Between a Poor and a Poorer Place: Why Welfare Should View the Labor Market as the Problem Rather than the Solution to Poverty

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Abstract

This paper seeks to argue, in direct contrast to Clinton's reforms in the 1990s, that the modern American welfare state should view the secondary labor market as the primary problem low income citizens face rather than the solution to poverty. Section I will summarize the history of welfare in the US by describing how an illegitimate caricature of welfare recipients precipitated a shift towards welfare-to-work policies. Section II will show that the secondary labor market, where welfare recipients are forced to work, harms low-wage workers and that the welfare-to-work program TANF does not improve recipients' outcomes either during or after the program. Section III will conclude by taking a review of welfare policies and arguing that welfare should focus on structural labor market problems rather than welfare-to-work or basic income guarantee schemes.

Introduction

In 1854, Abraham Lincoln proclaimed, "The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all, or cannot so well do, for themselves, in their separate and individual capacities."[1] Historically, Americans expect their government to provide assistance to the poor, elderly, and disabled, something that Lincoln emphasizes. However, since the dawn of the welfare state with the New Deal in the 1930s, the amount, scope, type, and duration of

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[1] Abraham Lincoln, Qtd. in "The Object of Government," *Civil War Trust*, 1 July 1845, http://www.civilwar.org/education/history/primarysources/the-object-of-government.html.

welfare assistance has remained politically and philosophically controversial. Welfare, in many respects, fundamentally contradicts the nation's imagination of the American dream, a tension that precipitated a massive shift towards the welfare-to-work policies of Bill Clinton and Temporary Assistance to Needy Families (TANF), enacted in 1996. Even today, Americans prefer work to welfare. Studies report that "nearly half of all Americans believe the government overspends on anti-poverty programs,"[2] that 44 percent of Americans believe "government aid to the poor does more harm than good by making people too dependent on government assistance,"[3] and that an overwhelming "83% of American adults favor a work requirement as a condition for receiving welfare aid."[4] Moreover, even though the modern welfare state reflects these work-first sentiments, 80 percent of Americans are dissatisfied with federal handling of poverty and 72 percent are dissatisfied with labor and employment issues, suggesting that reform is incredibly important.[5]

The biggest problem with modern welfare is that broad work requirements, like those imposed by TANF, force recipients to engage in an atrocious and low-wage secondary labor market that does little to improve worker outcomes, success, or income. Therefore, this paper will argue that reform of the secondary labor market must take place before any welfare policy can succeed—the secondary labor market is the problem to address rather than the

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[2] "49% Say Current Programs Increase Level of Poverty in U.S," *Rasmussen Reports*, 19 July, 2012, http://www.rasmussenreports.com/public_content/business/general_business/july_2012/49_say_current_government_programs_increase_level_of_poverty_in_u_s.

[3] "Welfare," Pew Center for the People & the Press Political Survey, *Pew Research Poll Database*, 22 Feb. 2015. http://www.pewresearch.org/question-search/?keyword=welfare&x=0&y=0.

[4] "83% Favor Work Requirements for Welfare Recipients," *Rasmussen Reports*, 18 July 2012. http://www.rasmussenreports.com/public_content/business/jobs_employment/july_2012/83_favor_work_requirement_for_welfare_recipients.

[5] Jeffery M. Jones and Steve Ander, "Americans Praise Gov't Work on Natural Disasters, Parks," *Gallup*, 12 Jul. 2013, http://www.gallup.com/poll/163487/americans-praise-gov-work-natural-disasters-parks.aspx.

solution to promote. By describing the history and format of modern American welfare, analyzing the challenges associated with welfare-to-work policies due to the problems in the secondary labor market, and reviewing reform options, it becomes clear that traditional welfare efforts should refocus on worker protection, security, and education. Working is good for citizens and the economy, but asking low-wage workers to achieve the American dream in an abysmal secondary labor market is unproductive and unrealistic.

