

Third draft

Can the Labor Market Absorb Three Million Welfare Recipients?

by

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CONGRESS PASSED the Personal Responsibility and Work Opportunity Act in August 1996. The law changed the nature of a crucial part of the U.S. safety net. The new law ends the individual entitlement to benefits. Under new state programs, poor children may no longer be automatically entitled to cash benefits. Although the 1996 law gives states more program flexibility in many areas, it also imposes tough new federal requirements. Each state must now ensure that a rising percentage of its adult aid recipients is engaged in approved work. The head of each family on welfare is required to work within two years after assistance payments begin. Work hours requirements are stringent, and states will face increasingly harsh penalties for failing to meet them. States will not be permitted to use the federal grant to pay for cash benefits that last longer than 60 months for a particular family. Although exceptions can be made for some hardship cases, Congress's clear intention is to limit benefits to the great majority of families to no more than five years. States may adopt even tighter restrictions on the length of benefit payments. Almost two dozen states have already decided to impose time limits shorter than 60 months.

This paper considers an important question about the new limits on benefits: Is the labor market capable of providing enough jobs so that welfare recipients leaving the rolls will be able to find employment? Because the employment rate of public aid recipients has historically been very low, it is reasonable to expect states to significantly boost the percentage of recipients who hold jobs. It is also realistic to expect that the great majority of new jobs will be unsubsidized jobs in the private labor market. The U.S. labor market has enormous capacity to produce private-sector

jobs, even for unskilled workers, if an ample supply of workers is available to fill these jobs. Unfortunately, aid recipients have such limited education and skills that few of them qualify for well-paying jobs. Most will have a tough time finding jobs quickly, and many who find jobs will lose them within a few months or a year. The evidence suggests that the overwhelming majority of assistance recipients will earn between \$5.25 and \$7.50 per hour if they are successful in finding jobs. The trend in wages over the past two decades -- though not over the past five years -- has been adverse for workers with limited skills. If welfare reform forces millions of aid recipients to find jobs, the added supply of unskilled workers could reinforce the long-term trend toward lower wages.

The critical question remains: "Will aid recipients succeed in landing a job, however low the wage?" Evidence through 1999 suggests that for most recipients the answer is "yes." Between 1994 and June 1999 the welfare caseload fell 50 percent, or about 2.5 million cases. Over the same period unpublished BLS tabulations show that the number of separated, divorced, and never-married mothers who hold jobs increased by more than 1.2 million (22 percent). It is likely that many of the mothers who found new jobs would have been collecting public assistance if they had not been working. Whether the U.S. labor market can continue to absorb such large numbers of single mothers remains an open question. The women who have left the rolls so far undoubtedly have job qualifications that on average are better than those of parents who continue to collect benefits. Mothers who remain dependent will probably find it harder to land jobs. In addition, the surge in employment has been helped by extraordinarily high employer demand, reflected in the lowest unemployment rate in a quarter century. When employer demand weakens, single parents will face tougher obstacles in finding and keeping jobs. It is also plain, however, that the surge in single mothers' employment can continue. Many states, including some of the largest ones, have not fully implemented a comprehensive welfare-to-work strategy. When they do, we should expect to see drops in their rolls and increases in the proportion of single mothers who look for and hold jobs.

Dimensions of the Problem

Before describing the job market outlook for welfare recipients, it is worth summarizing briefly their job qualifications. Most adults who receive Temporary Assistance for Needy Families (TANF) are young mothers with limited schooling and very low scores on standardized tests of ability and achievement. Even if these women were not responsible for the care of young children, they would face severe problems finding and holding well-paid jobs. Child care responsibilities make their employment problems even more formidable.

The educational attainment of aid-dependent mothers, though increasing, remains low. A survey conducted by the Department of Health and Human Services (DHHS) shows that 40 percent of mothers receiving welfare had failed to complete high school in 1994. In comparison, more than 85 percent of all 25-34 year-old American women had completed high school in that year. About 1 percent of recipient mothers had graduated from college, whereas 23 percent of all 25-34 year-old women have a college degree. Adult welfare recipients also perform poorly on standardized tests of ability and achievement. Among 25-year-old women who received AFDC year-round in the mid-1980s, almost three-quarters obtained an aptitude test score that placed them in the bottom one-quarter of all test takers. Only 12 percent obtained a score in the top half of test takers (Burtless, 1995, p. 77). Limited education and poor performance on standardized tests greatly restrict the kinds of jobs that most aid recipients can obtain.

The poor preparation of welfare recipients is reflected in their actual job experience. Few recipients work and only a few have much recent work experience. Less than 9 percent of the cases included in a 1994 DHHS survey reported current wage income, for example. Some mothers who reported no earnings to welfare offices probably earned unreported wages or received irregular labor income that went unreported. In addition, many women who initially file for assistance benefits have earned some wages in the recent past. Over 60 percent of first-time claimants for welfare report work experience within the year prior to filing for AFDC (Pavetti, 1995, p. 33).

Most evidence suggests, however, that a majority of single women who are long-term recipients of cash assistance do not currently work and do not accumulate much work experience. Daniel Friedlander and Gary Burtless (1995) examined the long-term effects of four welfare-to-work experiments conducted during the 1980s. In the fifth year after women were enrolled in these experiments, the employment rate averaged 38 percent among women who had been enrolled in the experimental welfare-to-work programs and 36 percent among women who had been enrolled in the control group.¹

In spite of recipients' educational deficiencies, poor aptitude test scores, and limited work experience, welfare reform will boost their overall employment and labor force participation. Working-age adults who have relied on cash assistance under TANF will be forced under new state programs to search for work, enroll in training programs, or accept workfare jobs. The question is, how many will actually find jobs?

