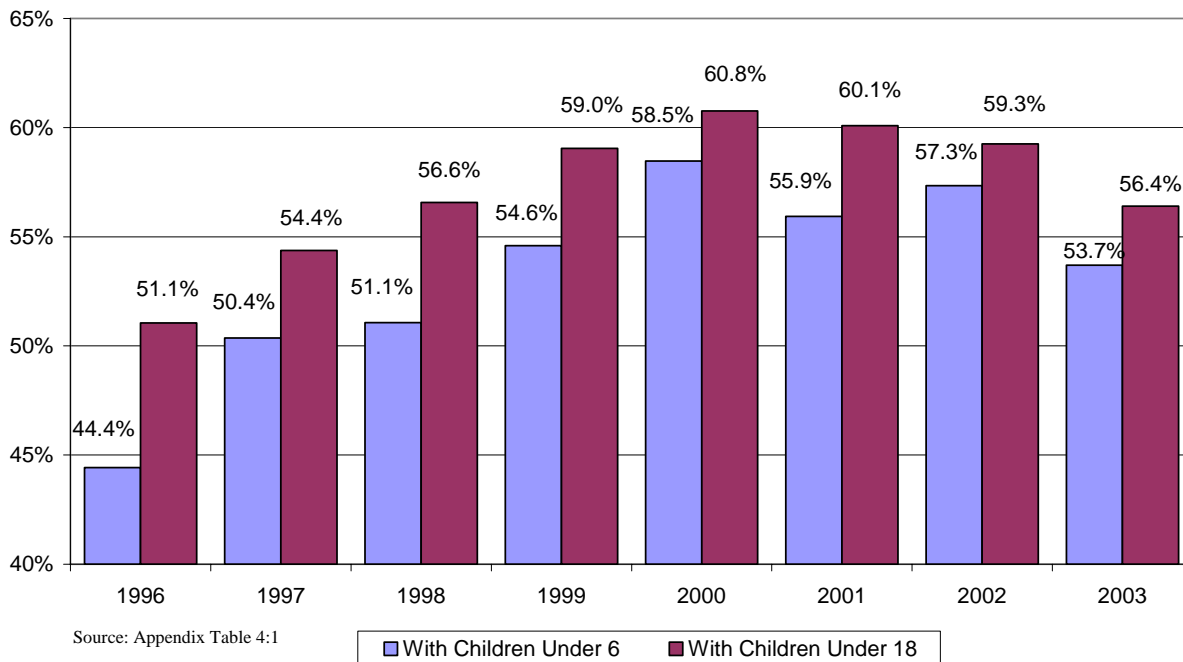


## IV. WORK AND EARNINGS

Since the enactment of Temporary Assistance for Needy Families (TANF) in 1996, millions of families have avoided dependence on welfare in favor of greater independence through work. This chapter reviews data and research findings on employment among TANF families and low-income single mothers. Employment among low-income single mothers (incomes below 200 percent of poverty), reported in the U. S. Census Bureau's Current Population Survey (CPS), has increased significantly since 1996 from 51.1 percent to 56.4 percent in 2003. Although it declined since its peak in 2000, it is still five percentage points higher than in 1996—a remarkable achievement, particularly since it remained high through the brief recession in 2001. Among single mothers with children under age six—a group particularly vulnerable to welfare dependency—employment rates are over 9 percentage points higher than in 1996. The year to year trend is displayed in Figure A.

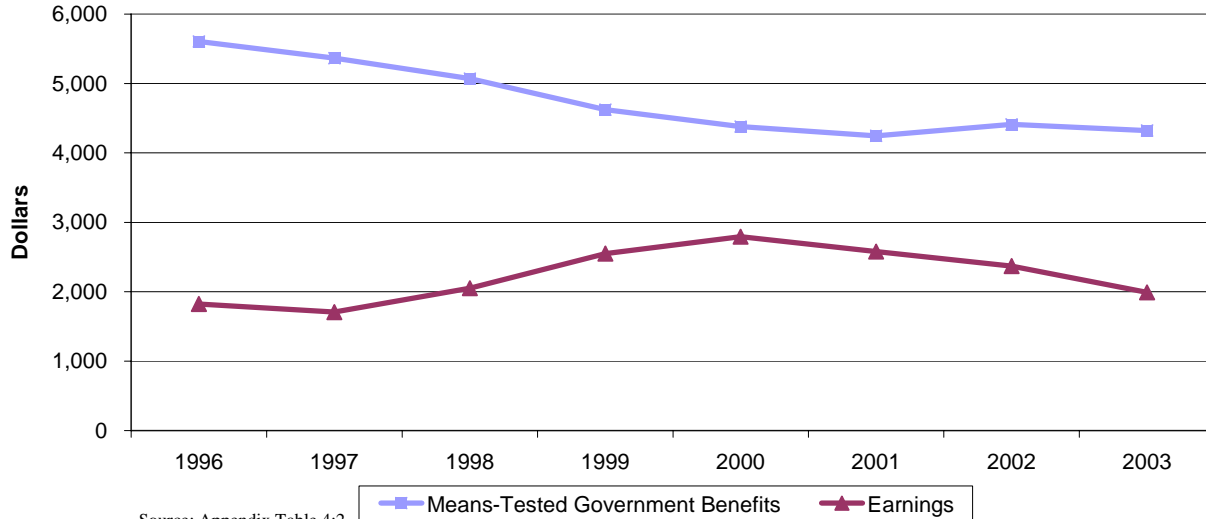
**Figure A**  
**Employment Rates for Single Mothers Under 200% of Poverty**  
**1996 - 2003**



