

It's Time to Complete the Work-Based Safety Net

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FAIR-SKINNED, BROWN-HAIRED, AND SLIGHT, Rae McCormick insists that her nine-hour shifts at Walmart, until recently, were the best parts of her week.¹ That is, of course, aside from the fleeting moments she and her two-year-old daughter, Azara, enjoyed together when her “uncle” George and “aunt” Camilla were out of the house they shared in Cleveland. In her life outside of work, Rae lurches from crisis to crisis. At work, at least, she was in control of her own cash register, and she could find some shelter from the storm outside.

Arriving at the store each morning, Rae would tuck away her purse, inhaler, and thyroid, depression, and anxiety meds in her locker, pin on her name tag, straighten her shirt and blue vest, and head up to claim her favorite register. After only a few months, she had become the fastest checkout clerk in the store, in large part due to her ability to key in the four-digit codes of several dozen of the most popular produce items from memory. She achieved this by reading the codes into a recording device on her cell phone and setting it to play on repeat as she slept. “My subconscious did the job!” she reports proudly. In just six months at work, she was named Cashier of the Month twice.

Rae is proud of her commitment to work, which she attributes to her father, her role model, who died when she was eleven. Recently, she was offered a spot on the night shift that came with a small raise, but she turned it down because those hours are too slow. “I would rather be busy; I like to keep moving all the time.”

None of this mattered, though, on the day that she climbed into George’s pickup and the gas light flashed on as she turned the key in the ignition. She had just spent her entire paycheck on rent, groceries, and diapers, and had given George the agreed upon \$50 for gas so she could take the truck to work. Yet somehow George and Camilla had emptied the tank over the weekend, and they had no money for more. Rae called her manager in a panic, explaining that there was no way for her to get to work. Could anyone help her out, she pleaded? Her manager simply replied that if she couldn’t get to work, she shouldn’t bother coming in again. Rae says she “flipped... I completely went crazy. And my uncle sat there and told me that I’m selfish, that I don’t give a shit about anybody else, that it was my fault I lost my job. All of it got put on me. And that’s when I was like, ‘You know what? I’ve had enough. I can’t do it anymore.’ I was like, ‘I love you guys, but fuck you.’”

In the 1990s, we, as a country, began a transformation of the safety net that serves poor families with children. More aid is offered to a group that was previously without much in the way of public assistance—working poor families with children. Extending the safety net through expansions of refundable tax credits, greater access to food assistance, public health insurance, and other benefits to the working poor has greatly improved the lives

of millions of Americans. This new system also has the benefit of being far more popular than what came before. The old system, built around the cash entitlement program Aid to Families with Dependent Children (AFDC), was always widely disliked, often hated, including by those it served. It cut against core American values, isolating recipients from the rest of society. In contrast, the Earned Income Tax Credit (EITC)—a refundable tax credit for low-income families that you only get if you work—has the exact opposite effect. Recipients feel they’ve earned it through work. Americans broadly support it. It is accessed through a process that is nearly universally shared by Americans—filing income tax returns. In short, it incorporates the poor into society rather than separating them from it.²

Yet for all the ways that the new, work-based safety net is better than the old, it is built on a decidedly shaky foundation—low-wage work. Even worked at full-time hours, roughly a quarter of jobs in America pay too little to lift a family of four out of poverty. Low-wage jobs are concentrated in the service sector, in retail, and other such industries that have grown over time, while jobs in higher-paying sectors such as manufacturing have declined for decades. Many of today’s low-wage service-sector jobs exact a physical or psychological toll. Not only do they pay low wages, but those who work them are seldom offered such benefits as affordable health insurance, paid time off, or retirement plans.³

Beyond all this, these jobs can be highly unstable. The costs of paying their workers are often the only expenses over which service sector employers have any real control. They can’t control consumer demand, but they can peg their labor costs as closely as possible to fluctuations in demand, by using “just-in-time” scheduling practices. This basic strategy explains why wide scheduling availability has become a key qualification for getting and keeping a low-wage service-sector job. The days and times you are required to work can shift from week to week. Even more challenging are abrupt changes in the number of hours a worker gets. A worker might be full-time one week, but get only a handful of hours the next.⁴

Despite the low quality of many of the jobs available to those at the very bottom of the economic ladder, such jobs can still be surprisingly hard to get for someone like Rae. She dropped out of high school, a casualty of her bouncing around from home to

home after her mother left during her teenage years. In the summer of 2015, the national unemployment rate for adults with less than a high school diploma was 8.2 percent—even higher in Cleveland. To put this in perspective, the unemployment rate for college graduates was 2.5 percent and never eclipsed 5 percent even at the height of the Great Recession. The fact that there are so many applicants to choose from is part of why Rae's supervisor made no effort to help her in a pinch. She was replaceable.