To form an estimate of the likely effect of reform on overall employment, it is helpful to consider the number of working-age adults who receive welfare and will be affected by reform. In 1994, when the welfare caseload reached its peak, 5.046 million families received AFDC. Of these, 4.178 million (or 83 percent) contained at least one adult member and 0.321 million (8 percent) contained two adult members (U.S. House of Representatives, Ways and Means Committee, 1996, p. 479). The new federal law and reformed state programs imposed new work obligations on adults who receive welfare. Assuming that one-fifth of adults would be exempted from the requirements because of a physical or mental incapacity or some other temporary or permanent barrier to employment, approximately 3.34 million adults would have been affected by tough work requirements if such requirements had been in place in 1994. For purposes of comparison, this was about 2.6 percent of the average number of labor force participants in 1994 and 42 percent of the number of unemployed in that year.

1. The control group consisted of randomly selected AFDC recipients who were not enrolled in the experimental work and training program. See Friedlander and Burtless (1995), p. 88.

Some welfare recipients were already employed in 1994, and reform is unlikely to change the employment status of women who already work. But tabulations of the 1994 SIPP survey suggest that 12 percent of recipient mothers were unemployed (that is, jobless but seeking work) and 74 percent were out of the labor force (jobless and *not* seeking work) (Burtless, forthcoming). If all these out-of-the-labor-force mothers had been forced to look for work in 1994, the aggregate number of unemployed would have risen almost 2.5 million and the unemployment rate would have jumped 2.3 percentage points (from 6.1 percent to 8.4 percent).

Two Views of the Job Market

Economic theory by itself does not tell us whether enough jobs can be found to employ all welfare recipients who will be pushed off the rolls. Labor market analysts are divided in their views on this question. Broadly speaking, analysts can be classified in two schools of thought. One group, consisting mainly of conventional economists, holds that wage and employment levels are largely determined by standard supply and demand factors.² The wage and employment levels for a particular occupation in a local labor market are determined by the abundance of workers in that market who possess the willingness and necessary skills to enter the occupation and the demand of local employers for persons in that occupation. Occupations in which qualified workers are abundant relative to employer demand will offer low wages; occupations in which qualified workers are relatively scarce will see high and possibly increasing wages. Since it takes time, money, and special aptitude for workers to accumulate the skills necessary to enter some occupations, the number of qualified workers in those occupations will be low and the average wage will be high. Occupations requiring less education, specialized skill, or aptitude can be filled by a much larger percentage of the local work force, and wages in those occupations will be commensurately low.

In the conventional supply-and-demand model, unemployment is either temporary or is caused by some imperfection in local

2. This view of the labor market underlies the analysis in Blank (1995) and Burtless (1995).

wage determination that interferes with the market clearing process. Temporary unemployment is inevitable in any market where people are constantly entering or re-entering the labor market, where struggling firms must sometimes lay off workers, and where dissatisfied workers quit their jobs in search of better ones. In the supply-and-demand model, however, unemployed workers are assumed to quickly become re-employed at the prevailing wage in their occupation. This will not be true if an imperfection in wage setting causes wages to depart from the “market-clearing equilibrium” level, however. One such imperfection is the legal minimum wage, which prevents wages from falling far enough so that employers are willing to offer jobs for every worker wishing to find one. Another imperfection may be union-negotiated wage settlements or personnel department rules that boost wages above the level needed to clear the local labor market. Unemployed workers would be willing to work at the union-negotiated wage, but employers will not find profitable opportunities to offer enough positions so that all the unemployed can hold jobs.

A second group of analysts subscribes to the “queuing model” of unemployment.³ According to this theory, limits on overall demand or problems inherent in capitalist labor markets prevent employers from offering enough jobs for all workers who are willing to hold them. This job shortage produces a queue of job seekers for each job vacancy. Unemployed workers in the queue are identified by a variety of characteristics, such as their job skills, educational attainment, race, ethnicity, and sex, characteristics that employers use to distinguish among more and less desirable job candidates. Workers with the most desirable traits are the first to be hired and are the most likely to hold on to their jobs in a downturn; workers with the least desirable traits are the last to be hired and will be the first to be let go when employers are forced to scale back their operations.

Both models accurately describe some aspects of the U.S. job market, but they provide differing predictions of the consequences

3. A version of the queuing model is the basis for analysis in Holzer and Danziger (1998).

welfare reform. Reform will unquestionably boost the supply of unskilled and semi-skilled job seekers, that is, will increase the number of unskilled workers willing to hold a job at any given wage level. The conventional supply-and-demand model predicts that the increased willingness of less-skilled workers to hold jobs -- the increase in supply -- will depress the market-clearing wage. This in turn will persuade employers to offer additional jobs, because unskilled labor can now be hired more cheaply. At the new equilibrium, the number of less-skilled workers holding a job will increase while the wages they earn will shrink. While the basic model offers no exact forecast of the number of additional workers who will hold jobs, it predicts that the level of involuntary unemployment at the new equilibrium will be about the same as it was before welfare reform. One caution is that the legal minimum wage might prevent market wages from falling far enough so that all willing workers find jobs. Some workers would be willing to accept jobs at the minimum wage, but employers will find they cannot profitably offer any additional jobs at that wage. Consequently, the existence of a minimum wage may mean that welfare reform will push up involuntary unemployment among workers with the least skills.