Section I: The History of American Welfare

In order to discuss reform of the modern welfare state, it is important to understand its historical development and the details of its administration. Katz broadly defines the welfare state as the "collection of programs designed to assure economic security to all citizens by guaranteeing the fundamental necessities of life," which includes private sector, nonprofit, and government assistance measures.[6] Defined in this way, it is clear that the welfare state has existed since the colonial era. Even before the Constitution, which claims to "promote the general welfare" in the preamble, the colonies implemented a variety of public assistance measures modeled after British poor laws.[7] Since then, the welfare state has been a source of much political, social, and economic controversy, resulting in an ever-changing and Frankensteinian system that "resembles a massive watch that fails to keep very accurate time. . . fabricated by different craftsmen who usually did not consult with one another."[8] This section seeks to examine the workings of this watch by analyzing the political and social trends related to welfare over the past century and describing how modern welfare is administered.

Katz writes that, prior to the 1960s, welfare "signified a broad and progressive program with wide public support," explaining the surge in the number of assistance programs at the

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[6] Michael B. Katz, *The Price of Citizenship* (New York: Metropolitan Books, 2001), 9.
[7] *Ibid.,* 10.
[8] *Ibid.*, 9-10

beginning of the twentieth century.[9] While many welfare and worker protection programs were implemented during Gilded Age reforms, the modern welfare state developed with Roosevelt's New Deal in the 1930s. The New Deal introduced the public assistance programs Aid to Dependent Children (ADC)—later to be renamed Aid to Families with Dependent Children (AFDC)—and Old Age Assistance, which provided means-tested cash benefits to poor families and the elderly.[10] Along with these programs, the Economic Security Act of 1935 also created Social Security, which provides retirement benefits to all Americans and was modified in 1965 to include the healthcare assistance programs Medicare and Medicaid. Together, Medicare, Medicaid, and Social Security are the three largest public assistance programs in the United States. It is important to clarify that social insurance programs, like Social Security and Medicare, require the payment of premiums as a prerequisite for receiving aid and are therefore distinct from the cash assistance welfare programs, like AFDC, that will be the focus of this article.[11]

The broad initial support for welfare that Katz describes began to erode as the century wore on. While social insurance programs were—and remain—popular with Americans, support for cash assistance programs dwindled. Shapiro analyzes trends in survey data over the course of the twentieth century and finds that "very large majorities, often more than 80 percent," support old age pensions and Social Security, consistent with "higher levels of support for spending on health care, Social Security, and assistance to the poor, compared to 'welfare.'"[12] Despite the fact that "the cost of social insurance programs dwarfs public assistance,"[13] Americans overwhelmingly approve of Social Security and Medicare while remaining skeptical of cash assistance programs. This disconnect is

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[9] *Ibid.*, 1.
[10] *Ibid.*, 10-11.
[11] *Ibid.*
[12] Robert Y. Shapiro, "From Depression to Depression? Seventy-five Years of Public Opinion Toward Welfare," *Annual Fall Research Conference of The Association of Public Policy Analysis and Management*, Washington, D.C, (5-7 November 2009): 10.
[13] Katz, 11.

due to a foundational tension between public assistance and the American ethos of hard work, determination, and the American dream. Shapiro writes that the distinction between social insurance and cash assistance programs "reflects a fundamental individualism that esteems individual responsibility and individual initiative."[14] Katz agrees, categorizing this distinction as a "war on dependence" and writing that dependents "[seemingly] interfere with relations between productive, working citizens" and that "the tendency of capitalism . . . is to clear the market of all but active and able citizens."[15] These authors emphasize that cash assistance structurally contradicts American values because Americans imagine it as a mechanism for delivering unearned benefits to lazy, underserving dependents.

American politicians in the '80s and '90s took advantage of this ideological tension to structurally redefine welfare as "welfare-to-work." Momentum for the re-imagination of AFDC, "the most disliked public program in America,"[16] began with Ronald Reagan and his depiction of the "welfare-queen" in a 1976 campaign speech. Reagan painted a caricature of a Chicago woman who "used 80 names, 30 addresses, [and] 15 telephone numbers to collect food stamps, Social Security . . . as well as welfare." [17] Reagan went on the claim, "Her tax-free cash income alone has been running $150,000 a year," a bold statement that caused the shocked crowd to audibly gasp.[18] Despite the fact that, according to Krugman, this was "a gross exaggeration of a minor case of welfare fraud," Reagan's rhetorical strategy worked.[19] The welfare queen became "the embodiment of a pernicious stereotype" that "marked millions of America's poorest people as potential

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[14] Robert Y. Shapiro and Benjamin I. Page, *The Rational Public: Fifty Years of Trends in American's Policy Preferences* (Chicago: University of Chicago Press, 1992), 118. Qtd. in Shapiro, "From Depression," 6.

