
Is welfare the issue?
*Looking at welfare from
the outside in*

Deborah Schlick
September 14, 2011

Most inquiries about welfare focus on the program and its participants – mostly artificial constructs created by federal and state policies

This inquiry starts by asking about the context in which the welfare system exists.

Context #1: *The limited span of unemployment insurance:*

The U.S. ranks at the *bottom* of comparable G-8 nations for the proportion of unemployed who collect unemployment benefits

(Only 36% of unemployed US workers collect unemployment.)

“Unemployment Insurance: Low Wage Workers and Part-time Workers Continue to Experience Low Rates of Receipt”, Report to the Chairman, Subcommittee on Income Security and Family Support, Committee on Ways and Means, House of Representatives, by Government Accountability Office, August 2007.

<http://www.gao.gov/new.items/d071147.pdf>

Low Wage workers are:

2 ½ times more likely to be unemployed as higher wage workers,

only half as likely to collect Unemployment Insurance.

Unemployed low wage workers most likely to have worked in:

- Retail
- Services

Sectors with lowest UI receipt:

- Retail
- Services

GAO: Ibid

Part-time low wage workers are
the least likely to receive
Unemployment Insurance

GAO: Ibid

In Minnesota:

	2007	2011
% of unemployed Minnesotans receiving UI	38%	54%

The difference: UI extensions

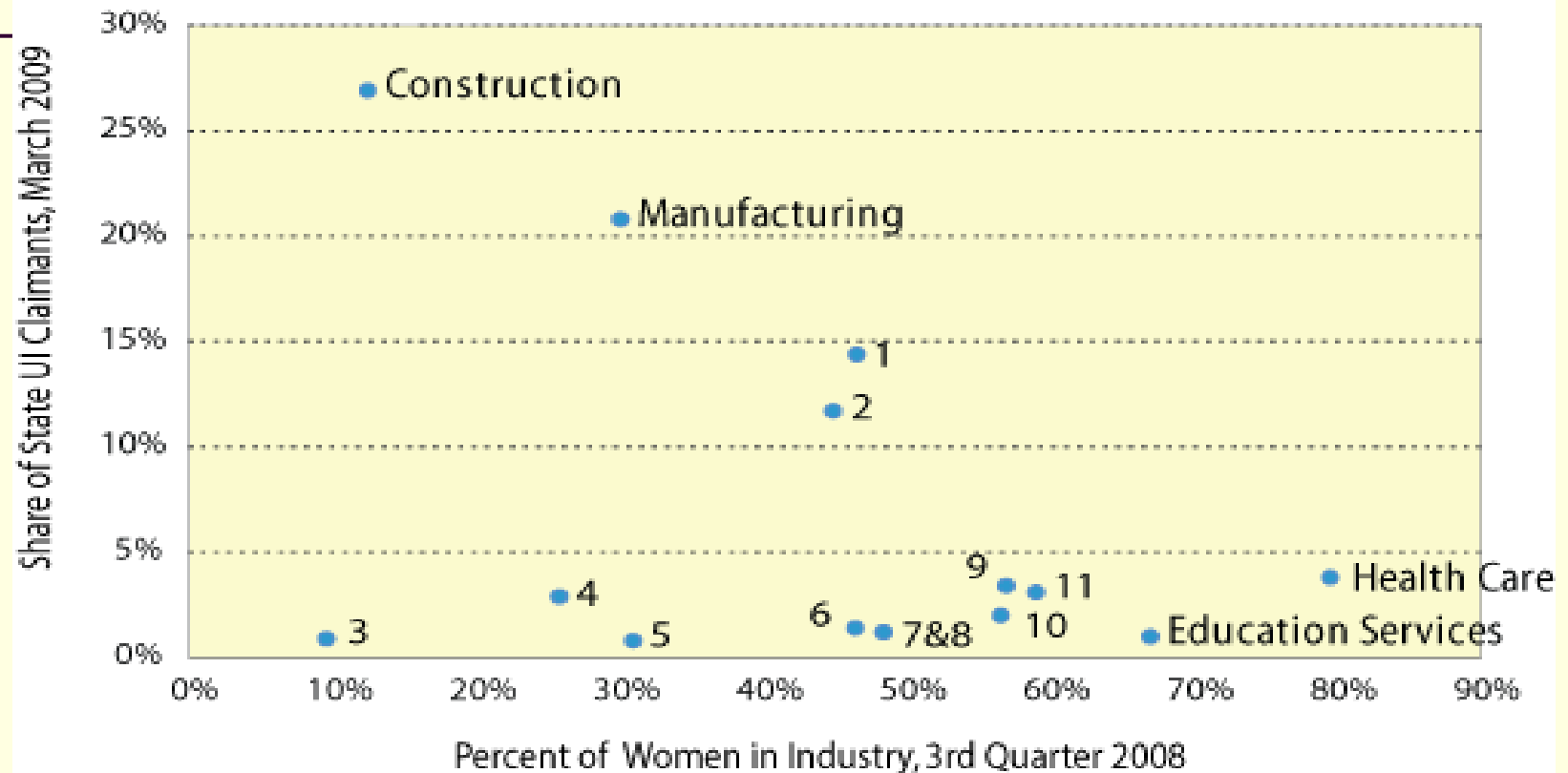
Source: Minnesota Department of Employment and Economic Development, Research, Planning and Evaluation.