The queuing model predicts no increase in the availability of jobs but predicts instead a lengthening of the queue of job seekers. Many welfare recipients pushed off the rolls and into the job market will be forced to join the queue of job seekers. Some recipients possess traits that make them attractive to employers, and these recipients will displace other job seekers in the queue who would otherwise have been hired. Most recipients have little education, few skills, and scant work experience, however. A large percentage are members of racial or ethnic groups that face discrimination by employers. Consequently, welfare recipients will find themselves at the tail end of the job applicant queue, and few of them will obtain jobs. Those who find jobs will displace other recipients or former recipients who would otherwise have found employment. The ultimate effect of welfare reform will be to increase the ranks of the unemployed and to inflict severe hardship on recipients deprived of public aid.

In forecasting the availability of jobs for welfare recipients, it is clearly important whether the supply-and-demand model or the queuing model is more accurate. The relevance of the two models depends crucially on the time frame of analysis. In the short run, employers have little flexibility in altering their product lines or methods of production to take advantage of a surge in the number of unskilled job applicants. They may be unwilling to make a commitment to new product lines or production methods until they are certain unskilled workers' wages will remain low and the supply of unskilled workers remain secure. Thus, in the short run the number of job vacancies in a local labor market will almost certainly shrink as welfare recipients are forced to seek and accept jobs; the number of unemployed workers (that is, jobless workers willing to accept jobs at the prevailing wage) will almost certainly rise. The queuing model provides a plausible description of how local labor markets will operate in the short run.

In the long run, the relevance of the supply-and-demand model increases. Over a period of several years employers have many opportunities to reconfigure their production methods to take advantage of a more abundant and cheaper unskilled work force. They may consider introduction of new labor-intensive goods or services that would have been unaffordable when unskilled workers received a higher wage. Many of the fastest growing occupations, such as home health care aide, child care worker, and lawn service technician, would not make much economic sense if the relative wage received by unskilled workers were as high in 1998 as it was in 1968. The fall in the relative wage of unskilled workers has made it possible for employers to expand many businesses that would have been unprofitable at a higher prevailing wage.

The distinction between the short and long runs is important for another reason, too. Many people who are pessimistic about the capacity of local job markets to absorb welfare recipients view residential and business locations as fixed. They recognize that the geographical distribution of jobs differs greatly from the residential location of welfare recipients forced to seek jobs. The spatial "mismatch" between jobs and job seekers severely limits the employment opportunities available to recipients.

While this view is plausible for short time intervals, such as a half year, it is less relevant when the period of analysis is extended. People who live in localities, states, or regions where well paid jobs are scarce or unemployment is high frequently move to areas where job prospects are better. Among Americans between 20 and 29 years old, the age group in which geographical mobility is highest, one-third of all people moved from one residence to another between March 1995 and March 1996. In the same period, 12 percent of 20-29 year-olds moved across county boundaries and 5 percent moved across state lines (U.S. Department of Commerce, Bureau of the Census, 1997, p. 4). Business location moves are less frequent but are not uncommon. Businesses often base their location decisions on the availability of a large, adequately skilled, and relatively inexpensive work force. Locations in the southeast and mid-south have long been favored by manufacturing establishments because wages of unskilled and semi-skilled workers are lower in that region than they are in other parts of the country. The migration of manufacturing jobs to the south has helped raise southern wages closer to the national average wage. Even if existing local employers are unwilling to offer new jobs to welfare recipients, new employers or employers relocating from another region can fill the job gap -- in the long run. Alternatively, unsuccessful job seekers can look for work in another area. Jobless workers who are unwilling to relocate can eventually benefit from other workers' mobility. If their unemployed neighbors move to another area to find work, remaining residents in a neighborhood will face less competition when a new job vacancy opens up.

Evidence

Can the U.S. job market accommodate the influx of 2.5 to 3.0 million welfare recipients into the labor force? Analysts can point to three kinds of evidence on this question: Bureau of Labor Statistics (BLS) estimates of occupational and job growth over the next decade; responses of employers to surveys on the availability of jobs and the qualifications necessary to obtain new jobs; and the historical experience of job seekers after the supply of labor increases.

BLS occupational forecasts. Every two years the BLS makes detailed projections of the future growth in industrial and occupational employment. Its most recent forecast was published in November 1997 and covers the period from 1996 through 2006 (Silvestri, 1997). The occupational projections are helpful for assessing welfare recipients' job prospects, because each occupation can be classified by the educational and skill requirements that are needed for entry into the occupation. The overwhelming majority of welfare recipients are high school dropouts or people who have failed to obtain schooling and institutional training beyond high school. The occupations most suited to workers with these limited qualifications require only short-term on-the-job training. Workers can develop the skills needed for acceptable performance in these occupations with a brief orientation or with less than a month of on-the-job instruction and experience. No formal schooling beyond high school is required. In 1996, almost 54 million people worked in these low-skill occupations, and their jobs accounted for 40 percent of total U.S. employment (Silvestri, 1997, p. 81).

Significantly, more than half of the detailed occupations with the largest projected job growth between 1996 and 2006 require only short-term training. Table 1 shows BLS estimates of projected employment gains in the eleven low-skill occupations expected to see the largest absolute gains in net employment. The first column shows the total number of people employed in the occupation during 1996. The second and third columns show the projected increase in the number employed in the occupation, measured in absolute and percentage terms, between 1996 and 2006. The last two columns show the annual requirement for new employees in the occupation measured on a gross and net basis. New employees are needed in an occupation not only because net employment in the occupation will grow but also because workers will leave the occupation to find jobs in other occupations or to retire. Over the 1996-2006 period approximately 1.265 million cashier jobs will have to be filled each year, although only 0.190 million will represent net new jobs for people with the skills needed to become cashiers.

