



States Where Welfare Recipients Are Paid More Than Minimum Wage

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Are a low income or prolonged unemployment truly cause for financial stress? According to one study, not really. In some states, public assistance programs, or welfare, could pay more than full-time, minimum-wage jobs.

Cato Institute's 2013 Work Versus Welfare Trade-Off study totaled the welfare benefits offered in each state and compared that value with the wages workers would need to earn in order to have an equivalent take-home income. Cato found for long-term dependents welfare actually pays pretty well. The study examined the package for a single mother with two children, who could use programs, such as Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program (food stamps), Medicaid, housing assistance, utility assistance, and Women, Infants and Children.

The results? Recipients of this assistance earned more than the average pre-tax, first-year wage for a teacher in 11 states and more than the starting wage for a secretary in 39 states. This means welfare beneficiaries could make a better living off public assistance programs than they would working full-time jobs at minimum wage in many states — prompting the study to infer that many are likely to choose welfare over work should this trend continue.

But we took the results of this report a bit further to see which states have the biggest gap between the hourly minimum-wage equivalent welfare recipients get and the state-mandated amount. When broken down into an hourly wage equivalent, we found the welfare package exceeded minimum-wage jobs in 34 states, as of their 2017 minimum wages. On the other hand, in states, such as Maine, Texas, Florida, and Mississippi, working a minimum-wage job was more profitable than a welfare package. But they're really just outliers.

Unfortunately, the pay gaps are larger than you could ever imagine. **Here are the top 15 states where welfare recipients are paid more than minimum wage.** (Alabama, Louisiana, and

South Carolina were omitted from The Cheat Sheet's analysis, as they do not currently have state-mandated minimum wages.)

15. Pennsylvania: \$6.53 per hour difference

- **Total welfare benefits package:** \$29,817
- **Pre-tax wage equivalent:** \$28,670
- **Hourly wage equivalent:** \$13.78
- **State hourly minimum wage for 2017:** \$7.25

Imagine if your employer gave you a \$6 per hour pay increase for your time and effort on the job. It's safe to say that raise would be pretty significant. Pennsylvania residents see the same discrepancy between hourly welfare payout equivalents and the statewide minimum wage. In fact, those who receive public assistance are paid \$6.53 more than those working full-time, minimum-wage jobs, according to Cato and the National Conference of State Legislatures wage data.

14. North Dakota: \$6.61 per hour difference

- **Total welfare benefits package:** \$30,681
- **Pre-tax wage equivalent:** \$28,830
- **Hourly wage equivalent:** \$13.86
- **State hourly minimum wage for 2017:** \$7.25

North Dakota has seen success as a state with one of the highest gross domestic products per capita and a low unemployment rate of 2.5%, as of May 2017. Even those on welfare seem to benefit financially from the state's success, as the hourly welfare payout equivalent is \$6.61 per hour higher than the statewide minimum wage of \$7.25 per hour.

13. Nevada: \$7.09 per hour difference

- **Total welfare benefits package:** \$31,409
- **Pre-tax wage equivalent:** \$29,820
- **Hourly wage equivalent:** \$14.34
- **State hourly minimum wage for 2017:** \$7.25 (\$8.25 with no health benefits)

We continue our westward journey to the next state with the biggest welfare and minimum wage pay gap. Nevada's statewide minimum wage is no higher than the national wage of \$7.25 for jobs with health benefits. But welfare recipients are receiving over \$7 more in wage equivalencies than those earning minimum wage. Does this substantial assistance benefit deter recipients from ever entering the workforce? Only time will tell.

12. California: \$7.37 per hour difference

- **Total welfare benefits package:** \$35,287
- **Pre-tax wage equivalent:** \$37,160
- **Hourly wage equivalent:** \$17.87
- **State hourly minimum wage for 2017:** \$10.50

California was one of 19 states to raise their minimum wages in 2017. It currently resides at \$10.50 and will increase until it reaches \$15 in 2022. Much to the chagrin of other low-wage fully employed workers, residents who are on welfare in this Western state see a \$7.37 hourly difference between welfare and minimum wage payouts.

11. Maryland: \$9.10 per hour difference

- **Total welfare benefits package:** \$35,672
- **Pre-tax wage equivalent:** \$38,160
- **Hourly wage equivalent:** \$18.35
- **State hourly minimum wage for 2017:** \$9.25

Maryland is the first of many New England states to appear on this list where welfare pays more than minimum wage. And even though its unemployment numbers are keeping close tabs on the national rate at 4.2%, Cato's theory that collecting welfare is easier than working could be accurate in this instance. Here, there is a \$9.10 discrepancy between money earned by working a minimum-wage job and receiving a welfare package.

10. Vermont: \$10.36 per hour difference

- **Total welfare benefits package:** \$37,705
- **Pre-tax wage equivalent:** \$42,350
- **Hourly wage equivalent:** \$20.36
- **State hourly minimum wage for 2017:** \$10

Vermont offers a minimum wage higher than most of its neighboring states, so why would some choose not to work? Americans on welfare in Vermont can earn over \$20 per hour based on the pre-tax wage equivalent of their assistance benefits. That equates to a \$10.36 per hour difference — more than double — the earnings for residents working minimum-wage jobs in the state.

