Fast Focus

Since the 1980s, U.S. workers with less than a college education have faced increasing job instability at the same time that the safety net has become increasingly contingent on employment. The sources of instability are many, including variable schedules, not enough hours, and temporary employment. A policy forum hosted by the Employment Instability, Family Well-being, and Social Policy Network (EINet) at the University of Chicago on November 15, 2013, brought together researchers, policy administrators, and advocates to discuss the interaction of the safety net with the increasing employment instability faced by low-wage workers. This interaction is also being examined by the Institute for Research on Poverty as part of a major research initiative designed to enhance understanding of how policies and programs can build economic self-sufficiency by increasing employment, wages, labor market skills, and earnings. In this issue of Fast Focus, Heather Hill and Marci Ybarra, the EINet forum organizers, review the evidence on employment instability, outline the forum discussion and findings, and explore the challenges and opportunities of promoting employment stability in the current economic and political climate.

March 2014

Less-educated workers’ unstable employment: Can the safety net help?

Heather D. Hill and Marci A. Ybarra

In recent decades, workers with less than a college education have faced a “double whammy” of less-secure employment opportunities and a safety net that is increasingly contingent on employment. Beginning in the 1980s, structural changes to the economy—including declines in manufacturing and the influence of labor unions and increases in health care costs—combined to increase the instability of employment for less-educated workers. Many workers experience unpredictable, variable, and nonstandard hours; temporary or contingent employment; and involuntary part-time positions. Policy changes during this same period—such as welfare reform and expansions of the Earned Income Tax Credit (EITC) and child care subsidies—made much of public assistance contingent on employment.

What happens when the work-based safety net meets the realities of the low-wage labor market? This question guided a policy forum hosted by the Employment Instability, Family Well-being, and Social Policy Network (EINet), at the University of Chicago on November 15, 2013. The forum convened researchers, policy administrators, and advocates to discuss how the safety net responds to and prevents employment instability. No systematic or comprehensive evidence exists on the ability of the safety net to either promote employment stability or buffer families against the effects of employment instability. We asked the presenters to begin culling evidence on the programs they knew best and to develop hypotheses about what specific design features or dimensions of programs relate to the system’s performance in the context of employment instability. In particular, we were interested in how much safety net programs attempt to reduce employment instability; how much receipt of benefits is contingent on employment status, hours, or stability; and whether rules determining the level of assistance create high stakes for changes in employment. Because our focus is on unstable work, we did not consider the safety net’s response to the recent increases in long-term unemployment or worker discouragement.

This issue of Fast Focus provides an overview of evidence on employment instability in the United States and suggests some opportunities and challenges facing policymakers and researchers interested in promoting employment stability in our current economic and political context, all drawn from our policy forum.

Fast Focus is an occasional, electronic-only supplement to Focus on recent poverty research.
The instability of low-wage employment

Since the 1980s, the jobs available to less-educated workers have become less stable in numerous ways. Nonstandard work arrangements, such as contingent and temporary positions, have become more common; nonstandard hours and inconsistent schedules or shifts have increased; part-time work among workers who are seeking full-time hours has increased; and benefits and job-protection in low-skilled jobs have declined. Workers across the skill distribution are feeling the increase in employment instability, but the brunt of these changes fall on the least-educated workers. While brief periods of unstable employment may be an upwardly mobile step for some workers, such as adolescents or those who have faced a long period of unemployment, many less-educated workers appear to be “stuck” in unstable work with no obvious path to more stable, higher-paying employment.

Importantly, the Great Recession exacerbated the already sharp decline in the availability of “good” jobs—with high pay, full-time hours, and benefits—to less-educated workers. In addition, our understanding of instability in the formal low-wage labor market likely understates the instability faced by workers in informal or unregulated labor markets (those paid “off the books”).

Examining whether and how the safety net protects families from precarious employment is important because such instability often leads to problems that can threaten parent and child well-being. Job loss is associated with higher mortality rates and lower ratings of overall health status. Studies also link within-job instability—such as nonstandard work arrangements, fluctuating work hours, part-time work when full-time work is preferred, and unpredictable schedules—to adverse effects on worker health, marital relationship quality, work-family conflict, parenting practices, and on children’s well-being. Employment instability is most likely to affect children indirectly through increased parental stress and decreased family resources. Both parental job loss and income instability are associated with more child behavior problems and less child academic success.