[15] Katz, 26.

[16] Katz, 1.

[17] Josh Levin, "The Welfare Queen," *Slate.com*, 19 Dec. 2013, http://www.slate.com/articles/news_and_politics/history/2013/12/linda_taylor_welfare_queen_ronald_reagan_made_her_a_notorious_american_villain.html.

[18] *Ibid.*

[19] Paul Krugman, "Republicans and Race," *New York Times*, 19 Nov. 2007, http://www.nytimes.com/2007/11/19/opinion/19krugman.html.

scoundrels," and Reagan coopted the public outrage against welfare recipients to "sell voters on his cuts to public assistance spending."[20] Reagan's speech aligned perfectly with the American distaste for cash welfare noted by Katz and Shapiro and gave a rhetorical rallying cry for welfare reform.

Bill Clinton would finish what Reagan started, ushering in the "end of welfare as we know it" by signing The Personal Responsibility and Work Opportunity Act (PRWORA) in August 1996, which passed with broad bipartisan support.[21] Eight out of ten Americans applauded the new bill, which replaced AFDC with the welfare-to-work program Temporary Assistance to Needy Families (TANF).[22] TANF represented the manifestation of the public's outrage against the undeserving poor and the imagined welfare queen, reshaping welfare in many important ways. First, PRWORA "eliminated a federal entitlement to cash assistance," and instead gave the states discretion to design their own cash assistance programs.[23] Secondly, PRWORA enforced time limits and ruled that individuals could not receive benefits for more than 60 months, or 5 years, in their lifetime. Finally, and most importantly, PRWORA focused heavily on work incentives and "pushed [recipients] much harder to find employment and leave the rolls," tying welfare benefits to workforce engagement.[24] As a result, by 2002 "at least 50 percent of all recipient families and 90 percent of two-parent families were required to be working," a marked increase from the 87 percent of AFDC mothers who did not have a job just nine years earlier.[25] TANF continues to remain the only major cash assistance welfare program to this day.

In conclusion, Clinton succeeded in refocusing public assistance on the welfare-to-work TANF scheme, building on

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[20] Levin, "The Welfare Queen.

[21] Rebecca M. Blank, "Evaluating Welfare Reform in the United States," *National Bureau of Economic Research*, NBER Working Paper 8983 (June 2002): 4.

[22] Katz, 1.

[23] Blank, "Evaluating Welfare Reform," 4.

[24] Blank, 8.

[25] "Mothers Who Receive AFDC Payments: Fertility and Socioeconomic Characteristics," *U.S Census Bureau* and *U.S Department of Commerce*, Mar. 1995, https://www.census.gov/population/socdemo/statbriefs/sb2-95.html.

society's increasing disdain for the underserving poor on welfare. TANF relies on "the mantra, 'get a job, any job, then get a better job'" and presumes "a stepping stone career ladder in the low-wage economy," which fits well with the American ethos of hard work and dedication.[26] With the historical and ideological foundation of American welfare in place, the following sections will seek to debunk these welfare-to-work assumptions and argue that the low-wage labor market is ill-equipped to improve worker outcomes in the way TANF imagines is possible.

Section II: From a Poor to a Poorer Place

From the government's perspective, TANF worked. Between 1994 and 2000, welfare caseloads plummeted by 56.5 percent,[27] while the share of recipients who received assistance the year before reporting that they were presently employed skyrocketed from 19.8 percent in 1990 to 44.3 percent in 2000.[28] Therefore, the program did exactly what it was *supposed* to do, as TANF cut welfare caseloads in half and doubled workforce participation. This section asks if it *should* have done so in the first place; evidence suggests no. Rather than judging TANF by macro variables like caseloads and workforce participation that reveal little about the quality of life of individual recipients, TANF should be evaluated by two simple criteria: how well recipients fare while on the program and how well these recipients fare when their benefits expire. This section will argue that TANF fails based on both criteria because of unaddressed structural problems in the secondary labor market. A far cry from the notion that working improves outcomes, data suggest that both during and after a stint on TANF, recipients suffer in terms of income, opportunities, health, and family success.

