

## *Climbing the Wage Ladder*

**BACKGROUND:** There are two schools of thought about the requirements of a successful welfare-to-work program: One believes women on welfare should be encouraged to work, even at low-paying jobs, because steady work experience is a rung on a “wage ladder” that leads to jobs at higher wages. The other believes women on welfare should be encouraged to enroll in education and training to improve their skills and only take jobs with higher wages, because low-paying jobs are a dead end.

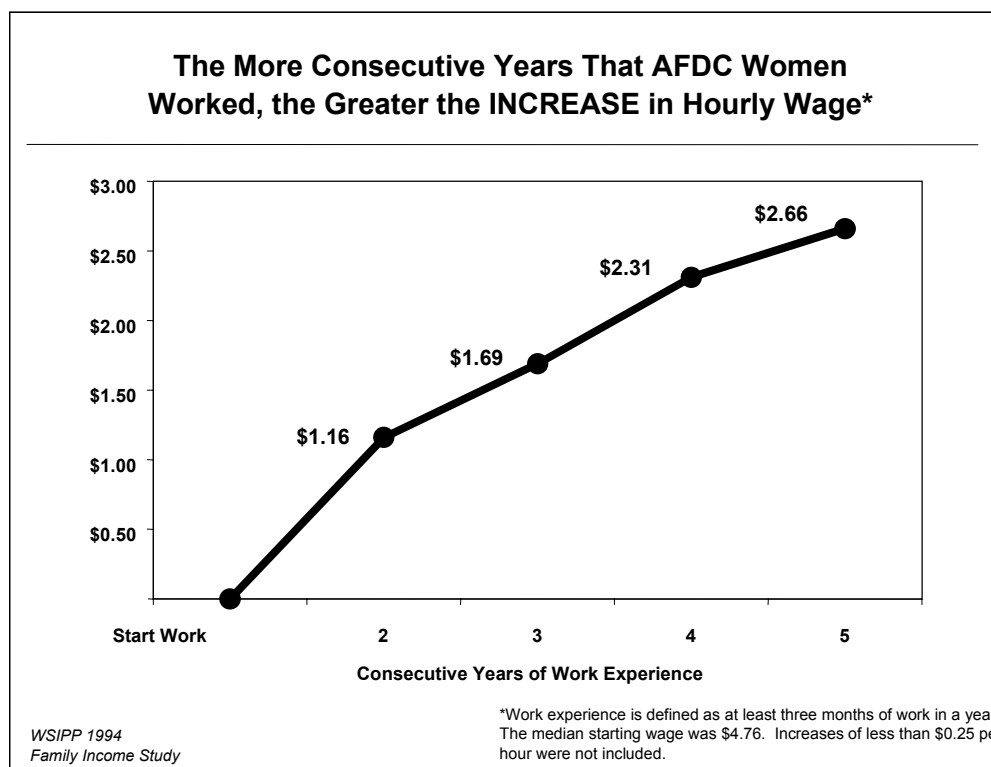
Previously, the Family Income Study found that **both** education/training **and** work experience affect the possibility of a woman leaving and staying off welfare. In this paper, we address the **effects of work experience**. We examined the hourly wages of women in the AFDC sample, who worked at least three months in any year during the five-year study period (1988-1992), to see if it was possible to “climb a wage ladder.”

### **FAMILY INCOME STUDY FINDINGS:**

- **The more consecutive years that women worked, the greater the likelihood of receiving a wage increase, and the higher the amount of the increase.**

*For those who worked in **two** consecutive years, 57 percent of the women received a wage increase; the median increase was \$1.16 per hour.*

*For those who worked in **five** consecutive years, 87 percent of the women received a wage increase; the median increase was \$2.66 per hour.*



- **Most women (77 percent) worked for wages for at least three months in one year of the five-year study period. Their median starting wage was \$4.76 an hour.**
- **For those with work experience, 19 months was the median length of time worked during the five-year study period.**

### ***DISCUSSION:***

A woman's wage rate is an important factor for her being able to leave and stay off welfare. Although the median starting wage was relatively low (\$4.76), this analysis found that most women who had steady work experience, and who worked in several consecutive years, received wage increases.

*If* a woman had worked in **five consecutive years**, a median hourly wage of \$7.42 (\$4.76 + \$2.66) would have been possible. At this hypothetical wage, a woman working full-time, for a full year, could have had annual pre-tax earnings of approximately \$14,840. As a point of reference, the federal poverty level for a family of three was \$11,205 in 1992, and inflation was low.

**However**, few women worked full-time for a full year; part-time work for part of the year was a more common pattern. Only *12 percent* of the women had worked in **five consecutive years**.

The Earned Income Tax Credit (EITC) has become an important factor for increasing family income for women who work at low wages. In 1993, a single mother with two children who was employed full-time at \$4.76 would be eligible for an EITC of \$1,511. If she were employed full-time at \$7.42, she would be eligible for an EITC of \$1,146.

Although education and job skills training continue to be very important, this analysis suggests that helping women who receive AFDC to stay in the labor market and to apply for the EITC could be part of a successful welfare-to-work policy.

### ***Definitions:***

**AFDC sample:** *a random sample of women respondents in households receiving AFDC in March 1988.*

**Work:** *at least three months paid employment in any one year during the five-year study period.*

**Wage increase:** *an increase of at least \$0.25 per hour; increase less than \$0.25 per hour were not included.*

**Annual earnings:** *calculated by multiplying the hourly wage by 2000 hours.*

**Inflation:** *During the study period, the average annual Consumer Price Index increase was 4.3 percent.*