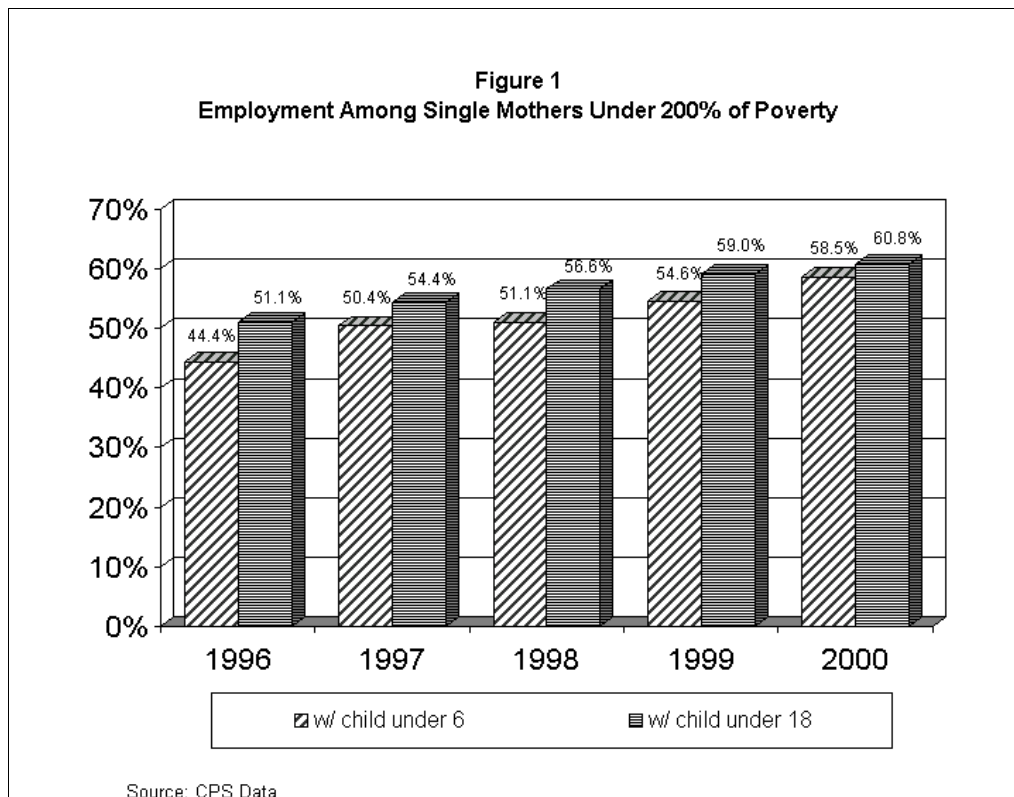


## IV. WORK AND EARNINGS

### Employment

A primary goal of welfare reform is to help clients achieve self-sufficiency through work. Since the enactment of welfare reform legislation six years ago, millions of families have moved from dependence on welfare to the independence of work. The employment rate of Temporary Assistance for Needy Families (TANF) recipients has also increased significantly, up from less than one in five adult recipients ten years ago, to one of every three adults today. The percentage of working adult recipients was 32.6 percent in Fiscal Year (FY) 2001, down slightly from 33 percent in FY 2000. Eighty-three percent of recipients who were working were in paid employment; the remainder were in work experience, community service and subsidized employment. According to reports filed by States competing for High Performance Bonuses (HPBs), 931,000 adults went to work in the period between October 1, 1999 and September 30, 2000 alone. Two and a half million clients entered work in the prior two years. These results follow the national pattern of the recent, dramatic increase in work among single mothers under 200 percent of poverty reported in the U. S. Census Bureau's Current Population Survey (CPS) reflected in Figure 1 below.



Research results also support the transformation that welfare-to-work goals have made on employment. Rigorous evaluations of welfare reform policies that compare the effects of randomly assigned individuals to either 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 the Manpower Demonstration and Research Corporation (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, one measure of self-sufficiency.

State studies of families who have left welfare, the "leaver" studies, also reflect 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.