Since most TANF recipients are forced to work in the secondary labor market,[29] it is crucial to understand the disturbing

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[26] Frank Ridzi, *Selling Welfare Reform: Work-First and the New Common Sense of Employment*, (New York: New York University Press, 2009), 10.

[27] Blank, 17.

[28] Blank, 19.

[29] Joel F. Handler and Yeheskel Hasenfeld, *Blame Welfare and Ignore Poverty and Inequality* (New York, Cambridge University Press: 2007), 317.

nationwide trends in low-wage work. On top of wage stagnation for "virtually the entire period since 1979," characterized especially by stagnation in the low-wage labor market,[30] low-wage workers are employed in "dead" occupations that leave little room for advancement. Modern low-wage service jobs almost never lead to promotions up the corporate hierarchy, leading Handler and Hasenfeld to conclude that "employment mobility is a myth."[31] From 1999-2001, only 17 percent of low-wage workers were able to escape low wages via a promotion with their original employer, a measurement taken *before* the unemployment struggles of the Great Recession.[32] Additionally, low-wage workers increasingly face nonstandard, part-time work. Only 29.1 percent of workers in the secondary labor market work a traditional work week, with many employed in odd-hour, part-time jobs.[33] Employers in the secondary labor market rarely provide healthcare or other benefits to their workers, and premiums are actually higher for low-wage than high-wage workers.[34] Low-wage jobs are also characterized by low stability and high turnover, and "half of the [low-wage] jobs [have] an annual turnover rate exceeding 50 percent and a third exceeding 80 percent."[35] In short, the secondary labor market where TANF forces recipients to work is a disaster. Employees face low-wage, service level jobs with high turnover, low benefits, and little room for promotion or advancement.

The primary goal of welfare is to raise family incomes, and TANF sets out to use this abysmal secondary labor market as a substitute for government provided income. Blank finds, however, that across a variety of studies, mandatory work programs show no evidence of increasing income, as "earnings appear to be entirely offset by losses in public assistance income . . . [meaning] these

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[30] Lawrence Mishel and Heide Shierholz, "A Decade of Flat Wages," *Economic Policy Institute*, Briefing Paper #365 (21 Aug. 2013): 3.
[31] Handler and Hasenfeld, *Blame Welfare*, 251.
[32] *Ibid.*, 252.
[33] *Ibid.*, 246.
[34] Drew Altman, "Low-Wage Workers Feel the Pinch on Health Insurance," *The Wall Street Journal*, 18 Sep. 2014, http://blogs.wsj.com/washwire/2014/09/18/low-wage-workers-feel-the-pinch-on-health-insurance/.
[35] Handler and Hansfeld, *Blame Welfare*, 249.

programs have no anti-poverty effects."[36] This problem is due to the benefit reduction rate (BRR), or the effective marginal tax rate on earned income that results from declines in welfare benefits as earnings rise. The BRR is very high, almost 90 percent in some states, which strongly reduces the impact of working on family incomes.[37] A high BRR also reduces the incentives for recipients to pursue promotions, as a higher wage job results in an almost equal reduction in welfare benefits, further contributing to the lack of career advancement among welfare recipients. This leads to the simple but troubling conclusions that TANF programs "show that employment is increased and welfare use is reduced, but net income is either largely unchanged or reduced. Few [state TANF] programs have generated substantial gains in incomes or declines in poverty."[38] TANF relies on the secondary labor market to subsidize welfare, which results in lower government spending but no increase in income for recipients.