Overall, the BLS predicts that net employment in low-skill occupations will rise 7.2 million in the 10 years after 1996. The percentage gain in net employment in these occupations is only slightly below the increase in total employment (13.5 percent versus 14.0 percent). The Bureau therefore projects that employment growth in the lowest skill occupations will be approximately as fast as growth of total employment. Whether this job growth is fast enough to absorb welfare recipients leaving the rolls is uncertain. The number of job openings in low-skill occupations certainly seems large enough to employ 2.5 million welfare recipients, at least eventually. The eleven occupations listed in Table 1 are projected to offer 6.5 million job openings *per year* over the next decade, although less than 1 million of those job openings represent net additions to the stock of employment in unskilled occupations. Welfare recipients and former recipients will obtain a share of these jobs, but the percentage they obtain depends critically on their relative qualifications compared with those of other workers who will compete for the same jobs, including teenagers, poorly educated immigrants, and less educated childless adults.

Employer surveys. Some of the most discouraging forecasts of the job prospects of welfare recipients are derived from employer responses to surveys about job vacancies and future skill needs. Abraham (1983) and Zagorsky (1998) offer evidence that the number of job openings, as documented in help wanted ads or employer listings with the Employment Service, falls short of the number of unemployed workers at every stage of the business cycle, including periods of peak employer demand. Most Americans who lose their jobs become re-employed within a few weeks or months, suggesting that the job shortage is not terribly severe. A minority of workers, especially the unskilled, often remain jobless for long periods, however. In May 1998, for example, more than 800,000 workers reported being unemployed for six months or longer in spite of an economic expansion that had lasted more than seven years and an unemployment rate of just 4.3 percent.

The difficulty that unskilled workers face in finding jobs is suggested by a well-known study of Harlem fast food outlets by

Newman and Lemmon (1995). The authors focused on job applications for some of the nation's least skilled positions, as cashiers and food preparation workers in fast food restaurants. In spite of the low wages and poor fringe benefits offered by these jobs, the analysts report that there were 14 job applicants for each job opening in these restaurants. In this kind of environment, an unskilled worker could easily file dozens of job applications without securing a single job offer. Applicants' job prospects might be much better at fast food outlets in the low-unemployment suburbs, but many inner-city residents lack the knowledge or transportation to find suburban jobs.

Some of the most discouraging forecasts of all come from analyses of employer skill needs as described by employers themselves. Using data from a multi-city survey of employers, Holzer (1996) examined the reported skill requirements of the most recent job vacancies actually filled by individual employers. He found that very few of the jobs, even those that are open to workers without a high school diploma, can be filled by applicants who lack some general skills, including the ability to read and write or to interact respectfully with customers. He also finds that many job openings require applicants to possess certain job-specific skills, which might only be obtained through on-the-job work experience in a previous job.

When Holzer and Danziger (1998) compare employers' skill requirements and geographical locations with job seekers' skills and residential locations, their findings are disheartening. They suggest that 9 to 17 percent of actual and potential job seekers will have severe problems finding jobs in the short run, with the largest problems occurring in metropolitan areas such as Detroit and Los Angeles where large unskilled populations are geographically concentrated. Their calculations also imply that up to 20 percent of white and 40 percent of Hispanic and African American welfare recipients will have severe difficulty obtaining a job. Their estimates are derived from surveys conducted before the 1996 reform was passed and most state reforms were implemented. When the percentage of welfare recipients seeking work increases, as must occur when state reforms are fully implemented, the short-term job finding problems of recipients may worsen.

Historical experience. If the short-term job prospects of welfare recipients seem discouraging, historical evidence about the long-term job creating capacity of the U.S. market is more reassuring. Over the long run, the U.S. labor market has absorbed huge numbers of extra workers without a significant rise in joblessness. From 1964 through 1989, when the baby boom generation reached adulthood and entered the job market, the labor force grew by 50.4 million persons, or slightly more than 2 million a year. Most of this surge was driven by the jump in U.S. fertility between 1946 and 1964, but part was also due to a growing demand for jobs among women, who entered the workforce in record numbers, and a five-fold increase in the rate of immigration. From 1964 to 1989 the number of Americans holding jobs climbed by 47.7 million, or slightly more than 1.9 million workers a year. About 95 percent of new job seekers in this period were able to find jobs, though the number of people available for work swelled by two-thirds. The unemployment rate rose only slightly, increasing from 5.0 percent to 5.2 percent. To be sure, unemployment climbed sharply in the 1970s and early 1980s when the labor market was unable to absorb promptly an enormous number of new entrants. But most of the rise in joblessness during those decades was due to business cycle developments, not to the rapid rate of work force growth.

Many people find it implausible that so many extra job seekers can be absorbed so quickly by the labor market. They overlook an important characteristic of flexible capitalist labor markets. In the long run employers are free to change their product lines and production methods to exploit the availability of abundant, low-wage labor. Moreover, they ignore the possibility that wages can rise or fall in response to the entry and exit of large numbers of potential workers. In the 1970s, for example, the wages received by younger workers fell in comparison with those earned by older workers, in large measure because younger workers became much more abundant. Wages received by new college graduates temporarily fell in comparison with wages received by young workers with less education, because of the rapid rise in college completion rates. Faced with a huge increase in the availability of workers who had limited job experience, employers adopted

production methods that took full advantage of less experienced workers. Restaurant meals were prepared and served by eleventh grade students and high school dropouts rather than by experienced cooks or waiters. Gardening and domestic cleaning were performed by unskilled and semi-skilled employees rather than by homeowners themselves. In the end, 95 percent of new job seekers were successful in finding jobs. Of course, many of the new jobs were not particularly well paid. The huge increase in the abundance of less experienced workers is one reason that pay in many occupations fell.