9. Wyoming: \$10.53 per hour difference

- **Total welfare benefits package:** \$33,119
- **Pre-tax wage equivalent:** \$32,620
- **Hourly wage equivalent:** \$15.68
- **State hourly minimum wage for 2017:** \$5.15

Wyoming offers one of the lowest welfare benefits packages on this list. However, residents here can still earn more than the proposed \$15 national minimum wage many Americans want. Wyoming's minimum wage is a low \$5.15, but welfare payouts still provide over \$10.53 more than those who work full-time, minimum-wage jobs.

8. Rhode Island: \$11.23 per hour difference

- **Total welfare benefits package:** \$38,632
- **Pre-tax wage equivalent:** \$43,330
- **Hourly wage equivalent:** \$20.83
- **State hourly minimum wage for 2017:** \$9.60

The tiniest state in the country has one of the biggest differences between welfare and minimum wage payouts — a \$11.23 per hour difference to be exact. To put the wage gap in perspective, those on welfare could earn more per hour than median hourly wages for auto mechanics and human resources assistants.

7. Connecticut: \$11.23 per hour difference

- **Total welfare benefits package:** \$38,761
- **Pre-tax wage equivalent:** \$44,370
- **Hourly wage equivalent:** \$21.33
- **State hourly minimum wage for 2017:** \$10.10

In terms of pay gaps, Connecticut and Rhode Island are pretty similar. They both have a \$11.23 per hour difference between welfare and minimum-wage payouts. However, Connecticut's unemployment rate is higher than the national average at 4.9%. It also offers a slightly larger welfare package, making it the state with the seventh largest welfare and minimum wage discrepancy.

6. New York: \$11.31 per hour difference

- **Total welfare benefits package:** \$38,004
- **Pre-tax wage equivalent:** \$43,700
- **Hourly wage equivalent:** \$21.01
- **State hourly minimum wage for 2017:** \$9.70

New York's minimum wage varies across the state, depending on geographic location and employer size. Residents in New York City can earn a minimum wage as high as \$13, where others only earn \$9.70 per hour. Regardless, welfare recipients in the state could earn \$11.31 more than minimum-wage workers.

5. New Hampshire: \$11.86 per hour difference

- **Total welfare benefits package:** \$37,160
- **Pre-tax wage equivalent:** \$39,750
- **Hourly wage equivalent:** \$19.11
- **State hourly minimum wage for 2017:** \$7.25

Although its neighbor to the north, Maine, is the only New England state where welfare recipients are actually paid less than minimum wage, New Hampshire residents are another story entirely. In fact, the Cato data shows this state has the fifth largest pay gap between minimum wage and welfare at \$11.86 per hour.

4. Washington, D.C.: \$11.93 per hour difference

- **Total welfare benefits package:** \$43,099
- **Pre-tax wage equivalent:** \$50,820
- **Hourly wage equivalent:** \$24.43
- **State hourly minimum wage for 2017:** \$12.50

Washington, D.C., is no stranger to financial “best of” and “worst of” lists. With such a high cost of living, its welfare package for a single mom with two children is one of the top in the country. But when accounting for the difference between the welfare and minimum-wage payouts, those receiving public assistance can earn nearly \$12 more than those working full-time, minimum-wage jobs.

3. New Jersey: \$12.45 per hour difference

- **Total welfare benefits package:** \$38,728
- **Pre-tax wage equivalent:** \$43,450
- **Hourly wage equivalent:** \$20.89
- **State hourly minimum wage for 2017:** \$8.44

New Jersey cracks the top three states with large welfare and minimum wage gaps. The state has dealt with its fair share of financial woes, yet its public assistance pay gap remains untouched. Minimum-wage workers earn \$8.44 per hour, but those on welfare could receive \$20.89 per hour. This equates to a whopping \$12.45 per hour pay difference.

2. Massachusetts: \$13.30 per hour difference

- **Total welfare benefits package:** \$42,515
- **Pre-tax wage equivalent:** \$50,540
- **Hourly wage equivalent:** \$24.30
- **State hourly minimum wage for 2017:** \$11

We round out our tour of the Northeast with Massachusetts. Its \$11 minimum wage is one of the higher wages on this list, but both Cato and the national wage data make it pretty clear welfare pays more than minimum wage here. And while a \$13.30 payout difference is quite substantial, it's nowhere near the discrepancy in our No. 1 state.

1. Hawaii: \$19.88 per hour difference

- **Total welfare benefits package:** \$49,175
- **Pre-tax wage equivalent:** \$60,590
- **Hourly wage equivalent:** \$29.13
- **State hourly minimum wage for 2017:** \$9.25

The biggest discrepancy between welfare and minimum-wage payouts is seen in Hawaii with an astonishing gap of \$19.88. Not only do residents receive nearly \$50,000 in welfare aid, the hourly equivalent is comparable to the national median salary of an electrical engineering technician. But it's best to note that the high cost of living in this state could distort the data. Regardless, such a high discrepancy between working and welfare is pretty hard to dismiss.