### **Earnings**

One of the critical welfare reform questions is how families fare economically after they become employed. For most families, earnings are the primary source of income and economic viability. As HHS reported last year, U.S. Census Bureau CPS data reveal that earnings for female-headed families increased significantly between 1996 and 2000. For the one-fifth of families with the lowest income, single mother families have increased their earned income from an average of \$1,740 in 1996 to \$2,960 in 2000. For the next 20 percent the increase in income from earnings is even more dramatic, from an average of \$5,060 in 1996 to \$11,140 in 2000. Concomitant with these earnings increases have been declines in means-tested income. For the lowest group the average amount of means-tested income declined from \$5,340 in 1996 to \$4,610 while for the next 20 percent the decline was from \$7,495 to \$3,620.

State-reported data for welfare recipients show that the average monthly earnings of those employed increased from \$466 per month in FY 1996 to \$686 in FY 2001, a 49 percent increase. HPB data for the FY 2001 awards also reflect surprising job retention and earnings. Forty-six percent of unemployed adult welfare recipients entered the work force in FY 2001. Sixty-five percent of those who started work were still employed six months after getting a job. Average quarterly earnings increased 25 percent for current and former welfare recipients, from \$2,021 in the first quarter of employment to \$2,522 in the third quarter.

Given these generally consistent, positive findings, a recent report on work by the U. S. Census Bureau based on data collected by the Survey of Income and Program Participation (SIPP) raises some concern. In each of three time periods, 1996, 1998, and 2000, for mothers who were working, the average monthly earnings significantly differed between recipients and non-recipients. Between 1996 and 2000, median monthly earnings ranged from \$1,554 to \$1,666 for non-recipients and from \$472 to \$738 for recipients, with little relative gain after 1998. Some of this difference is attributable to labor force participation. Of the mothers who were non-

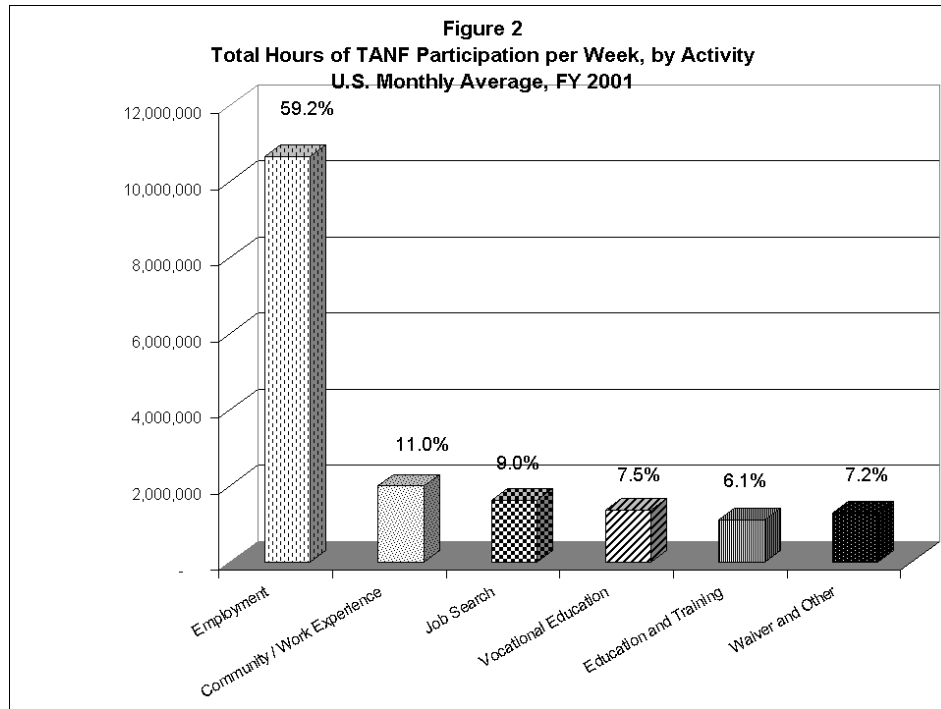
recipients, 61 percent were continuously employed, compared with 29 percent of recipients who worked continuously.

The NEWWS Report also shows some less positive findings. With respect to overall income, MDRC found that the programs studied were largely unable to increase total combined income from earnings, welfare, Food Stamp payments and Earned Income Tax Credits (EITCs) over the control group. Combined income for both groups was low. On the positive side, over the five years, program group members received a larger share of combined income from earnings, compared with the control group. Overall, income was largely not affected by the welfare-to-work programs. So, it appears welfare reform has been very successful at getting a significant portion of cases into the workplace and into second and sometimes third jobs, but it has been less effective in keeping them employed full-time and in achieving substantial wage or career growth.