Even though most welfare recipients would eventually find jobs if forced to do so, the influx of unskilled workers could depress the wages received by less skilled workers. If 2.5 million to 3.0 million recipients were forced to accept jobs, the wages available to less skilled workers would almost certainly fall below the wages that would prevail if welfare had been left unchanged. Employers might modify some existing jobs and develop new ones to take advantage of the abundance of less-skilled single mothers, but a likely long-term effect of an influx of less-skilled workers is a reduction in hourly wages. With fierce competition for unskilled and semi-skilled jobs, wage rates would be driven down, at least modestly, and welfare recipients could face worse job prospects than those faced by women who left the welfare rolls in the 1980s and early 1990s.

Recent experience. Welfare reform and other changes in government policy have almost certainly affected the labor market status of several hundred thousand former recipients and mothers who would have been recipients if reform had not occurred. The sharp decline in the rolls from their peak in 1994 is at least partly due to state-level reforms that began even before Congress passed the federal reform law in August 1996 (Figure 1). The decline may also be due to changes in the Earned Income Tax Credit (EITC), which greatly increased the amount of earnings supplementation available to low-wage mothers with two or more children. The increased generosity of the EITC after 1993 combined with tougher state work requirements has contributed not only to a decline in the welfare rolls but also to an

unprecedented jump in labor force participation and employment among divorced, separated, and never-married mothers.

The change in labor force behavior of the group most likely to receive welfare benefits – separated, divorced, and never-married mothers who live with their own children under 18 – is shown in Figure 2. The top panel in the figure shows a sharp rise in the labor force participation rate of unmarried mothers in relation to that of married mothers who live with their spouse. The jump began in 1994. The labor force participation rate of separated, divorced, and never-married mothers remained relatively constant from the late 1970s through 1993, while the participation rate of married mothers living with husbands rose steadily over that period. Starting in 1994, the participation rate of unmarried and separated mothers began to rise, increasing 12 percentage points (or 18 percent) in the six years from 1993 to 1999. The jump in the employment-population ratio of separated and unmarried mothers, shown in the lower panel, is equally impressive. The employment-population ratio increased 13.4 percentage points (or 23 percent) between 1993 and 1999 after rising very little over the previous 17 years.⁴ There is no evidence in Figure 2 that the labor force participation and employment rates of married mothers increased by comparable amounts. The liberalization of the EITC, new welfare-to-work reform programs at the state level, and the 1996 federal welfare reform apparently induced major changes in the labor market behavior of unmarried mothers.

It is illuminating to compare the amount of caseload reduction with the increase in the number of unmarried mothers who are employed or in the labor force.. From 1994 to March 1999 the number of AFDC or TANF cases fell approximately 2.5 million, or 50 percent. Over the same period the number of separated, divorced, and never-married mothers in the labor force increased

4. The increases in labor force participation and employment rates among *never-married* mothers, the mothers most affected by reform, were even larger. Never-married mothers saw their labor force participation rate increase 19 percentage points (35 percent) and their employment-population ratio rise 21 percentage points (47 percent) between 1993 and 1999. These increases occurred after a period of fifteen years in which the participation and employment-population rates of never-married mothers rose very modestly.

1,028,000 (16 percent) and the number actually holding jobs increased 1,229,000 (22 percent). These tabulations suggest that a large part of the decline in the AFDC/TANF caseload was associated with a jump in employment among the mothers most likely to receive welfare.⁵ The increase in the number of mothers seeking work was more than matched by an increase in the number of mothers who actually hold jobs. The unemployment rate of separated, divorced, and never-married mothers actually fell 4.5 percentage points (35 percent) between 1994 and 1999, and the unemployment rate of never-married mothers fell 7.7 points (40 percent). If the American job market has had a serious problem absorbing mothers who have been pushed off the welfare rolls, the fact is not evident in these data.

Where do the jobs come from? As we have seen, the educational and skill deficiencies of welfare recipients restrict their access to well-paying occupations, but they do not preclude employment altogether. An unskilled welfare recipient, if she is able-bodied and moderately resourceful, can usually find an employer willing to offer her a job if she is willing to accept a low enough wage and an inexpensive package of fringe benefits. In many urban labor markets, for example, jobless workers with few qualifications apply to temporary employment agencies for short-term work. Although the pay is uncertain and irregular, workers

5. Without additional information, it is unclear how we should compare the 2.5-million drop in the welfare caseload with the 1,229,000 rise in employment among divorced, separated, and never-married mothers. As noted earlier, 8 percent of the 1994 caseload consisted of families containing two parents. Most of the impact of new welfare rules on two-parent families will probably be reflected in changes in behavior of married men and women rather than of single women. Another 17 percent of the 1994 caseload consisted of families where no adult was a member of the assisted family unit. The new welfare rules might have only a slight effect on the work behavior of people in these households. Finally, the new rules may have affected the welfare status but not the employment status of single women on welfare who *already* held jobs. Some of these women may have been spurred to increase their weekly hours or to leave the rolls, but this change in their behavior would have no impact on their employment status; they were employed both before and after the change. It seems highly likely, however, that the big and unprecedented jump in employment among single mothers is closely connected to the big and unprecedented drop in the welfare caseload.

who are diligent and persistent can usually obtain temporary work assignments, at least occasionally, and can often find permanent employment if their job performance impresses a manager who has provided a short-term assignment. Other job opportunities for less qualified workers can be found in low-wage retailing, cleaning services, agriculture, manual labor, and informal child care. With relatively little training, less educated women can work as home health aides.