The employment-based safety net

We view the “safety net” broadly as a set of programs designed to protect Americans from economic hardship. Our definition includes not only “means-tested” programs targeting low-income families such as child care subsidies, but also insurance programs available to a broader group of workers, such as Unemployment Insurance and Social Security. We also include work-family policies, such as family leave, because they are fundamental to protecting the economic well-being of workers and their families.

A key characteristic of the U.S. safety net is that it promotes employment as a path to economic mobility and self-sufficiency. This long-standing focus was amplified by the federal welfare reforms of the 1990s, which instituted work requirements for recipients of cash assistance from the Temporary Assistance for Needy Families (TANF) program, as well as expanded supports to low-income workers (e.g., child care subsidies). As a result, the public assistance available to non-workers in this country is now largely limited to in-kind benefits, such as food stamps (now Supplemental Nutrition Assistance Program or SNAP benefits), housing subsidies, and Medicaid; however, low-income non-workers with a severe disability are eligible for Supplemental Security Income program cash benefits.

Our focus here is on assistance available to workers, especially low-wage workers, whose employment is increasingly precarious. The presentations and audience questions at the EINet policy forum raised three research-informed concerns about interactions between the safety net and unstable employment, which we outline next.

Employment-based eligibility rules can make programs unresponsive to unstable work

The first concern is that the more a program ties eligibility to employment, or the amount of assistance to earnings, the less protection the program provides against employment instability. Social Security and Unemployment Insurance lie at one end of this continuum, offering supports in old age or after a layoff principally for stably employed workers. Both eligibility and the amount of assistance go up the more steadily a person works. These are “universal” programs arguably not designed to benefit the most disadvantaged workers, but even among means-tested safety net programs, there is variation in how much program participation is tied to employment and how much protection the program offers against employment instability. For example, research by Susan Lambert and Julia Henly (EINet co-principal investigator and steering committee member, respectively) on low-level jobs highlights the troubling mismatch between TANF work requirements and common employer practices that limit a worker’s hours. At the EINet conference, LaDonna Pavetti from the Center on Budget and Policy Priorities presented compelling evidence that SNAP was most responsive to the increasing financial need of American families relative to other safety net programs, such as TANF, which had only small increases in program participation during the Great Recession.

While increasing SNAP caseloads is a concern both in terms of spending and as an indicator of need, it is arguably evidence that the program was “doing its job” in the context of the recession. Importantly, the food assistance program was able to expand to meet increased need because it is an entitlement program, which supports work, but without limiting eligibility to workers only. Some individuals without children face work requirements and time limits on SNAP, but most families with dependent children are exempt from these rules. In addition, the stimulus legislation passed during the recession allowed states to waive SNAP work requirements and time limits, making the program more responsive to growing need. In contrast, the caseloads of work-contingent
programs, such as TANF and child care subsidies, did not increase to the same degree in the context of sharply increasing unemployment rates. Other programs that are not contingent on work but rely on discretionary spending, such as housing subsidies and Head Start, also shrank as need expanded, but in their cases it was due to large budget cuts.

Employment-based eligibility rules can increase instability

The second concern is that in the context of unstable work, tying safety net assistance to employment and earnings can amplify economic instability in complex and unpredictable ways. At the EINet forum, Greg Acs from the Urban Institute highlighted how even relatively small and potentially temporary changes in employment and earnings can cause drastic and long-lasting changes in the receipt of safety net assistance. He used the example of child care subsidies, which are available only to low-income working families and used mostly by single mothers. Child care subsidies provide a critical income and work support, but they are only briefly available during periods of unemployment and typically not at all while a parent attends school. Even more concerning, sharp “cliffs” for child care subsidy eligibility mean that a small increase in earnings can make families ineligible and thus greatly increase out-of-pocket child care costs. Another example is that states have the discretion to define how many quarters of earnings are required prior to a job loss in order to qualify for Unemployment Insurance benefits (the “base period”), and whether part-time workers are eligible.

As these examples suggest, whether and how we connect eligibility requirements and benefit determination to current or past employment varies widely by program and by state. As a consequence, the implications of having unstable work—as a function of job loss, unpredictable hours, or varying schedules—for program eligibility and benefit levels are difficult to predict. Overall, we might expect safety net programs to be more likely to promote economic stability and upward mobility if they are flexible to changes in employment and have relatively flat rates of decline in assistance as earnings increase.