In Minnesota, the industries most likely to employ women are the least likely to have workers receiving Unemployment Insurance benefits.

“Minnesota’s He-Cession”, Oriane Casale, *Minnesota Economic Trends*, Minnesota Department of Employment and Economic Development, September 2009

Figure 2

Share of Unemployment Insurance Claimants and Percent Female by Industry in Minnesota



1 = Professional and Business Services

2 = Wholesale and Retail Trade

3 = Mining

4 = Transportation and Utilities

5 = Agriculture

6 = Information

7 = Public Administration

8 = Arts, Entertainment and Recreation

9 = Accommodation and Food Services

10 = Other Services

11 = Finance, Insurance and Real Estate

One study's conclusion:

Characteristics of *firms and industries* may impact the low numbers of low-wage workers who can't collect UI for *non-monetary* reasons

“Identifying Key Barriers to Unemployment Insurance for Disadvantaged Workers in the United States”, H. Luke Shaefer, University of Michigan School of Social Work, *Journal of Social Policy*, Cambridge University Press, 2010, cites Vroman and Brusentsev, “Unemployment Compensation Throughout the World”, Upjohn Institute, Kalamzoo, MI, 2005.

Context #2: *Persistently low wages:*

Industries also appear to correlate with which workers see little to no increases in earnings over their careers

$\frac{3}{4}$ of all low wage earners work in:

- Retail trade
- Services

Moving Up or Moving On: Who Advances in the Low Wage Labor Market, Fredrik Andersson, Harry J. Holzer, Julia I. Lane, *Industrial Labor Relations Review*, 2006, <http://en.scientificcommons.org/13278541>

A large % of workers in these service jobs have *persistently* low earnings:

- Personal services
- Social Services
- Hotels and lodging
- Temp agencies –*especially pronounced*

The sectors in which low earners are *least* likely to increase earnings: _____

- Eating and drinking establishments
- Personal Services
- Temporary Agencies

Finding:

the *characteristics of the firm* matter *greatly* in whether low wage workers see any earnings increase over their careers

Holzer et al: Ibid

Context #3: The scheduling of hourly work:

Hourly workers have work schedules that often are:

- Unpredictable
- Unstable
- Out of their control

“Scheduling in Hourly Jobs: Promising Practices in the 21st Century”, Susan J. Lambert and Julia R. Henly, May 2009, for the Mobility Agenda

Context #4: *Uneven access to benefits*

- Only 33% of U.S. workers earning \$10.50 an hour or less have paid sick leave – while 81% of those earning more than \$24 an hour do.
- Only 1/3 of Minnesota employers offer paid sick leave;
 - one in 10 employers offer paid time off (which combines paid sick leave, vacation and personal leave).*
- Only 1/2 of Minnesota's workers are offered short or long-term disability insurance through their employers;
 - only 10% of part-time workers are offered the coverage.*

Minnesota Employee Benefits Survey, Spring 2005, Labor Market Information Office, Minnesota Department of Employment and Economic Development and State Society of Human Resource Managers,

http://www.positivelyminnesota.com/Data_Publications/Data/LMI/PDFs/2005_Employee_Benefits_Survey/Complete_Survey.pdf

Now consider some new “welfare” facts

Most parents who apply for cash assistance in MN have had jobs in MN

- 80% have been in jobs in MN sometime in the two years before enrolling on cash assistance
- 50% have been in jobs in the same quarter in which they applied for assistance

Analysis by the MN Department of Employment and Economic Development under commission by the Affirmative Options Coalition, 2009.