Problems in the secondary labor market and the lack of income increases result in many negative effects on TANF recipients during their five-year benefit window. TANF mothers with disabilities, large families, or young children face extreme challenges when working, meaning that TANF enrollees with these characteristics are actually "more likely to be food insecure" and "in poorer mental health."[39] TANF not only hurts the health of recipients, but also their children. Child care is prohibitively expensive and poorly subsidized, meaning that welfare families pay between 25 and 40 percent of their income for child care, if they choose to consume it.[40] As a result, TANF parents frequently leave children with non-parental caregivers, resulting in "more than 70 percent of all children under the age of 5 of working mothers [being] cared for by someone other than their parents" and 50 percent of

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[36] Blank, 66-7.

[37] Gregory Acs *et al*. "Does Work Pay? An Analysis of the Work Incentives under TANF," *The Urban Institute,* Occasional Paper Number 9 (July 1998): 17.

[38] Handler and Hansfeld, *Blame Welfare*, 64.

[39] Peter Muennig, Rishi Caleyachetty, Zohn Rosen, and Andrew Korotzer, "More Money, Fewer Lives: The Cost Effectiveness of Welfare Reform in the United States," *American Journal of Public Health* 105, no. 2 (Feb. 2015): 324.

[40] Handler and Hansfeld, *Blame Welfare*, 260.

TANF mothers relying on grandparents to serve as primary caregivers.[41] This can have highly negative effects on child performance: a comprehensive survey of teachers reveals that welfare children are "sleepy, [unable to complete] homework, too tired and unprepared to succeed in school, often sick, and falling behind academically."[42] Without a consistent parental presence, children struggle to succeed, meaning that TANF perpetuates poverty by undermining the ability of welfare children to prosper. By forcing recipients to engage in the secondary labor market without child care support, TANF harms family outcomes across a variety of statistical areas.

The second, and probably more condemning, problem with TANF is the failure of recipients after they leave the program. Because TANF benefits are capped at 60 months, a variety of "leavers studies" have evaluated leaver success and determined that TANF does little for recipients' long term prospects. After welfare benefits expire, work in the secondary labor market simply does not improve outcomes, as over 50 percent, and maybe as much as 74 percent, of welfare leavers are still poor.[43] Across states, studies indicate that only one-fifth to one-quarter of leavers find employment in "good" jobs with wages above the minimum wage and that "the net income of welfare leavers in the year after they exited welfare is lower than their income prior to leaving."[44] Families that left welfare after 2000 under TANF were actually *less* likely to find work than families that left in the early 1990s under AFDC, resulting in an increase in the unemployment rate of low income single mothers.[45] Time limits, which are supposed to serve as an incentive to work, do more harm than good, and "more than 81 percent [of TANF recipients] had household income below the poverty line when interviewed a year and a half after hitting the time

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[41] *Ibid.*, 257; 258.

[42] *Ibid.*, 268.

[43] Blank, "Evaluating Welfare," 60.

[44] Shawn Fremstad, "Recent Welfare Reform Research Findings: Implications for TANF Reauthorization and State TANF Policies," *Center on Budget and Policy Priorities*, 31 Jan. 2004, http://www.cbpp.org/research/recent-welfare-reform-research-findings.

[45] *Ibid.*

limit."[46] A plethora of studies agree: TANF does *nothing* to improve the future labor market prospects of recipients. TANF simply postpones poverty for a short duration, leaving recipients stranded and unable to find jobs or assistance after their welfare expires.

In conclusion, "the 1996 welfare reform . . . serves to undermine the long-term empowerment of poor workers and their families by reinforcing their commodification in a global market."[47] TANF forces people to engage in the dismal secondary labor market with little support, resulting in poor family and child outcomes and no decrease in poverty. Furthermore, after TANF benefits cease, leavers are abandoned to the whims of the labor market and remain poor and unemployed. The presupposition that welfare-to-work programs provide opportunities to move up the career ladder is entirely false, meaning that TANF represents a cost-cutting mechanism for delaying poverty rather than a longer-term solution for eliminating it. Consistent with this assertion, Ridzi argues that TANF both disembodies and disempowers recipients by "[enforcing] working responsibilities but not work or safety net rights" and "[diverting] families to [the] labor market rather than protecting them from its vagaries."[48] TANF, by enforcing the American dream without equipping recipients to achieve it, fails as a welfare system. The next section will provide realistic and labor-market focused solutions that could address these structural problems while still acknowledging American beliefs about welfare.

