

# Insufficient funds: When hard work doesn't pay

by [Marcia Z. Nelson](#) in the [June 14, 2003](#) issue

Are the poor blessed or lazy? The prevailing answer in America is lazy. The welfare revolution of the past decade put the poor to work. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed the social support system. As the name of the law implies, people are held personally responsible for getting out of poverty by taking advantage of work opportunities.

This work-based welfare system is now undergoing another round of scrutiny because the legislation needs renewal (see [Reform, round two: Work harder](#)). President Bush is asking the poor to work more, invoking once again the goal of moving people from “welfare dependency to self-sufficiency.”

Work is a gospel that we live by, seemingly more than ever. Sociologists tell us that the number of hours worked by American families have increased and that Americans work more hours than workers in other nations. The work ethic is a deeply held social value with biblical roots. It's the gasoline of the American dream of getting ahead, the sweat-equity portion of home ownership. The poor themselves accept the gospel of work. In an essay in *Welfare in America: Christian Perspectives on a Policy in Crisis* (1996), political scientist Lawrence Mead writes:

In dependency politics, values per se are not at issue, only the realization of values. No one disputes that the work ethic and obedience to the law are good things. There is no evidence that the poor themselves question these values.

Yet the value of work ought to invite questions if the work itself proves not to be much valued. Those leaving welfare for work are earning between \$6 and \$8 an hour at the bottom of the economic ladder. For them, and other low-income working Americans, work and poverty coexist. Work does not lead to self-sufficiency.

Statistics on work and poverty paint the picture by numbers. In 2001, 38 percent of poor working-age adults held jobs. The Census Bureau, in its 2000 annual report on poverty, observes that “having a job, even a full-time job, does not guarantee an escape from poverty.” It is more likely today than it was seven years ago, as the Census Bureau tracks trends, that poor households have a working family member.

Some of these households include children. A Department of Labor report from 2000 showed that 8.5 percent of families with children under 18 were “working poor.” An Urban Institute study from that year estimated that one in six nonelderly (under age 65) Americans lives in a family in which adults work at least half-time but family income falls below twice the federal poverty level. This range is important because within it families are more likely to experience hardship: to skip a meal or a bill payment.

Despite changes in the economy since the Urban Institute’s data were collected, Gregory Acs, one of the authors of the report, says his one-in-six estimate remains reasonable.

In *Low Wage Workers in the New Economy* (Urban Institute, 2001), Richard Kazis notes that the incomes of more than 9 million working Americans are below the poverty level. He and others who analyze the jobs picture agree that low-wage jobs are a needed entry way into the economy. But for those with families to support and lots of bills to pay, “the challenge becomes what kind of policies can help people move up,” says Kazis, senior vice president of Jobs for the Future, a Boston group that specializes in workforce development issues.

In a 2002 study of 30,000 welfare recipients, the Manpower Research Demonstration Corporation found that those who succeeded in staying off welfare were older, better educated, and had more recent work experience and fewer children and child care problems. (The average welfare family size is 2.6; some families have two children and a single mother, others only one child.) But success is relative to the goal of staying off welfare, not of escaping poverty. According to the report, “Many families who leave and stay off welfare long term are still poor when they leave.”

For poor working families, the low wages of work aren’t a vehicle out of poverty but merely a bus ticket to the next paycheck. Barbara Ehrenreich rode that bus for a year, an experience she describes in *Nickel and Dimed: On (Not) Getting By in America* (2001). She chronicled her attempt to support herself on a variety of low-

wage jobs, and reported on the economic difficulties of those with whom she worked. The insufficiency of work to provide self-sufficiency is behind the movement—backed by many religious groups—to ensure that all employers pay a living wage, which is generally understood to be the wage needed to support a family at or slightly above the poverty level.

The minimum wage is considerably less than a living wage. A full-time, 35-hour-a-week job paying \$5.15 an hour (the minimum) yields a yearly income of \$9,373. The federal poverty level for a family of three (with one wage-earning adult but three bodies to feed, clothe and house) is \$14,259. If the pay scale rises to \$8 an hour, the income rises to \$14,560, one week's paycheck above poverty level.