To truly complete the transformation to a work-based social safety net, the federal government's emphasis on personal responsibility must be matched by bold action to expand access to and improve the quality of jobs. There's just no avoiding the fact that there aren't enough jobs to go around, much less ones with adequate pay, hours, and stability.

Government-subsidized job creation is one way forward, and one we've had some success with in the past. During the Great Recession, the federal government sponsored a promising short-term subsidized jobs program in this vein, as part of the Temporary Assistance for Needy Families (TANF) Emergency Fund. States that chose to participate were allowed to use TANF dollars to provide mostly private-sector employers with incentives to hire unemployed workers who were on TANF or had other serious barriers to finding a job.

Among the 39 states plus the District of Columbia that took part, employers created 260,000 jobs with a federal investment of only \$1.3 billion. About two-thirds of participating employers said they created positions that would not have existed otherwise, and many participants made gains that lasted well after the program ended. Researchers who studied the program noted it garnered "strong support from employers, workers, and state and local officials from across the political spectrum."⁵ Creating a program modeled after the TANF Emergency Fund would be one way to improve circumstances for those at the very bottom—and a popular one at that.

Existing research rightly notes that many of those who fall through the cracks of the current incarnation of the work-based safety net have multiple barriers to work, such as mental and physical health problems, family instability, and low education.⁶ Rae McCormick fits this profile exactly. She takes medication for her high blood pressure and is going blind in her right eye. She has lost all her teeth. "I've been beat. I've been raped," she reports matter-of-factly. She lost her father at age eleven, and her mother abandoned her shortly thereafter. Her present network of family and friends is not only not much of a support, it is in and of itself a very clear barrier to work.

Yet Rae is capable of holding a job, and has the ability to excel at it under the right circumstances. Rae is the archetype of a single mother with multiple barriers to work. Rather than need-

ing to addresses her many barriers to work in order to be ready for a job, in Rae's view, it is when she has a job that she feels she can most get a handle on all of the other things that ail her. For Rae McCormick, work is what keeps the problems of mental distress and family dysfunction at bay. The routine and the ability to get lost in one's work may have a certain healing power. Thus, any job creation program should be judged not only based on the impact it has on participants' long-term earnings, but on a host of other outcomes: Does a decent job improve the mental and physical health of participants? Does it reduce involvement in the criminal justice system? Do the children of participants do better in school? Does it increase marriage rates?

We have some evidence from randomized trials of the efficacy of such initiatives. Not all past programs like this have shown improved long-term earnings, but there is evidence that—if structured correctly—they have potential to do so. For such a program to really work for Rae, it would likely need to offer a set of supportive services, such as arranging transportation or child care in a pinch, or a caseworker who could counsel a participant on how to properly deal with a supervisor. What if Rae had had such a resource when she couldn't get to work on that fateful day?

Some evaluations of subsidized jobs programs in the past have found long-term employment and earnings gains for disadvantaged women like Rae, and for welfare recipients in particular. For example, a rigorous evaluation of the Job Training and Partnership Act found that over a 30-month follow-up period, welfare mothers who participated in a form of subsidized employment earned 49 percent more than similar women in a control group.⁷

If we focus solely on improvements in long-term earnings,

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though—as most evaluations have done in the past—we likely miss much of the impact of subsidized jobs programs. As Rae's case suggests, the benefits could extend well beyond earnings. Evaluations have found that jobs programs can reduce criminal activity among participants.^{8,9} Research from the New Hope experiment conducted in Milwaukee in the late 1990s finds that such programs can improve the health of participants, increase marriage rates, and even improve outcomes for children.¹⁰

Beyond increasing access to work, to truly complete the

transformation to a work-based safety net we need to improve the quality of the jobs available to Rae and others like her. Increasing wages, stabilizing schedules, holding employers accountable for “wage theft”—clear violations of labor standards that include failing to pay overtime rates or forcing employees to work off the clock—are all important steps that we should and must take. But designing such policy reforms to maximize benefits to workers can be a challenge, and simply creating more jobs can go some distance in improving other ones. When employers have to compete harder for workers, they are forced to treat them better. Maybe this is the right place to start.

What is the right scale for a program such as this? Policy makers would have to closely consider this question, and researchers should work in partnership to design a program that both creates new jobs that would not have existed otherwise and provides the kind of support services that help workers succeed. An initial pilot program that is more robust than the recent TANF Emergency Fund could gain support and could be paid for in part by phasing out the ineffective Work Opportunity Tax Credit (WOTC), much of the benefit of which is captured by employers for hiring that would have happened anyway.¹¹ A large evaluation could help plot the course for best practices going forward.

In the long term, however, we could think bigger than this. Much bigger. If a program such as this can increase the incomes of the poor, reduce criminal justice costs, improve school performance of children, increase marriage—and if it has the benefit of being a program that participants like—then what should be the limit? Recent estimates are that federal and state governments combine to spend \$80 billion per year to keep people incarcerated.¹² Given that scale, what’s an adequate investment to put people to work?