More research evidence is needed

The third concern is that important gaps remain in the study of the causes and consequences of employment instability. For instance, undocumented and/or informal workers make up an increasingly large share of workers, are disproportionately poor and racial/ethnic minorities, and often experience employment instability in the informal labor market. Because the safety net is largely predicated on formal earnings, these groups are also likely to be disconnected from many safety net programs. Rich qualitative research has been leveraged to illuminate the effects of employment instability on the experiences of marginalized workers and their families. But it can be difficult to include marginalized workers in employment-related studies because they are difficult to locate and recruit. At the EINet event, Chenoa Flippin presented results from her study on employment instability among undocumented workers in North Carolina that used an innovative community-based study model. Flippin relied heavily on building trust in an immigrant enclave by disseminating linguistically appropriate materials about the study and including community members in the study’s development.

In addition, measures of employment status, hours, and characteristics in administrative records and surveys often reflect outdated notions of low-wage employment. Most nationally representative survey questions, for instance, ask about usual hours for one or more jobs, but do not capture the degree of instability in hours, shifts, or earnings. Moreover, administrative data on earnings via the Unemployment Insurance system are typically reported on a quarterly basis, which does not allow researchers to measure the hourly, daily, weekly, or monthly fluctuations in work or earnings that are the source of considerable instability for many workers.

How can the safety net better promote employment stability?

If the safety net is to do a better job of promoting employment stability, then research and policy discussions will need to reconcile the instability in low-wage jobs with the design of safety net programs. There are many questions still to be answered about whether and how the safety net can promote employment stability and protect families from disruptive fluctuations in work and earnings. We hope to begin that discussion with the three suggestions below that address the intersection of the safety net and employment instability.

Increase the flexibility of the safety net

The high level of employment instability among less-educated workers that we document in this brief makes the case for development of a flexible safety net. We define “flexibility” as offering different levels and types of assistance for diverse family circumstances and having adequate agility to respond quickly to changes in employment. Currently, our safety net is relatively inflexible. For example, research across means-tested programs (SNAP, child care subsidies, Medicaid) finds that families are particularly vulnerable to losing benefits in the month when families must recertify their eligibility. A more general focus on increasing flexibility would be consistent with efforts by the federal government to encourage states to promote flexibility in specific safety net programs, such as child care subsidies.

While there are a number of ways that states could modify rules to promote flexibility in the safety net, we focus on four areas that we think would have immediate and substantive effects on participation. To promote ongoing program participation, states might consider changing the recertification process. First, research demonstrates that lengthening recertification periods leads to fewer interruptions in program participation. Second, reducing administrative burdens associated with recertification in some states, such as in-person interviews, would likely help to streamline services and promote ongoing participation. Third, implementing a grace
period for the child care subsidy program when a parent loses their job would provide child care that allowed the parent to conduct an intensive job search immediately following the loss of employment. Fourth, expanding the use of time-limited transitional benefits when families earn their way out of eligibility, especially in the case of “eligibility cliffs,” where earnings are only slightly above limits, would give families time to adjust and plan for reduced benefits. Making program rules more flexible would not alter the substantive loss of family resources inherent in income eligibility cliffs. Therefore, allowing for some wage growth during program participation would promote economic mobility and offer a soft landing to those who earn their way out of eligibility.

Expand access to job-protected and paid family leave

While researchers and policymakers often include only means-tested programs as components of the safety net, we consider work-family policies as well because they offer some protection and security to buffer families against job and wage loss under certain circumstances. Less-educated workers are disproportionately less likely to be covered by policies such as the Family and Medical Leave Act (FMLA) or paid leave provisions, such as Paid Family or Sick Leave, due to firm size and hourly work requirements. Research has found that coverage for work-family policies is related to job continuity and stability, particularly for single, low-income working mothers who have been found to rely on public benefits during the period surrounding a birth in the absence of public and private maternity-leave supports. Because these policies promote employment stability, including them in our definition of the safety net should not only enhance protections for vulnerable workers but also potentially decrease the need for public assistance due to job loss or job churn. On the policy front, reducing annual hour, job tenure, and firm size requirements of many work-family policies would help to close the participation gap between lower- and higher-wage workers.

Recent efforts have expanded work-family policies at the state and local levels. In addition to establishing paid family leave laws, certain locales have implemented legislation to mandate paid sick days and flexible work arrangements. Changes to safety net programs and workplace policies are not generally discussed in tandem, but there is a potentially important relationship between work-family policies, the job opportunities available to less-educated workers, and the extent to which families rely on the safety net to make ends meet. In order to assess the effects of work-family policies on safety net use we need rigorous research, particularly of local-level policies, followed by a more cohesive discussion of the trade-offs involved and of how much we should expect the safety net to compensate for low-wage work.