Consider the case of Myrna, a 42-year-old single mother supporting two children. The family lives in Aurora, a mixed working- and middle-class city of 150,000 outside Chicago. Myrna worked hard enough as a bank teller to get a promotion to teller supervisor. She got a \$3,000 raise, boosting her income to \$25,000. She also became eligible for overtime pay. Before her promotion, she had qualified for a state-paid child care subsidy. She paid \$27 weekly for after-school care for her two boys, ages eight and nine. But she discovered that her promotion disqualified her for the subsidy. Unsubsidized, the cost rose to \$108 weekly per child. So her advancement at work cost her \$8,450 a year in child care assistance.

To buy a condominium, Myrna borrowed against her future, taking \$3,000 from her pension plan. The mortgage payment and association fee claim \$864 monthly; another \$338 goes for payments on a used car she bought to replace one that kept breaking down. Her day care bill of \$45 weekly now covers only her eight-year-old. The nine-year-old comes home alone after school and calls her. She regularly uses "overdraft protection" offered by her bank; if she writes a check and doesn't have enough money to cover it, the bank loans her up to \$500, which she repays with interest. "I'm living on credit, not a paycheck," she says. "There's a lot of us out there living this way."

She explored other avenues. Her own employer wouldn't refinance her mortgage when she applied; her debt-to-earnings ratio was too high, she was told. She went to court and was awarded child support from the children's father, an undocumented alien who works in the same town. He gets paid in cash. She's collected nothing from him.

“I never missed a court date and for two years they would say “continuation.” The judge awarded me \$100 per week, \$20 arrearage, and I haven’t seen one penny,” Myrna said. “They tell me they can’t garnish his wages because he doesn’t have a Social Security number.”

Myrna plays by the rules. She reported, as required, the change in her income that disqualified her for child care assistance. “I would never abuse the system,” she explains. “You know how some people lie just to get the money. I pay taxes too.”

The renewal of funding for welfare, with its goal of turning the dependent nonworking poor into self-sufficient workers, could offer a chance to recalculate what it takes to make a worker self-sufficient. In an essay for the Institute for Research on Poverty, Thomas Corbett of the University of Wisconsin argues that the welfare system should consciously evolve from a system of income transfers to a tailored system of assistance for those experiencing economic hardship. That change could take into account a broader understanding of who qualifies for assistance, what assistance is, what is the purpose of assistance and how success is to be measured.

“Reauthorization,” he writes optimistically, “offers an opportunity to rethink the nature of social assistance.” Interpreted with vision, the welfare laboratory might produce the rough draft of a new social contract for former welfare recipients and other low-wage workers.

Such social assistance needs a lot of tailoring. On the economic margins, one shove can send someone over. When I interviewed residents of Hesed House, a homeless shelter in Aurora, in 2002 (the state wanted information about what homeless people need), I heard stories of disability, job loss or workplace closure, and eviction. One event is enough to knock over the financial house of cards that the underskilled or undereducated or underprepared inhabit.

Sometimes even skills aren’t enough when the cart of expectations overturns. Vicky, 38, was never homeless, but her customary middle-class lifestyle and expectations vanished when she and her husband divorced. With two school-age children, a business degree, work experience and financial support from her ex-husband, she still plummeted into financial straits, losing three jobs in less than a year’s time. Eventually she qualified to receive job training from a public agency that assists the poor. She also experienced hardship: not having enough money for food and other necessities. “I remember when they gave me toilet paper,” she says.

Vicky received psychological aid and comfort from her small Methodist church. Members offered encouragement and helped her cope with her feelings of frustration and struggle. They also plugged her into community volunteering, keeping her busy as a tutor for kids at a low-income housing project. The job training she received eventually bolstered her confidence enough to help her land an administrative job in home health care management, which she's held for two years. To enhance her income, she recently became a part-time entrepreneur, selling Mary Kay cosmetics.