Section III: Reform Options

With an understanding of the history of American welfare and the shortcomings of TANF in place, it becomes possible to evaluate reform measures. This section will first demonstrate that a basic income guarantee, one of the most popular measures suggested by progressive reformers, is both politically, culturally, and economically infeasible. Instead, reform efforts should focus on improving the secondary labor market and empowering low-income

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[46] *Ibid.*
[47] Ridzi, 254.
[48] *Ibid.*, 253.

workers to succeed. This tactic acknowledges Americans' overwhelming preference for work over welfare while still improving the long-term outcomes of welfare recipients and their families.

A basic income guarantee (BIG), also known as a universal demogrant or credit income tax, is "a universal cash benefit paid to all citizens . . . regardless of income, wealth, or work history."[49] A BIG policy has gained momentum among progressive reformers and is used, in a variety of permutations, by most socialist regimes in northeastern Europe, including Denmark, Finland, the Netherlands, and Sweden. A BIG, in the form of a negative income tax, was actually suggested by the great free market advocate Milton Friedman, and famous economists James Tobin and Robert Lampman also supported different forms of the BIG.[50] The goal of a BIG is to simplify the tax code and the welfare system by transferring cash payments directly to citizens, which intends to reduce poverty without the complications of the means-tested welfare bureaucracy.[51]

Initially, the transparent and redistributive features of the program seem appealing; however, after examining the BIG literature, it becomes clear that a BIG would be neither practical nor successful in America. Sheahen synthesizes a variety of BIG proposals and formulates a single recommendation for an American BIG system. Sheahen estimates that it would cost just under $1.9 trillion annually to guarantee every citizen in America a poverty level income, which translates to $10,000 per adult and $2,000 per child. Sheahen admits that "It's a scary number," but goes on to describe how America could afford the program.[52] Sheahen suggests eliminating 138 tax loopholes, eliminating certain exemptions and deductions from the tax code, cutting over 100 welfare programs (including the EITC and farm subsidies), slashing the defense

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[49] Iwan Garfinkel, Chien-Chung Huang, and Wendy Naidich, "The Effects of a Basic Income Guarantee on Poverty and Income Distribution," USBIG Discussion Paper No. 014 (Feb. 2002): 2.
[50] *Ibid.*, 3
[51] Allan Sheahen, "It's Time to Think BIG! How to Simplify the Tax Cod and Provide Every American with a Basic Income Guarantee," USBIG Discussion Paper No. 144 (Feb. 2006): 1-3.
[52] *Ibid.*, 7.

budget by over 35 percent, reversing the Bush tax cuts from the early 2000s, reintroducing the higher income tax rates from 1994, and changing a variety of other tax filing and reporting regulations.[53] At the end of these accounting gymnastics, Shehean argues "it is not impossible to provide a full BIG to all Americans."[54]

Au contraire. While Shehean makes the math work, he completely neglects the political realities of the United States. The American government, due to a variety of issues beyond the scope of this paper, is extremely slow-moving and reluctant to change. Cutting the defense budget, obliterating federal programs, and overhauling the tax code work far better on paper than in practice, and it is unrealistic to expect these sweeping reforms to be introduced, especially all at once. Additionally, even if the government wanted to introduce such a drastic paradigm shift, the American people would likely not. As discussed previously, Americans overwhelmingly and consistently prefer work to welfare, meaning that this kind of unearned cash transfer would provoke massive public disapproval.

These political realities, however, are not the most condemning critique of the BIG plan. Troublingly, all of these reforms would be necessary just to guarantee a *poverty level* income, which has been shown repeatedly to grossly underestimate the actual cost of living for low-wage families. Handler and Hansfeld write that "the official measure of poverty does not provide a good estimate of how many people are poor . . . most people agree that the poverty line is unrealistic."[55] In fact, Handler and Hansfeld find, using more reasonable estimates of living costs developed by the National Academy of Science, that "the rate of poverty for the full-time working family is 40 percent higher than the official rate."[56] Therefore, this kind of politically unlikely overhaul and $1.9 trillion expenditure would only provide income support at a meager, unlivable level. As a result, the BIG fails from both a political and

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[53] *Ibid.*, 7-8.