Overall, earnings in female-headed families remain higher than in 1996 despite the brief economic downturn. For the one-fifth of families with the lowest income, the average annual

earnings of single mother families fell to an average of \$1,989 in 2003 but remain above the average of \$1,823 in 1996; this reflects the decline in employment of lower income single mothers. For the next 20 percent of families, earnings remained well above their 1996 levels when the average was \$5,313; in 2003 the average earnings for the second quintile was \$9,800. Concomitant with these earnings increases since 1996 are declines in means-tested income (e.g., cash assistance, food stamps). For the lowest group, the average amount of means-tested income of \$4,321 in 2003 remained below the 1996 level of \$5,604 while for the next 20 percent of families the 2003 average decline was from \$7,868 to \$4,548. These results are shown in Figures B and C.

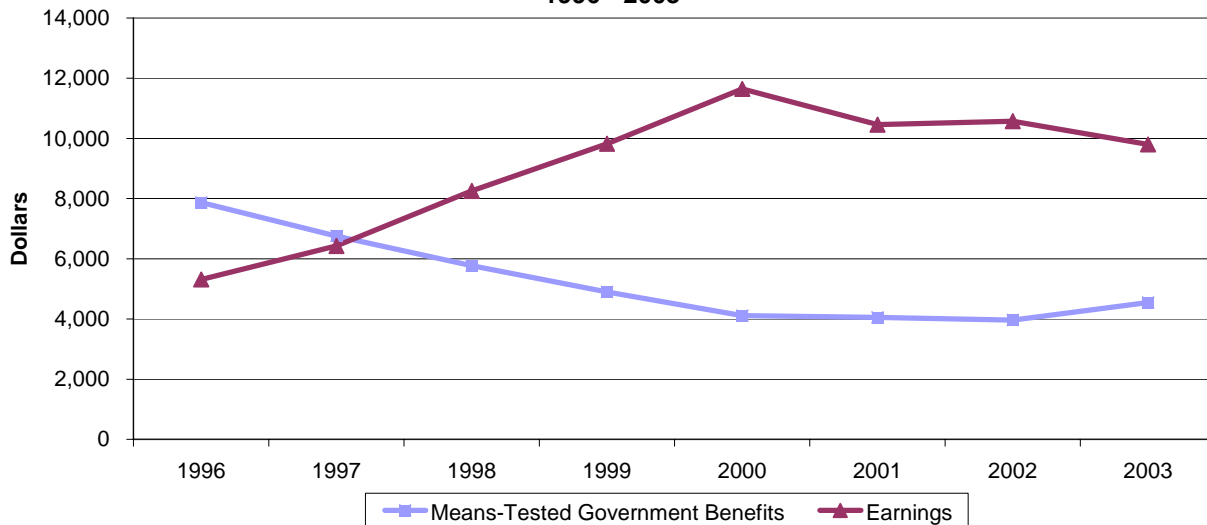
**Figure B**  
**Government Benefits and Earnings for**  
**Single-Mother Families with Children<sup>1</sup>**  
**with Income in the Lowest 20th Percentile in 2003 dollars**  
**1996 - 2003**



Source: Appendix Table 4:2

<sup>1</sup>Means-tested government benefits is the total of Supplemental Security Income, public assistance, certain veterans' benefits, Food Stamp Program, National School Lunch Program, and housing benefits.

