table 3; tabulations based on Current Population Survey. * January through June.

Table 2 reports median hourly wages between 1996 and 2003 for single mothers with different levels of education. The data show that between 1996 and 2000, real median hourly earnings for all single mothers increased from \$8.70 to \$10.64 (2003 dollars) at

an average annual growth rate of 5.6 per cent. Over the same period, the hourly median wage of mothers who did not complete high school grew by only \$0.44 (to \$7.45 per hour) at a much slower average rate of 1.6 per cent per annum. The economic slowdown that began in late 2000 saw growth in the median hourly wage for all single mothers slow to just 1.4 per cent (average annual growth for 2000-03) against 3 per cent for single mothers who had not completed high school.

In 2003, the median hourly wage for single mothers with less than a high school degree was only \$8.00. This wage rate would not be sufficient to lift the families of many full-time, year-round workers out of poverty⁶. It is to the analysis of poverty and dependency that we now turn.

3.5 Poverty⁷

The United States Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. The official poverty definition uses money income before taxes and does not include capital gains or non-cash benefits such as food stamps, public housing and Medicaid.

Between 1996 and 2003, the number of people living in poverty who belonged to a family with a female head, and no husband present, fell by 1.38 million (or 10 per cent) to 12.4 million. While the number of poor within this family structure had fallen to 10.9 million in 2000 – the lowest level since 1980 – it has increased each year since. The poverty rate fell from 35.8 per cent in 1996 to 28.5 per cent in 2000 but rose to 30 per cent in 2003 (U.S. Census Bureau, 2004: Table B-1).

In the context of the ‘work first’ reform agenda, it is important to consider the impact of participation in paid work on the poverty status of single mothers and their children. Data from the Annual Social and Economic Supplement to the Current Population Survey enable estimation of the number of employed female household heads, in families with related children but no husband present, who are below the poverty level.

Between 1996 and 2003, the number of single mothers with children under 18 years who worked full-time year-round but were counted as poor rose from 406,000 (10.3 per cent) to 535,000 (11.4 per cent). For single mothers with dependent children under 6 years who worked full-time year-round, the number in poverty increased from 196,000 (14.6 per cent) to 260,000 (16.9 per cent) (U.S. Census Bureau and Bureau of Labor Statistics, various years).

In 2003 the earnings net of payroll tax of a single mother with two children, working full-time at the minimum wage comprised between 64.8 and 86.8 per cent of the 2003 poverty threshold, depending on her state of residence. When net earnings were combined with the cash and in-kind income derived from TANF payments, the Federal Earned Income Tax Credit and Food Stamps, her combined total income ranged from 107.4 to 163.5 per cent of the poverty level. If the same mother were to work half time at the minimum wage her net earnings would comprise between 32.4 and 44.1 per cent, and combined total income between 69.9 and 117.8 per cent, of the poverty threshold (Committee on Ways and Means, 2004; Tables 7-14 and 7-15).

U.S. poverty data post-1996 poses a conundrum for those assessing the effectiveness of welfare-to-work measures in alleviating poverty and reducing dependence on government assistance. While increased participation in paid work and falling unemployment have seen a reduced incidence of poverty among the target group, a

number of single mothers with significant labour market participation remain impoverished. This raises the question of whether redirection of public assistance from the TANF program to low-income workers has cultivated greater self reliance or created new forms of state dependence.

4. Altered dependencies

In Section 2.3 we described the ‘great welfare switch’ which has seen cuts to cash assistance for non-working single mothers redirected to supports for low-wage workers. The dramatic growth in federal outlays on Earned Income Tax Credits attests to the cardinal role of work-based support in federal welfare reform.

The United States introduced a federal Earned Income Tax Credit (EITC) for low-income workers in 1975. The EITC takes the form of a refundable tax credit that increases with earnings at low levels of income. If the amount of the credit exceeds the individual’s federal income tax liability, the excess is payable as a direct transfer payment. Between 1990 and 2003, the refunded portion of the federal EITC8 grew by 329 per cent in real terms (rising from \$7.1 billion to \$30.9 billion in 2003 dollars) while the number of recipient families grew by 6.74 million or 53.7 per cent over the same period. By 2003, a worker with two children could claim a credit equal to 40 per cent of their earnings up to a maximum credit of \$3556. In real terms, this is 2.7 times the maximum credit available to this worker in 1990 (Committee on Ways and Means, 2004: Chapter 9 and author’s calculations).

4.1 Changes in the composition of income

Table 3 reports changes in the composition of income among the poorest single mother families. Between 1996 and 2001, the share of income accounted for by earnings (net of payroll tax) increased from 20.2 to 32.8 per cent, while the EITC which represented 7.5 per cent of total income in 1996 rose to 11.8 per cent by 2001.