Vicky's economic ups and downs were stabilized, but she had advantages to begin with: an education, work experience, financial help from her ex-husband, a house. Those assets make a difference, and when one or more is missing, a low-income worker is more vulnerable to the next job loss or cash-flow crisis. The National Low Income Housing Coalition, an advocacy group, calculates that a worker would need to earn \$14.66 an hour to be able to afford to rent a two-bedroom home. That's just for the shelter. Add transportation, child care, and money to keep the lights or heat on.

Getting a second job is one strategy. "We get them hired at \$7.50 or \$8 an hour and they just can't make it and end up taking a second job," says Mary Nelson, president of Bethel New Life, a Chicago-based community development organization that seeks jobs for former welfare recipients. "It's just very, very difficult to survive, and these are people working hard and trying their best."

Bethel New Life also runs subsidized housing, recognizing that affordable housing is one piece of the whole picture that needs to be secured for a working family. Nelson ticks off the other necessities: transportation, health insurance, child care. "The conversation now needs to change from helping people get a job to helping people move out of poverty," she says. "It's going to take a myriad of things."

The most successful approaches to helping the very poor do take into account and coordinate the many variables that affect workers and their family situations: employment availability, job skills, housing costs, transportation, child care. Beyond government and social services, successful partnerships include employers, who control access to earned income. Income supplements for things like child care, which stretch an earned dollar, also need to remain for low-income working parents.

Alan Weil of the Urban Institute, which has studied welfare reform extensively, notes that the system has been slow to acknowledge the evolution of responsibility from helping the nonworking to supporting those who have advanced in the work world, as Myrna's case illustrates. The Earned Income Tax Credit is another effective benefit for low-income families that enjoys broad support. "It's a Republican philosophy that could help make a difference, and it needs to be expanded," says Nelson.

But disagreement over how much work to expect and how much help to give is fundamental. Welfare law is also social code that expresses values and adjusts behavior. Corbett says:

Cash welfare for families, although accounting for a tiny proportion of federal outlays, touches upon our most sensitive public issues: work, family, sex, abortion, personal responsibility and community integrity. Welfare has served as a proxy for fundamental questions about the quality of life in society and about how to allocate personal and public responsibilities.

Hence the welfare system is a social-engineering laboratory, encouraging marriages and two-parent families. It has expressed a preference between two alternatives. Household income can be increased if a family has two adult workers. It can also be increased if one hard-working employed person, whether a single head-of-household mother or a married head-of-household father, can advance in the workplace.

In the meantime, the economy that cooperated with welfare reform by providing jobs and economic confidence in the late 1990s has turned sour. The vigorous labor market into which the nonworking poor were sent is now characterized by 6 percent unemployment. The poor looking for work are having trouble finding it. The Association of Gospel Rescue Missions, representing 302 faith-based missions providing emergency services to disadvantaged groups, surveyed 20,000 homeless people and reported in November 2002 that more than 60 percent of those surveyed said they had more trouble finding work than they had six months prior.

Food pantries are reporting more visitors. One of Congress's first acts this year was to extend unemployment benefits for those whose job loss last year pushed up the unemployment rate. The decline in welfare caseloads, widely cited as a sign of successful reform, has reversed course, heading back up: in the third quarter of

2002, 39 states reported an increase, making for an increase for the nation as a whole. In 2001, when the economic recession officially began, the poverty rate rose for the first time in five years, to 11.7 percent of the population, or almost 33 million people.

Perhaps the harder times ushered in by the recession can dent prevailing social attitudes toward poverty. In January, a poll commissioned by the Catholic Campaign for Human Development, the antipoverty effort sponsored by U.S. Catholic bishops, showed that 29 percent of those surveyed believe that lack of education is a principal cause of poverty. “Personal laziness” was cited by fewer respondents—26 percent. Fifteen percent cited a lack of good-paying jobs.

The same group was also asked who is responsible for helping the poor. The top answer, given by 43 percent, was government. Of interest to those who advocate faith-based social programs was the fact that, only 5 percent cited churches.

People like Myrna rely on God as well as their paychecks. “I’m very blessed,” she says. The blessings she counts include employer-provided health insurance for her children, which makes her better off than 41 million Americans who don’t have health insurance.

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