None of these job opportunities offers bright promise of high income or steady promotions, however. Many jobs bring a large risk of layoff or recurring unemployment. Of the eleven low-skill occupations listed in Table 1, only one (teacher aides and educational assistants) has below-average risk of unemployment. Six carry a high risk of unemployment, while the other four carry a *very high* risk of unemployment.⁶ Work hours in these occupations are often short, which is an advantage for mothers attempting to rear young children but a disadvantage for mothers attempting to earn a high weekly income. All but one of the occupations listed in Table 1 ranks “high” or “very high” in terms of the percentage of workers who are on part-time schedules.

The past experiences of welfare recipients can shed light on the job prospects of current and future recipients. Wisconsin welfare recipients’ employment experiences have been tracked by John Pawasarat of the University of Wisconsin’s Employment and Training Institute (Pawasarat, 1997a and 1997b). He obtained quarterly wage records from Wisconsin’s unemployment insurance (UI) program to follow the employment and earnings experiences of all 25,125 single parents in Milwaukee County who received AFDC in December 1995 and were required to participate in Wisconsin’s new state welfare initiative. Slightly more than 18,000 of these parents earned UI-covered wages at some point between January 1996 and March 1997. In other words, 72 percent of single parents covered by Wisconsin’s work obligation managed to find at least one job. A total of 7,508 single parents who received

6. The Bureau of Labor Statistics classifies each occupation according to its historical unemployment risk. Occupations are divided into four risk categories, ranging from “very low” to “very high” risk of unemployment.

AFDC in December 1995 were no longer receiving benefits in September 1996. Of these parents who left welfare, 66 percent had UI-covered earnings in the October-December 1996 quarter; 16 percent had earnings high enough so that on an annual basis their earnings would place them above the poverty threshold; and 34 percent had no UI-covered earnings at all. Despite the high employment rates of single parents leaving Wisconsin's welfare program, many parents' employment experiences were cut short by a spell of joblessness. One-third of the parents who entered employment in the first quarter of 1996, for example, had no recorded earnings in the first quarter of 1997, and about one-quarter of the remaining parents earned less than \$500 in the first quarter of 1997.

Pawasarat's tabulations also provide insight into the nature of jobs that Wisconsin welfare recipients find. The 18,000 AFDC recipients who found work after December 1995 held a total of more than 42,000 jobs -- about 2.3 jobs per working recipient. Over half these jobs were obtained from temporary help agencies (30 percent of all jobs) or in retail trade (23 percent of jobs). The large number of jobs per working recipient implies that many recipients found jobs that ended quickly. For example, only about 60 percent of workers who entered a job in one quarter of 1996 were still employed in the same job one quarter later. Although the UI-wage records do not provide evidence about the exact timing of job finding and job loss, it seems likely that most workers who moved from one employer to another suffered at least a brief spell of unemployment. Wisconsin welfare recipients certainly found jobs. Few landed good ones, however, and many exited quickly from the jobs they found.

Conclusion

The recent job finding success of welfare recipients, both in Wisconsin and in the nation as a whole, suggests that when employer demand is high and unemployment low most recipients who diligently seek work will eventually find it. The experience in Wisconsin and elsewhere also suggests, however, that the jobs they find will not be well paid and may not last long. The queuing model offers a reasonable model of local labor markets in the very

short run, but is a poor approximation of the market over periods of a year or more. Few welfare recipients find themselves permanently stuck at the end of a long job queue. The great majority of unskilled workers, with intense effort, can eventually find a job of some kind. Because of the nature of the jobs they find and the poor preparation they bring to those jobs, unskilled single parents will usually find low-wage jobs and jobs that end quickly. The supply-and-demand model accurately predicts that in the long run, as the supply of unskilled workers increases, the wages they earn will tend to fall, encouraging employers to create jobs that exploit the availability of a cheaper workforce.

The architects of welfare reform can point to two notable achievements so far. Reform has boosted the fraction of time that single mothers devote to paid work. It has also increased the percentage of family income that single mothers derive from a weekly paycheck. These achievements are likely to endure, even when employer demand slackens and overall unemployment rises. The proportion of time that an individual parent spends in employment may fall when the economy weakens, but only in rare cases (or in severe recessions) will it fall to zero for years at a time. The success of welfare reform has been aided by a strong labor market. The rapid decline in the rolls and sharp increase in the employment rate of single mothers has also been helped by the fact that the most employable mothers have been the first to leave the rolls. States where the caseload has fallen by 60 percent or more will find it harder to place remaining, less skilled recipients in private sector jobs. But many states have a long way to go before they fully implement a comprehensive welfare-to-work strategy. In those states, many parents remain on the rolls who can be expected to land jobs quickly if they are pushed to find work.

State and federal reform has so far been successful in boosting the employment rate of single mothers. Whether it has increased most poor families' net incomes is less certain. For single mothers forced to accept a series of temporary, poorly paid jobs, the idea that reform has improved their standard of living may seem strange. But tougher welfare rules have pushed more of these mothers to seek jobs – and in most cases to find them.