Table 3 Composition of real average income by source (%) for the bottom quintile of single mother families in the United States, 1996-2001⁹

	Temporary Assistance for Needy Families	Supplemental Security Income	Food stamps	Child support	Other income	Net earnings	Earned Income Tax Credits
1996	28.9	3.3	29.7	4.6	5.9	20.2	7.5
1997	27.7	3.1	30.1	4.0	9.2	18.8	7.1
1998	22.0	4.2	26.6	3.4	8.9	25.1	9.8
1999	17.3	4.4	22.1	5.0	8.9	30.8	11.5
2000	13.2	5.7	20.0	6.8	9.2	32.8	12.3
2001	11.7	6.0	22.1	6.9	8.8	32.8	11.8

Source: Committee on Ways and Means (2004: Chart L-9) and author’s calculations

Growth in income from earnings, tax credits, child support and Supplemental Security Income (means-tested support for the aged and disabled) was not sufficient to offset the losses in cash welfare and food stamps. Total net income for the bottom quintile of single mother families fell by 7.3 per cent between 1996 and 2003. Between 2000 and 2001, their net income fell by 5.7 per cent as a consequence of negative growth in net

earnings, EITC and child support associated with the 2001 recession (Committee on Ways and Means, 2004 and author's calculations).

Of particular concern to policy makers was the continuing decline in income attained from cash welfare during the downturn. Income received from TANF and General Assistance by single mothers in the bottom quintile fell by 16.3 per cent in 2001. Chart 1 shows a 9 per cent fall in average monthly TANF recipients between fiscal year 2000 and 2001 while Department of Health and Human Services data shows that about half of TANF-eligible families do not receive assistance and that non-receipt among eligible families is increasing despite the recession of 2001 and associated increase in poverty (Fremstad, 2003).

5. Lessons from the U.S. model of welfare reform

Ultimately, I believe that the first and most important lesson for anti-poverty warriors from the 1990s is that sustained economic growth is a wonderful thing. To the extent that policies can help maintain strong employment growth, low unemployment and expanding wages among workers, these policies may matter as much or more than the dollars spent on targeted programs for the poor. If there are no job opportunities, or if wages are falling, it is much more expensive – both in terms of dollars and political capital – for government programs alone to lift people out of poverty.

Rebecca Blank (2000: 10)

5.1 The macroeconomic matters

While employment gains by single parent families between 1996 and 2000 were indeed impressive, the economy failed to generate an adequate supply of jobs paying a living wage. At the end of a ten year boom the unemployment rate for single mothers with limited education was 15.6 per cent. While Blank is correct to stress the importance of sustained economic growth to improving employment outcomes and reducing poverty, we need to consider whether the U.S. experience of the 1990s represented a model expansion.

Throughout the 1990s, the U.S. federal government ran budget surpluses. In the presence of a trade deficit this required the economy to grow on the back of deficit spending by the private sector (Wray, 2002). The rapid deterioration of private sector balance sheets is critical to explaining why the expansion could not be sustained and why the recovery from the 2001 recession has generated little by way of jobs.

The role of government as a net saver during the 1990s served to bind neoliberalised forms of inequality, insecurity and individualism into the U.S. growth model. The failure of employment growth to generate proportionate declines in poverty signalled a fundamental change in the way the relationship between economic growth and socio-distributional outcomes was mediated (Peck, 2002: 181, 204).

To directly address the cause of dependency and income security requires the State to use its power as the issuer of currency to maintain full employment and inflation control. In earlier papers (see Mitchell, 1998; Mitchell, Cowling and Watts, 2003), the Centre of Full Employment and Equity (CofFEE) has set out a proposal for a Job Guarantee in which the public sector would maintain a 'buffer stock' of minimum wage jobs available to anyone willing and able to work. Unlike the participation in 'employability programs' now required for receipt of TANF funding, the Job

Guarantee would provide on-going, productive employment paid at the award wage rather than a program placement aimed at behaviour modification.

Full employment is attained by the guaranteed provision of a public sector job to all workers unable to find a job in the private sector. It does not rely on engineering labour supply adjustments and inducing a switch in the form of state dependency.

Like Palley, we argue that policy makers are not forced to choose between either “high unemployment with moderate social protections, or lower unemployment with low levels of social protection and high income inequality” (Palley, 1998: 338). In recognising that ‘dependency’ is not a behavioural dysfunction of individuals but a failure in the conduct of macroeconomic policy, the State can address the problem at its root cause by maintaining full employment and the wage floor.

5.2 Beware the rise in pro-cyclical support

A key outcome of American ‘work first’ policies has been to change public assistance from a counter-cyclical to a pro-cyclical form of support (Ellwood, 2001: 26). This implies that low-wage workers will face greater hardship in times of recession. Growing expenditure on work-contingent benefits such as the EITC and child care carries the risk that a low-wage worker who loses her job during a downturn will lose both her wage income and the lion’s share of any public assistance received. Income from child support payments will also fall should the non-custodial father lose his job. Time limits on TANF assistance, the ineligibility of many part-time, low-wage and temporary workers for Unemployment Insurance¹⁰ and the removal of subsidised work guarantees from the PRWORA bill, heighten the vulnerability of single mothers in low-wage work to an economic slowdown.

In addition, Wray (2002) argues that the growing devolution of responsibility for welfare programs and Medicaid to the states – and the requirement, by statute or constitution, for states to run balanced budgets – also acts to depress expenditure on public assistance when the cycle turns down and state revenue falls.