The unemployment rate affects the #s enrolling on assistance *but not* the proportion coming straight from a job:

	2000	2003	2007
Labor market description	tight	weak	transitioning
# enrolling on cash assistance	28,628	35,585	31,566
% coming straight from a job	50%	50%	50%

The industries these parents worked in:

Administrative & Support (temp agencies)	17%
Retail Trade	14%
Accommodation & Food Service	14%
Health care & social service	13%
TOTAL	58%



Are those industries familiar?

Where else those industries show up in MN's public assistance spending:

Foodstamps:

- About 60% of working age adults were employed when enrolling or just before enrolling on food stamps in MN.
- Guess which four industries employed more than half those workers?

Where else those industries show up:

Child Care Assistance Programs:

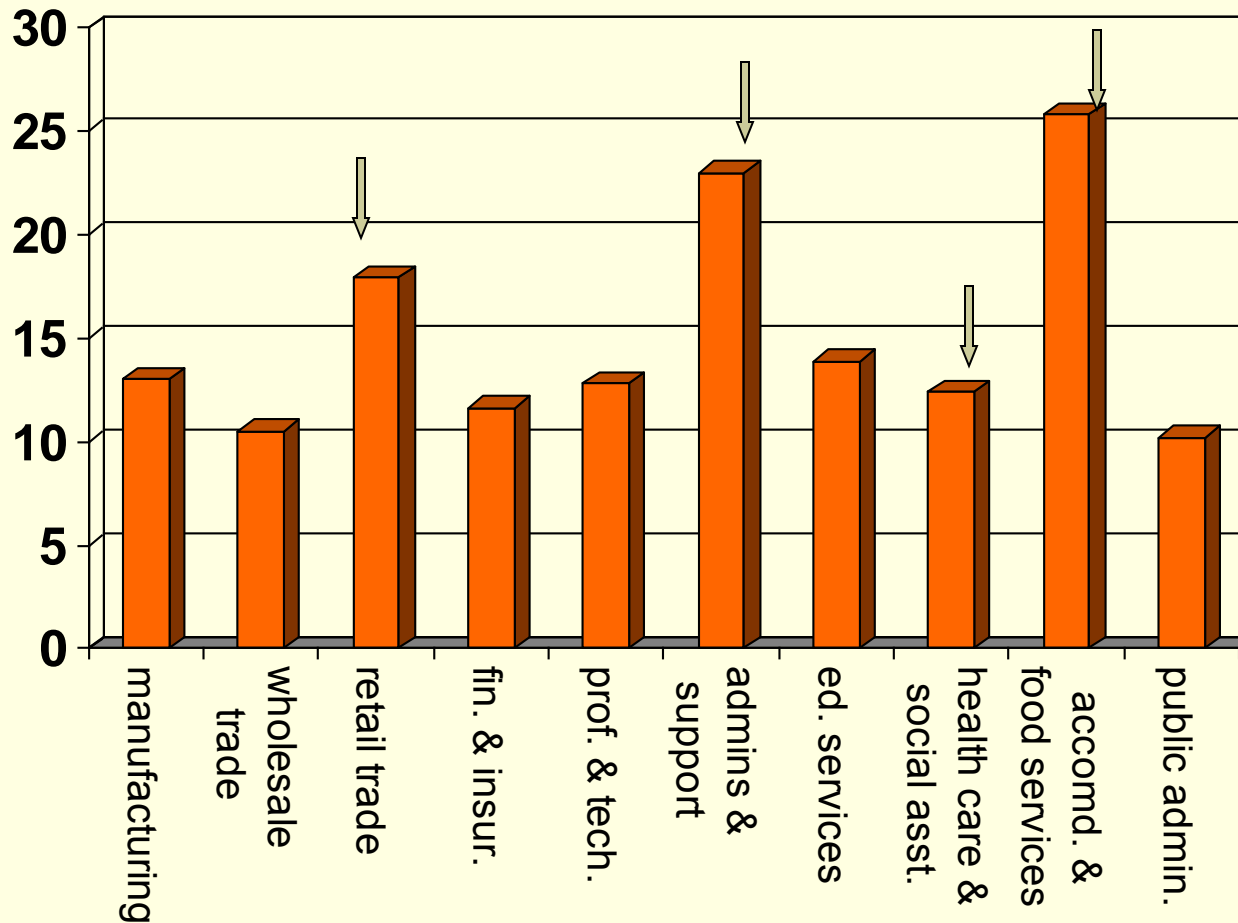
- Those four industries employ more than 60% of parents using the child care assistance programs.