[54] *Ibid.*, 13.

[55]Handler and Hasenfeld, *Blame Welfare*, 21.

[56] *Ibid.*

economic perspective, meaning that alternative reform measures are necessary.

The goal of welfare reform should be to improve the long-term outcomes of welfare recipients in a feasible and culturally sensitive way. Rather than a BIG, reform efforts should focus on overhauling the secondary labor market where TANF forces most welfare recipients to work. This model accepts the popularity of welfare-to-work ideology in America while still empowering low-income families to succeed and prosper in the long-term. By instituting a plethora of worker training and security programs, this new policy paradigm would "re-focus on work but place workers themselves at its center."[57] This paper expands on the foundational work of Ridzi, Handler, Hansfeld, and Katz in order to suggest five core policy measures that America should implement. The first three suggestions focus on increasing the income and future job prospects of welfare recipients while the second two suggestions focus on increasing the happiness, health, and family security of welfare recipients.

First, America should invest in public work projects to rebuild the nation's crumbling infrastructure, especially in times of economic crises. Public work programs provide jobs and income support to the unemployed, improve the nation, and are responsive to economic downturns, meaning these programs can be viewed as a strategic investment rather than an unpopular expenditure. Secondly, America should increase the minimum wage, directly raising the income levels of low-wage workers. A higher minimum wage incentivizes participation in the labor market and mandates that secondary labor market jobs provide at least a livable income. Thirdly, America should invest in subsidized job training and human capital development programs. The government could offer scholarships for trade school and higher education, pay subsidies to workers and firms who participate in corporate-sponsored apprenticeships, increase funding to poor schools, and expand and develop larger job training programs. This would improve the long-term labor market prospects of welfare recipients and encourage

[57] Ridzi, *Selling Welfare*, 263.

promotions and steady employment, allowing recipients to stay employed even after their TANF benefits expire.

In addition to these three reforms, which target increasing lifetime incomes, America should consider two additional reforms that focus on worker happiness and success. Fourthly, America should vastly increase spending on child-care, offering large subsidies to welfare families to pay for child-care services and making prekindergarten a requisite part of public education. This would grant low-wage families, and especially single mothers, the freedom to work without the burden of finding and paying for child-care services, while also stabilizing and improving the lives of welfare children, who suffer mightily from the work incentives imbedded in TANF. Finally, America should implement a variety of worker protection laws, including guaranteed paid maternity and paternity leave, expanded healthcare coverage, subsidized retirement programs, and mandated vacation time. These policies, which are commonplace in most other developed countries, increase work incentives by making work more feasible and enjoyable while recognizing the importance of health and family stability to worker success. In short, improving the labor market in these ways would transform the imagined benefits of welfare-to-work policies into realities by addressing the structural labor market problems that prevent TANF from improving recipient outcomes. All five of these reforms would empower low-wage workers across the nation, allowing welfare to truly reduce poverty rather than simply postpone it.

Conclusion: Viewing the Secondary Labor Market as the Problem, Not the Solution

Over the course of the twentieth century, America increasingly shifted toward welfare-to-work policies, culminating with the creation of TANF in 1996. This program decreases caseloads and increases work effort, but recipient income does not increase during the program and welfare leavers are ill-equipped to succeed after their TANF benefits expire. This paper argues that the disastrous secondary labor market is responsible for these problems. TANF moves welfare recipients from a poor place, poverty, to an even poorer place, the low-wage labor market, without providing the education or protections necessary for them to succeed there. By investing in public work projects, a higher minimum wage, human capital development programs, child care, and worker protection laws, America can improve the long-term outcomes of welfare recipients by equipping them to survive in the labor market even after their TANF benefits end. These reforms recognize both the preference Americans have for work over welfare and the realities of the American political system, making them more realistic than the popular basic income guarantee. If America is going to ask welfare recipients to work, it must provide the resources necessary for them to succeed when doing so. Unless the secondary labor market is greatly improved and low-wage workers are protected, TANF will remain a short-term, ineffective, and damaging program.

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