Unlike the American support model, the Job Guarantee mechanism outlined in Section 5.1 fulfils an absorption function to minimise the real costs associated with the flux of the private sector. With work-contingent benefits, a decline in the private sector leaves workers to absorb job losses and declining levels of public assistance. Under the Job Guarantee, a decline in private sector employment will increase the buffer stock of employed persons. The nation will remain at full employment, with the mix between public and private sector employment fluctuating in response to changes in private sector expenditure. By setting the Job Guarantee wage rate at the minimum award level, the private sector wage rate is not disturbed and workers cannot be played off against one another to the detriment of their bargaining position.

5.3 Avoiding the low road

In 1998, the distinguished American economist Robert Solow (1998) argued that the cost of welfare reform would be borne by workers in the low wage labour market whose earnings would fall due to the labour supply effects of the PRWORA. The U.S. labour market is highly deregulated and offers little protection for workers in low-paid and contingent forms of employment. In this environment, increasing the supply of low wage workers - through time-limited welfare benefits and generous earned income tax credits - acts as a downward drag on pay and conditions. The role of ‘work first’ policy in framing a low growth path will be the subject of another paper.

6. Conclusion

The analysis presented in this paper suggests that during a period of sustained economic growth, many welfare leavers in the United States have had difficulty securing employment that provides adequate support for themselves and their children. Far from sowing the seeds of self sufficiency, the redirection of public assistance from non-working single mothers to low-wage workers has fostered new forms of dependence. Employment subsidies are needed on an ever-growing scale to reduce the gap between wages and the minimum acceptable levels of household income.

A policy framework that requires disadvantaged individuals to enter employment will not assure self sufficiency if it underwrites the operation of flexible labour markets and job insecurity; if wages are insufficient to move workers out of poverty; and if the focus on economic participation neglects broader concerns for the well-being of parents and children.

‘Work first’ or worker support policies cannot reduce state dependency unless the public and private sectors produce a sufficient number of stable, adequately-remunerated jobs that are suitable for low-skilled or unskilled workers. This will require a State commitment to full employment and the maintenance of a living wage.

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² Welfare and social security are distinct concepts in the United States. Social security refers to a social insurance system in which workers contribute to a public fund to insure themselves against the risks of unemployment, disability and retirement (Yeatman, 2000: 166). Individuals who are unable to work, or who have fragmented work histories, must rely on minimal income support and in-kind benefits such as food stamps. Welfare primarily refers to payments made to non-working sole parents under the Temporary Assistance for Needy Families (TANF) program.

³ The 1996 *Personal Responsibility and Work Reconciliation Act* required reauthorisation by September 30, 2002. In April 2003, the House passed a detailed reauthorisation bill - the *Personal Responsibility, Work and Family Promotion Act* - which was subsequently rejected by the (then) Democrat-controlled Senate. The House bill increased the work requirement by 5 per cent per year beginning in fiscal year 2004, so that States are required to have 70 per cent of families on welfare participating in work and job preparation activities in fiscal year 2008. As of December 2004, reauthorisation had not occurred.

⁴ States have a strong incentive to impose sanctions as they do not lose federal funding when TANF caseloads and expenditures fall (Piven, 2003: 10).

⁵ In 2003 dollars the minimum wage was over \$6 per hour in every year from 1963 to 1992 and reached \$7.18 per hour in 1968 (author's calculations using data from Economic Policy Institute, 2004: Table 4).

⁶ Full-time, year-round work typically results in 1850 to 2080 hours of paid employment per year, translating into an annual income of \$14,800 to \$16,640 for a single mother with less than a high school degree who earns the median wage. The 2003 federal poverty guideline for a family of three is \$15,260 (Levitan and Gluck, 2003: fn 5).

⁷ All poverty estimates reported in this section are significant at the 90 per cent confidence level unless otherwise noted.

⁸ As of June 2003, seventeen states also offered tax credits for low-income working families based on the federal EITC.

⁹ Table 8 examines sources of income among the bottom 20 percent of single-mother families based on their pretax cash income relative to poverty. The table shows the share of income derived from the following sources: cash public assistance (Temporary Assistance for Needy Families, and general assistance); Supplemental Security Income (SSI) for the aged and disabled; food stamps (market value); child support and alimony; other cash income other than earnings; earnings net of the employee share of payroll taxes, and any Federal or State income taxes); and the Earned Income Tax Credit (EITC). Detailed information on eligibility criteria for cash and non-cash public assistance, tax thresholds and rates is provided in the *2004 Green Book* (Committee on Ways and Means, 2004).

¹⁰ The Unemployment Insurance (UI) program provides partial and temporary income replacement to unemployed and underemployed workers with significant labor market attachment, who lose their jobs through no fault of their own, and who are able and available for work. However, many single mothers in non-standard jobs find it difficult to obtain temporary income replacement under the current UI system, because they do not meet the eligibility criteria established by their individual states. For example, many unemployed mothers seek part-time work, in order to balance work and family responsibilities. However, most states specify that a worker must be available for full-time work in order to qualify for benefits (Vroman, 2001).