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Table 1. Job Growth in Selected Occupations Requiring only Short-term On-the-Job Training

Occupation	1996 employment (000's)	1996-2006 change in employment (000's)	Percent change	1996-2006 average annual job openings (000's)	
				Due to growth and total replacement needs <u>1</u> /	Due to growth and net employment needs <u>2</u> /
Cashiers	3,146	530	16.8	1,265	190
Retail salespersons	4,072	408	10.0	1,272	170
Truck drivers	2,719	404	14.9	482	78
Home health aides	495	378	76.5	180	44
Teacher aides and educational assistants	981	370	37.7	296	50
Nursing aides, orderlies, and attendants	1,312	333	25.4	340	51
Receptionists and information clerks	1,074	318	29.7	336	52
Child care workers	830	299	36.1	322	39
Helpers, laborers, material movers	1,737	275	15.8	598	86
Food counter and related workers	1,720	243	14.1	841	125
Food preparation workers	1,253	234	18.7	559	87

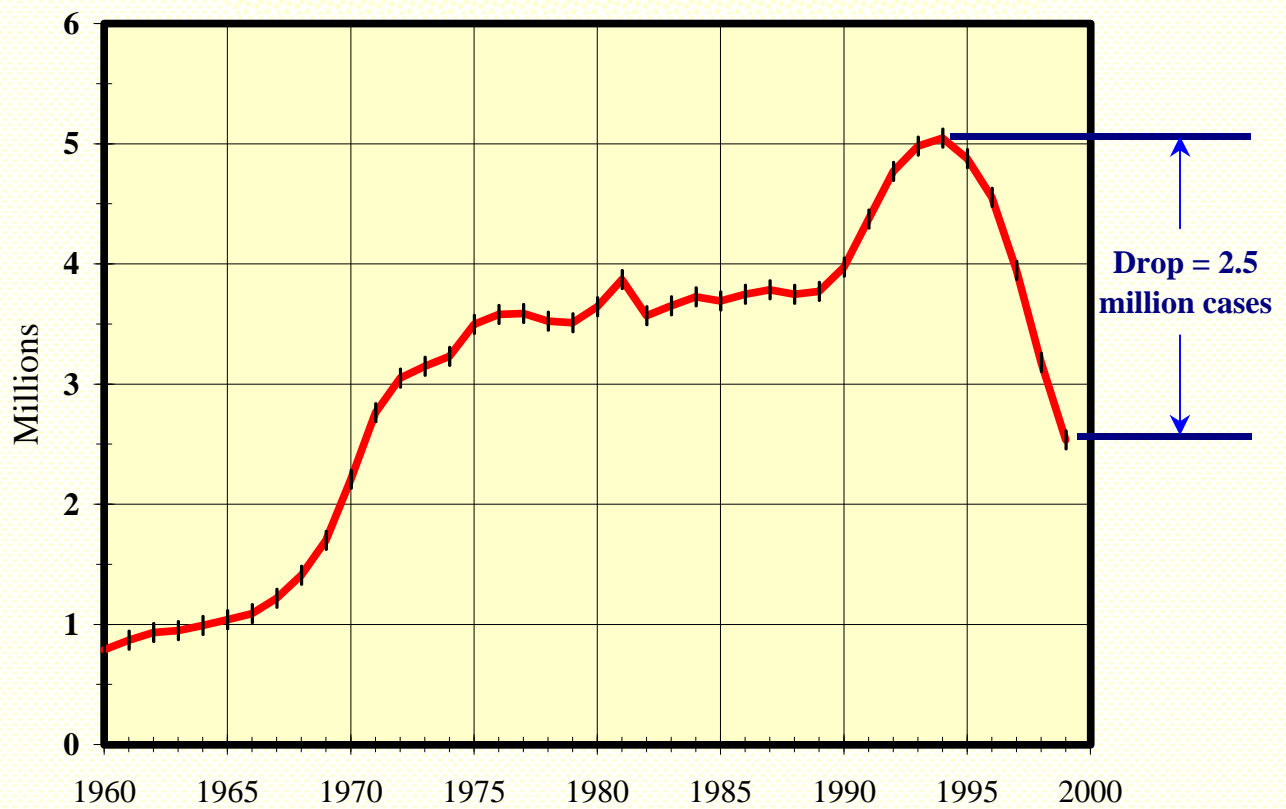
Notes to Table 1

1/ Job openings due to growth plus total replacement needs represent *gross* annual average job openings stemming from projected employment change over the 1996-2006 period and replacement of workers who leave their jobs to work in another occupation, stop working because of retirement or other reasons, or die.

2/ Job openings due to growth plus *net* replacement needs represent annual average job openings stemming from projected employment change over the 1996-2006 period and net replacement of workers who leave their jobs to work in another occupation, leave the labor force because of retirement or other reasons, or die. Net replacements are less than total replacements because a measure of entrants is subtracted from the number leaving the occupation.