**Figure C**  
**Government Benefits and Earnings for**  
**Single-Mother Families with Children<sup>1</sup>**  
**with Income Between the 20th and 40th Percentiles in 2003 dollars**  
**1996 - 2003**



Source: Appendix Table 4:2

<sup>1</sup>Means-tested government benefits is the total of Supplemental Security Income, public assistance, certain veterans' benefits, Food Stamp Program, National School Lunch Program, and housing benefits.

Rigorous evaluations of welfare reform policies that compared the effects of randomly assigned individuals to welfare reform or prior Aid to Families with Dependent Children (AFDC) rules demonstrate large employment gains. The National Evaluation of Welfare-to-Work Strategies (NEWS), a study of eleven programs in six States conducted by MDRC, compared the effects of labor force attachment and human capital development employment strategies over five years. All of the programs increased participation in employment-related activities relative to control group levels of self-initiated activity. Nearly all of the programs increased how much people worked and how much they earned relative to control group levels, but the employment-focused programs generally produced larger five-year gains than education-focused programs. All of the programs decreased welfare receipt and program expenditures.

State studies of families who have left welfare ("leaver" studies) also report significant employment among these families. While methodological differences reflect variability among some studies, most show that nearly two-thirds of former clients are engaged in work during any given month and that well over three-fourths of adults have worked since leaving welfare.

### **Employment While on the Caseload**

The employment rate of adults receiving TANF cash assistance has also increased significantly, up from less than one in five adults in Fiscal Year (FY) 1991 to almost one of every three adults in FY 2003 while the national caseload has been cut by more than a half since TANF's

enactment. The percentage of working adult recipients was 28.1 percent in FY 2003, down slightly from 30.1 percent in FY 2002. Seventy-five percent of recipients who were working were doing so in paid employment; the remainder were involved in work experience, community service, and subsidized employment (see Appendix Table 3:4:c). State-reported data for welfare recipients show that the average monthly earnings of those employed increased in nominal dollars from \$466 per month in FY 1996 to \$647 in FY 2003, a 39 percent increase.

As discussed in Chapter X, States report reasons for cash assistance case closings. In FY 2003 about 17.9 percent of case closings, or 357,964 cases, were reported as closing due to employment (from Appendix Table 10:48). This likely underestimates the true proportion by a large margin, as we know that 30 percent of adults in closed cases worked during their last month of TANF receipt. States also reported that 23.9 percent of closed cases were closed for failure to comply with program requirements. However, many of these clients were employed but did not report it to their case manager.

States that compete for the High Performance Bonus (HPB) must submit information on individual cases that received TANF assistance during each quarter and these data are matched with employer-provided quarterly earnings. While the individual identifiers are protected, these data provide a rich source of aggregate information on the earnings patterns of adults who received TANF. The HPB is described in detail in Chapter V.

Beyond use in the HPB performance indicators, these data allow for the constructing broader profiles of earnings patterns. For example, adults who receive TANF cash assistance in an average quarter in FY 2003 had the following earnings profile:

In the quarter they received TANF (1,467,197 recipients):

- 64 percent of the adults had zero earnings;
- 18 percent had earnings of at least \$1 but less than \$1,340 in the quarter (\$1,340 being equal to about 20 hours per week at the minimum wage throughout the quarter);
- 10 percent had earnings greater than \$1,340, but less than \$2,680 (full-time—40 hours per week at minimum wage, working the full quarter); and
- 9 percent earned more than \$2,680.

Earnings profiles in a given State during the quarter receiving TANF are highly dependent upon the eligibility rules in the State. In States that disregard larger amounts of earnings when establishing eligibility, larger proportions have higher levels of earnings.

Moreover, these data can also show us how earnings levels differed in the quarter prior to a client's TANF receipt (when he/she may or may not have been on TANF) and how it changed in the two following quarters (again, regardless of whether he/she was on or off TANF in these quarters):

Of those who had zero earnings in the quarter in which they received TANF (938,568

recipients):

- 84 percent had zero earnings in the prior quarter, and
- 77 percent had zero earnings two quarters later.

Many of these cases likely received TANF for long periods of time and make up the core of long-term welfare dependent families. It is striking, however, that so many of these families generated absolutely no earnings over a nine month period.

Of those who had at least some earnings (at least \$1) in the quarter they received TANF (528,629 recipients):

- 41 percent had higher earnings (by more than 5 percent of current earnings) two quarters later;
- 5 percent had earnings within 5 percent (+/-) of current earnings two quarters later; and
- 54 percent had lower earnings (by more than 5 percent of current earnings) two quarters later.