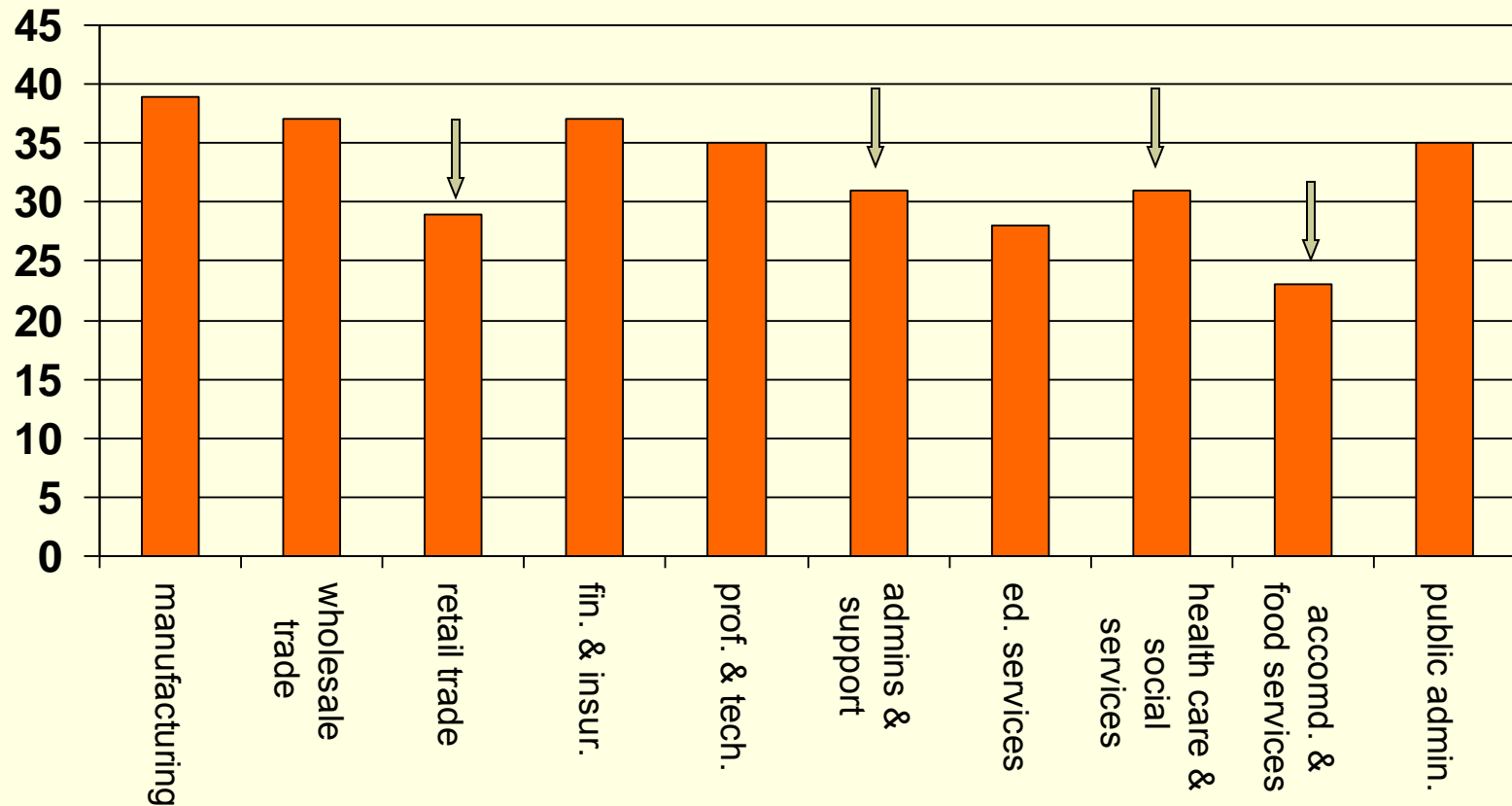
These industries employ almost 40%
of Minnesota workers.