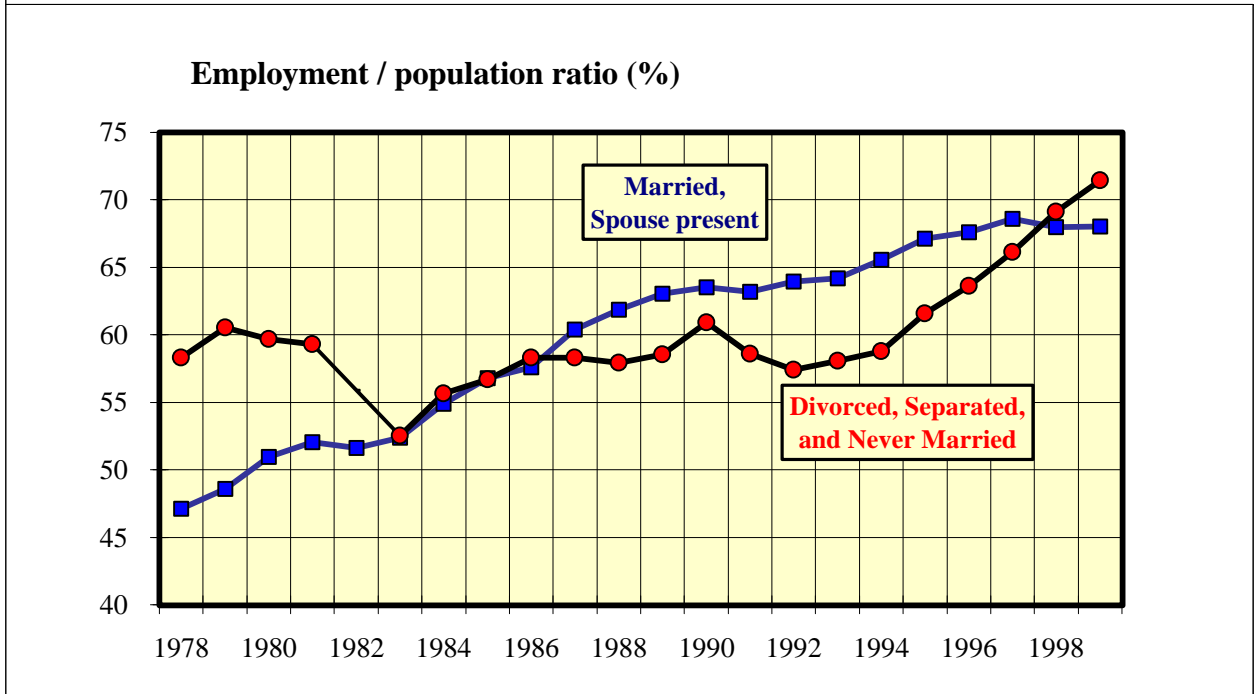
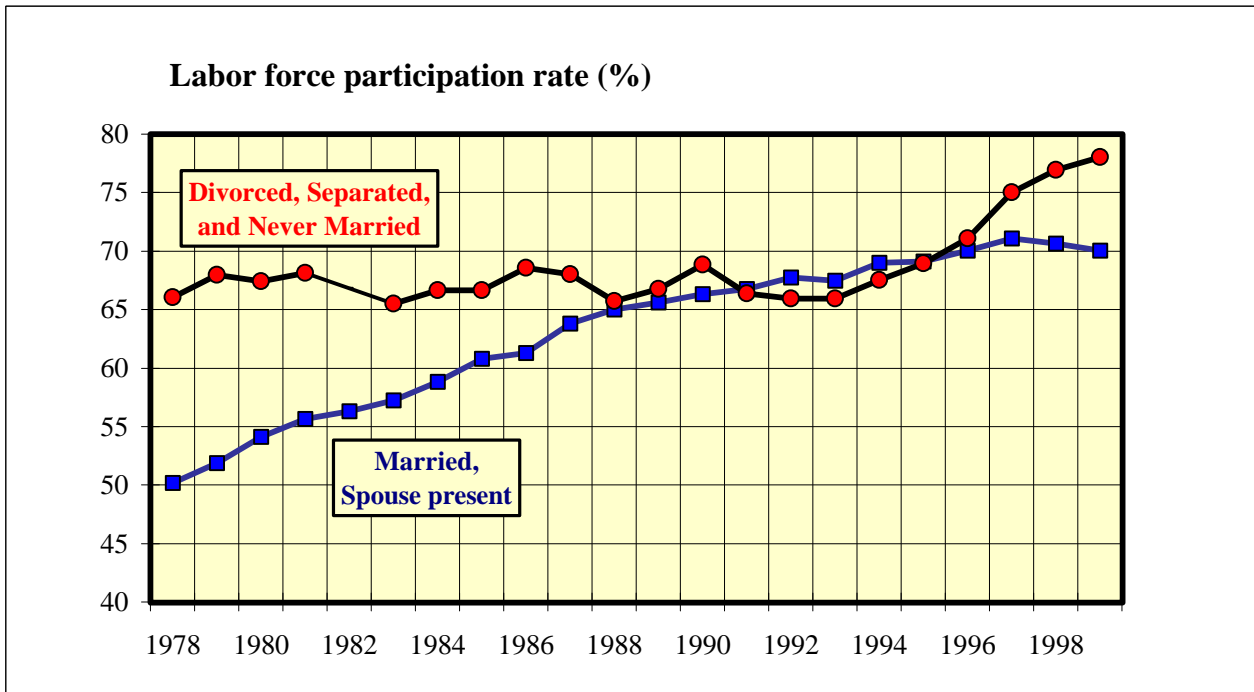
Source: Bureau of Labor Statistics, unpublished data from 1996-2006 occupational employment projections.

Figure 1. Number of AFDC Cases, 1960 - 1999



Source: DHHS.

Figure 2. Labor Force Participation Rate and Employment-Population Ratio of Married and Unmarried Mothers, 1978-1999



Note: Mothers included in tabulations are at least 16 years old and live with their own children under age 18. "Unmarried" mothers are divorced, separated, and never married; widows are excluded from the tabulations.

Source: Author's tabulations of unpublished U.S. Bureau of Labor Statistics data.