Reorient the workforce development system to promote job stability

Successful models of workforce development promote future employment stability. At the EINet event, Harry Holzer of Georgetown University described the complex factors affecting employment stability—including characteristics of the labor market, workers, and employers—and how successful workforce development programs offer a myriad of services, including education, training, job retention support, and job development in an effort to match workers to jobs. The evidence base on workforce development points to the importance of targeting education and training programs for both youth and adults to high-paying, growing, and in-demand sectors of the economy. In fact, training programs designed with the needs of specific employers in mind have been particularly successful in improving earnings for participants.

It is important to note that these three suggestions for increasing the safety net’s promotion of employment stability could require the reallocation of scarce resources and/or force difficult choices between incentivizing work and promoting stability. For instance, providing child care subsidies for a “grace period” while a mother searches for a new job would promote stability (financial and otherwise), but it would also increase program costs and could reduce the strength of the work incentive provided by limiting subsidies to employed mothers. One argument for a greater emphasis on promoting stability is the evidence that children benefit from stable home and school environments, and that instability and stress early in life have long-lasting adverse effects. Investments in family economic stability now have potentially large long-term public benefits, in the form of improved educational attainment, reduced crime, and greater productivity.

Finally, while there is consensus on the potential negative impact of poverty and instability on children and families, the role of social policy in promoting family economic well-being is politically contested. In general, there are underlying ideological disagreements about the root causes of economic instability, ranging from individual determinants, such as single parenthood, to structural mechanisms, such as the changing nature of the labor market. Fundamental differences of opinion in the underlying causes of instability are associated with substantively incongruent approaches to addressing poverty and inequality, including employment instability. Therefore, implementing social policies and programs to address employment instability is bounded by political agreement across party and ideological lines.

---

1To learn more about IRP’s research initiative, called Building Human Capital and Economic Potential, see http://www.irp.wisc.edu/research/humancapital.htm.


3Speakers at the event included LaDonna Pavetti, Center on Budget and Policy Priorities; Ruby Mendenhall, University of Illinois; Harry Holzer, Georgetown University; Greg Acs, Urban Institute; Wendy Pollack, Sargent Shriver National Center on Poverty Law; Chenoa Flippen, University of
Pennsylvania; Kathryn Edin, Harvard University; and H. Luke Shaefer, University of Michigan. Other participants included Julia Henly, University of Chicago; Amy Rynell, Heartland Alliance; Scott Allard, University of Chicago; Maria Cancian, University of Wisconsin; Aixa Cintron, Russell Sage Foundation; Mark Fucello, DHHS, ACF/OPRE; Lisa Gennetian, NYU and NBER; Robert Goerge, Chapin Hall; Susan Lambert, University of Chicago; Jodie Levin-Epstein, CLASP; Pamela Lowry, Illinois Dept. of Health and Family Services; Caprisca Randolph-Robinson, Illinois Dept. of Human Services; and Kristin Seefeldt, University of Michigan.


http://www.fns.usda.gov/snap/eligibility#Employment Requirements


We do not address changes in family structure, which are important precursors of changes in safety net assistance as well, because they are not our focus in this brief.


See, for example, http://www.acf.hhs.gov/sites/default/files/occ/im2011_06.pdf.


Fast Focus is a single-topic brief put out several times a year and distributed electronically (only) by the

Institute for Research on Poverty
1180 Observatory Drive
3412 Social Science Building
University of Wisconsin
Madison, Wisconsin 53706
(608) 262-6358
Fax (608) 265-3119

The Institute is a nonprofit, nonpartisan, university-based research center. As such, it takes no stand on public policy issues. Any opinions expressed in its publications are those of the authors and not of the Institute.

The purpose of Fast Focus is to provide supplemental coverage of poverty-related research, events, and issues between issues of Focus, and to acquaint a large audience with the work of the Institute by means of short essays. Full texts of Fast Focus, Focus, IRP Discussion Papers, and Special Reports are available on the IRP Web site at www.irp.wisc.edu.

Fast Focus is free of charge, although contributions to the UW Foundation–IRP General Fund sent to the above address in support of Fast Focus are encouraged.

Edited by Deborah Johnson.

This publication was supported by Grant Number AE00102 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE), and awarded by the Substance Abuse and Mental Health Services Administration (SAMHSA). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of ASPE or SAMHSA.

Copyright © 2014 by the Regents of the University of Wisconsin System on behalf of the Institute for Research on Poverty. All rights reserved.

If you received this issue from someone else and would like to receive e-mail notification and an abstract of future issues of Fast Focus, send a message to irpfocusalert-request@ssc.wisc.edu with the subject line “Subscribe.”