Workers from those industries turning to public assistance may represent the *pattern* – *not the anomaly* -- in those industries:

Worker turn-over rates in top 10 industries (2001-09 qtrly avg., 80% of MN's workforce)



Estimating avg. weekly hours in top 10 industries – 2001-2009, 80% of MN workforce



Most work information about TANF participants is *exit* information

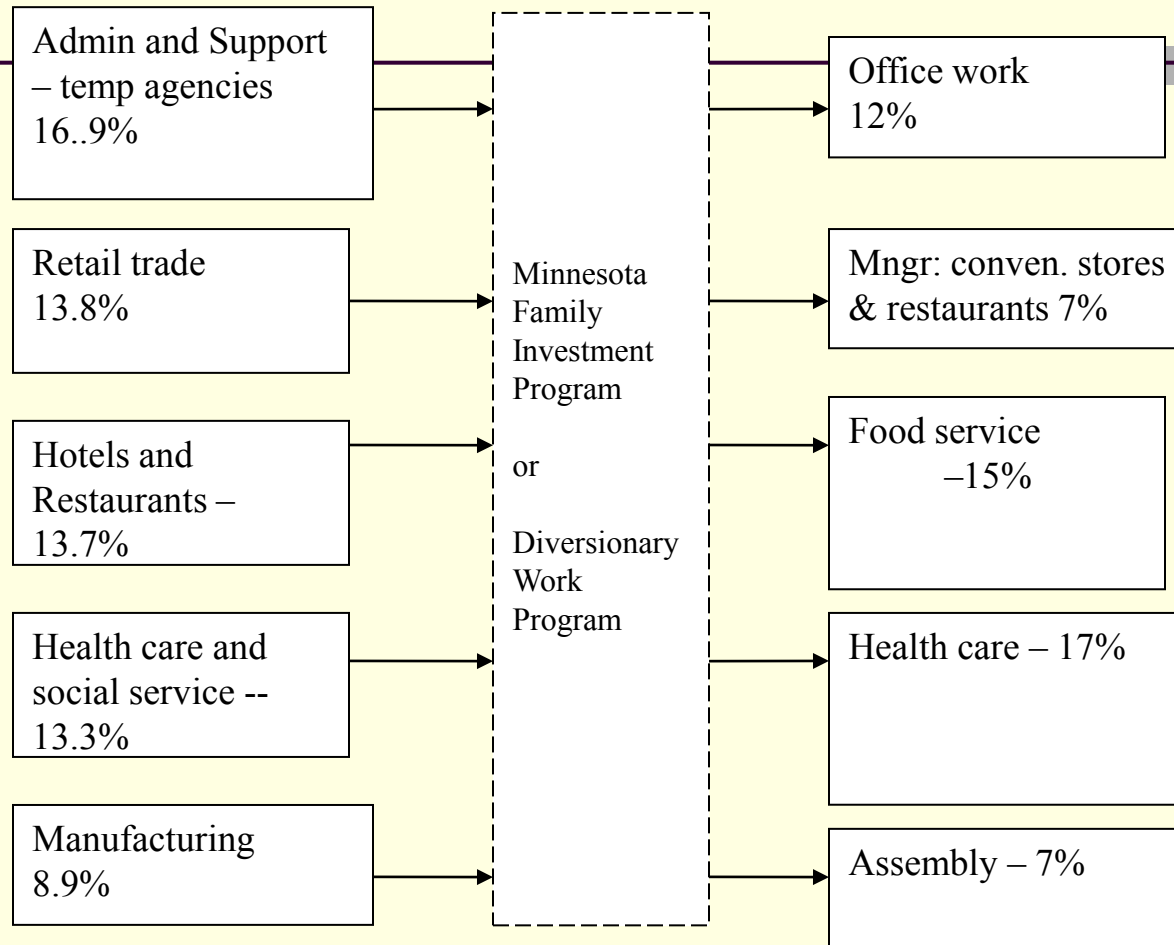
- Including Upjohn Institute studies on how few TANF leavers access UI when they lose work after leaving TANF

Use of Unemployment Insurance and Employment Services by Newly Unemployed Leavers from Temporary Assistance for Needy Families, Christopher O'Leary and Kenneth Cline, W.E. Upjohn Institute, June 2008, for U.S. Department of Labor; and *UI As a Safety Net for Former TANF Recipients*, Christopher J. O'Leary and Kenneth Kline, W.E. Upjohn Institute, March 2008 for U.S. Department of Health and Human Services.

