



Written by [Ralph R. Reiland](#) on September 2, 2013

Study: Welfare Pays More Than Minimum Wage in Most States

If you don't want to work, the good news is that a new study by the Cato Institute, "[The Work Versus Welfare Trade-Off, 2013](#)," shows that welfare currently pays more than the minimum wage in 35 states in the United States, even figuring in the Earned Income Tax Credit that subsidizes low-income workers.

Creating an even greater obstacle to moving from taxpayer-subsidized leisure to work, the study shows that welfare in 12 states and Washington, D.C., currently pays more than \$15 per hour, double the national minimum wage.

Along with the District of Columbia, these are the 12 states with welfare benefits in excess of \$15 per hour — in downward order from the most generous, Hawaii at \$29.13 an hour, to Wyoming at \$15.68: Hawaii, District of Columbia, Massachusetts, Connecticut, New York, New Jersey, Rhode Island, Vermont, New Hampshire, Maryland, California, Oregon, Wyoming.

Not surprisingly, the study's authors, Michael Tanner and Charles Hughes, a senior policy analyst and a research assistant at Cato, respectively, conclude that the current welfare system acts as a "disincentive to work."

Tanner and Hughes report that welfare's disincentive to work, the government-erected impediment to getting on the first rung of the occupational ladder, may be actually becoming more ruinous: "Welfare benefits continue to outpace the income that most recipients can expect to earn from an entry-level job, and the balance between welfare and work may actually have grown worse in recent years."

Similarly, Tanner and Hughes report in this new study that a previous Cato study published in 1995, "[The Work vs. Welfare Trade-Off](#)," showed that the dollar value of a typical welfare recipient's full package of benefits in all 50 states and the District of Columbia significantly exceeded the poverty level, as defined by federal government standards.

More importantly in terms of creating discouragements to work, Tanner and Hughes explain that the 1995 study showed that the dollar value of welfare benefits was "greater than the amount of take-home pay a worker would receive from an entry-level job."

The ironic and unintended result of this ill-designed system is an anti-poverty program that expands poverty, an anti-poverty program that's become an anti-employment program that encourages dependency by dissuading people from entering the workforce in entry level jobs.

The government, in short, is discouraging the precise behavior that is the key step in most people's upward mobility — the willingness to work, the eagerness to become independent and self-sufficient, even it means starting at the bottom.





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Or as Tanner and Hughes put it: “There is little doubt that one of the most important long-term steps toward avoiding or getting out of poverty is taking a job. Only 2.6 percent of full-time workers are poor, as defined by the Federal Poverty Level standard, compared with 23.9 percent of adults who do not work. Even part-time work makes a significant difference; only 15 percent of part-time workers are poor. And while many anti-poverty activists decry low-wage jobs, a minimum-wage job can be a springboard out of poverty.”

In basic terms, there’s the choice — a springboard or quicksand.

“In 11 states, welfare pays more than the average pre-tax first year wage for a teacher,” reports the Cato study. “In 39 states it pays more than the starting wage for a secretary.”

Tanner and Hughes report that someone in Hawaii would have to earn a pre-tax income of \$60,590 in order to match in net income the state’s \$49,175 welfare package. A pre-tax income of \$60,590 is \$24,315 higher than Hawaii’s median salary of \$36,275.

“We should,” said Ronald Reagan, “measure welfare’s success by how many people leave welfare.”

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