The case for experimenting with *large-scale* jobs programs is even more compelling in light of growing concerns that prime-

age employment will continue its sharp decline. The sources of this decline are much debated, but it is increasingly fashionable to worry about job-destroying automation, with “robots in the operating room, self-driving cars snaking through the streets, and Amazon drones dotting the sky.”¹³ These new technologies, so it is argued, will replace drivers, clerks, and untold other low-wage occupations and accordingly drive down the prime-age employment rate even lower than it is today. Although worries of this sort have long been dismissed as “Luddite fallacy,” even former Treasury Secretary Larry Summers has argued that because our newest industries tend to be the most labor-efficient, such worries can no longer be dismissed out of hand.¹⁴ The simple implication: The United States would be well-advised to begin experimenting with high-quality, large-scale, public-sector jobs programs. It is hard to imagine that other proposed responses to the looming jobs disaster, like a guaranteed minimum income, will have equal appeal in a country that despises handouts and worships work.

Rae McCormick doesn’t see a handout from the government as a solution to her plight. Instead, what she wants more than anything else is the chance to work, at a decent wage, with a stable schedule. We, as a country, can do a lot more to help her make this wish come true, and we can give her support that helps her maintain employment. And if we do it right, it may cost us a lot less in the long run than what we’re doing now. Beyond all that, it’s the right thing to do.

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Notes

1. Rae McCormick is one of the individuals written about in our book, *\$2.00 a Day: Living on Almost Nothing in America*. Her name and the names of all individuals and some minor details that do not substantively affect the stories told have been changed here and throughout the book.
2. For more on this, see Halpern-Meekin, Sarah, Kathryn Edin, Laura Tach, and Jennifer Sykes. 2015. *It's Not Like I'm Poor: How Working Families Make Ends Meet in a Post-Welfare World*. Berkeley, CA: University of California Press.
3. See Edin, Katherine J., and H. Luke Shaefer. 2015. *\$2.00 a Day: Living on Almost Nothing in America*. New York: Houghton Mifflin Harcourt.
4. See Lambert, Susan J., Anna Haley-Lock, and Julia R. Henly. 2012. "Schedule Flexibility in Hourly Jobs: Unanticipated Consequences and Promising Directions." *Community, Work & Family* 15(3), 293–315; Center for Law and Social Policy, Retail Action Project, and Women Employed. "Tackling Unstable and Unpredictable Work Schedules: A Policy Brief on Guaranteed Minimum Hours and Reporting Pay Policies." Retrieved from <http://retailactionproject.org/wp-content/uploads/2014/03/Tackling-Unstable-and-Unpredictable-Work-Schedules-3-7-2014-FINAL.pdf>; Lambert, Susan J., Peter J. Fugiel, and Julia R. Henly. 2014. "Precarious Work Schedules Among Early Career Employees in the US: A National Snapshot." Research Brief, EINet, University of Chicago. Retrieved from https://ssascholars.uchicago.edu/sites/default/files/work-scheduling-study/files/lambert.fugiel.henly_precarious_work_schedules.august2014_o.pdf.
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7. In comparison, classroom training increased earnings by 13 percent compared to the control group, but this finding was not statistically significant. See Bartik, Timothy. 2001. *Jobs for the Poor: Can Labor Demand Policies Help?* New York, NY: Russell Sage Foundation; Bloom, Dan. 2010. "Transitional Jobs: Background, Program, and Evaluation Evidence." MDRC. Retrieved from https://www.acf.hhs.gov/sites/default/files/opre/tj_09_paper_embed.pdf; Bloom, Howard S., Larry L. Orr, Stephen H. Bell, George Cave, Fred Doolittle, Winston Lin, and Johannes M. Bos. 1997. "The Benefits and Cost of JTPA Title II-A Programs: Key Findings from the National Job Training Partnership Act Study." *Journal of Human Resources* 32, 549–576; Miller, Cynthia, Aletha Huston, Greg Duncan, Vonnie McLoyd, and Thomas S. Weisner. 2008. "New Hope for the Working Poor: Effects After Eight Years for Families and Children." MDRC. Retrieved from www.mdrc.org/publication/new-hope-working-poor.
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9. A randomized trial of a youth summer jobs program found that it led to significant reductions in violent crime arrests long after the program ended. Heller, Sara B. 2014. "Summer Jobs Reduce Violence Among Disadvantaged Youth." *Science* 346(6214), 1219–1222.
10. Miller et al., 2008.
11. Bartik, 2001.
12. National Association of State Budget Officers. 2013. "State Spending for Corrections: Long-Term Trends and Recent Criminal Justice Policy Reforms."
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