Is the welfare system changing
people's employment situations –
or is it just a pause in an already
established pattern?

Jobs before TANF

Jobs exiting TANF



Comparison of MN DEED analysis and “MFIP Longitudinal Study: Five Years From Baseline”, Minnesota Department of Human Services, October 2008. <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4450K-ENG> (Job information on parents who had left MFIP was self-reported in surveys, therefore occupational descriptions are informal.)

Policy questions to ask

- What does a more complete unemployment safety net look like?**
- What workplace standards could decrease dis-employment of low-wage workers?**

Policy questions to ask *continued*

- How could workers coming to welfare be more connected to existing unemployment insurance program?**
- If Unemployment Insurance promotes a better employment match and maximizes productivity, what does welfare policy do to the low wage labor market?**

Policies that could matter at least as much as welfare policy:

- The standards that disqualify workers from Unemployment Insurance
- How hourly work schedules are determined
- Paid sick leave
- Access to short or long-term disability
- Access to training and education for adults

Sources

“A Comparison of Data from the Characteristics of MN Family Cash Assistance Program Reports”, MN Department of Human Services, MN Department of Human Services, Evaluation Notes, August 2007, <http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4219I-ENG>

“Minnesota Family Investment Program and Diversionary Work Program: Characteristics of 2009 Cases and Eligible Adults”, MN Department of Human Services, July 2010
<https://edocs.dhs.state.mn.us/lfserver/Public/DHS-4219L-ENG>

“Identifying Key Barriers to Unemployment Insurance for Disadvantaged Workers in the United States”, H. Luke Shaefer, University of Michigan School of Social Work, *Journal of Social Policy*, Cambridge University Press, 2010, cites Vroman and Brusentsev, “Unemployment Compensation Throughout the World”, Upjohn Institute, Kalamzoo, MI, 2005.

“Unemployment Insurance: Low Wage Workers and Part-time Workers Continue to Experience Low Rates of Receipt”, Report to the Chairman, Subcommittee on Income Security and Family Support, Committee on Ways and Means, House of Representatives, by Government Accountability Office, August 2007.

<http://www.gao.gov/new.items/d071147.pdf>

“Minnesota’s He-Cession”, Oriane Casale, *Minnesota Economic Trends*, Minnesota Department of Employment and Economic Development, September 2009

“Predicting Job Retention of Hourly Employees in the Lodging Industry, Milman, Ady, Ricci, Peter, *Journal of Hospitality and Tourism Management*, April 2004,
<http://www.allbusiness.com/accounting-reporting/budget-budget-forecasting/178772-1.htm>

Sources, *continued*

Moving Up or Moving On: Who Advances in the Low Wage Labor Market, Fredrik Andersson, Harry J. Holzer, Julia I. Lane, *Industrial Labor Relations Review*, 2006, <http://en.scientificcommons.org/13278541>

“Scheduling in Hourly Jobs: Promising Practices in the 21st Century”, Susan J. Lambert and Julia R. Henly, May 2009, for the Mobility Agenda.

MN Department of Employment and Economic Development analysis, commissioned by Affirmative Options Coalition, 2009.

Comparison of MN DEED analysis and “Minnesota Family Investment Program Longitudinal Study: Five Years From Baseline”, Minnesota Department of Human Services, October 2008.
<http://edocs.dhs.state.mn.us/lfserver/Legacy/DHS-4450K-ENG>

(Jobs information about parents who left MFIP was self-report; therefore occupational descriptions are informal.)

Use of Unemployment Insurance and Employment Services by Newly Unemployed Leavers from Temporary Assistance for Needy Families, Christopher O’Leary and Kenneth Cline, W.E. Upjohn Institute, June 2008, for U.S. Department of Labor; and *UI As a Safety Net for Former TANF Recipients*, Christopher J. O’Leary and Kenneth Kline, W.E. Upjohn Institute, March 2008 for U.S. Department of Health and Human Services.

Minnesota Employee Benefits Survey, Spring 2005, Labor Market Information Office, Minnesota Department of Employment and Economic Development and State Society of Human Resource Managers,
http://www.positivelyminnesota.com/Data_Publications/Data/LMI/PDFs/2005_Employee_Benefits_Survey/Complete_Survey.pdf