## **Conclusion**

Given the inexperience and skill level of many clients, it is not surprising that these first jobs result in low wages. That is why it is so important to find ways to enable families to move to higher paying jobs over time and why the next phase of welfare reform must provide States with the resources and flexibility to try innovative career advancement strategies. At the same time, many clients will continue to need post-employment supports like food stamps, medical coverage, tax credits, child support, and child care. This is one reason why the President's reauthorization proposal, "Working Toward Independence," committed the current high level of funding for TANF, child care, food stamps and health insurance for low-income working families and expanded child support enforcement so that more payments by fathers would be given directly to mothers and children. HHS will continue our partnership with State and local TANF agencies, to evaluate and promote effective employment retention and advancement strategies.

State accomplishments and improvements dispel that myth that welfare clients do not want to work. But far too many clients have also been denied needed services or the opportunity to engage in work and move towards self-sufficiency. While all data sources reflect improved levels of employment among current and former welfare recipients since the enactment of welfare reform, a significant proportion of the caseload is still not engaged in work or activities leading to work. Participation rate data reported by States for FY 2001 show that the majority of adult recipients are neither working nor participating in work-related activities. Of the 2.1 million families receiving TANF assistance, 37 percent (777,000) are child-only cases, which are not subject to the work requirements. In addition, using the inherent flexibility of TANF, 28 States provide assistance to some families through Separate State Programs, which are also not subject to Federal participation requirements. These often include two parent families, hardship cases with disabilities, or immigrants who are ineligible for Federal TANF. Of the 1.2 million families with adults required to participate, 818,000 were not engaged in enough hours of activities to be counted in the participation rate. Figure 2 reflects the national proportion of work activities; Table 4:1 reflects the work activities by States. For welfare reform to be a success, much more needs to be done to address the employment needs of these families.



**Appendix**

Table 4:1

Annual Monthly Average Of Total Hours Of Participation Per Week For All Adults

**Table 4:1**  
**ANNUAL MONTHLY AVERAGE OF TOTAL HOURS OF PARTICIPATION PER WEEK FOR ALL ADULTS (in percent)**  
**TANF, FY 2001**

STATES	Employment	Community / Work Experience	Job Search	Vocational Education	Education and Training	Waiver and Other	Total Hours
UNITED STATE	9,911,800	1,865,149	1,488,735	1,225,762	1,018,013	1,186,535	16,695,985
Alabama	61.5%	4.8%	16.9%	9.3%	5.4%	2.1%	113,633
Alaska	63.5%	4.3%	11.0%	13.5%	2.1%	5.6%	108,789
Arizona	70.8%	11.2%	10.9%	4.5%	2.6%	0.0%	273,566
Arkansas	41.8%	4.1%	16.0%	25.3%	11.2%	1.6%	55,443
California	73.0%	2.2%	14.6%	5.8%	3.8%	0.7%	3,197,882
Colorado	49.0%	20.6%	5.6%	17.8%	7.0%	0.0%	83,740
Connecticut	62.5%	0.6%	13.1%	6.8%	4.5%	12.5%	225,122
Delaware	75.2%	15.1%	0.0%	0.0%	3.0%	6.7%	34,484
Dist. Of Col.	87.7%	2.7%	5.9%	2.8%	0.4%	5.9%	121,403
Florida	51.9%	12.0%	6.4%	14.0%	15.7%	0.0%	332,766
Georgia	40.6%	12.5%	3.3%	26.5%	9.4%	7.6%	154,300
Guam	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Hawaii	64.0%	14.5%	12.7%	6.5%	1.9%	0.4%	164,229
Idaho	24.4%	3.5%	19.4%	18.5%	1.9%	32.3%	10,602
Illinois	60.5%	11.1%	1.3%	16.2%	4.2%	6.8%	1,121,287
Indiana	83.6%	0.2%	2.3%	1.2%	3.6%	9.0%	577,704
Iowa	82.0%	0.3%	0.5%	9.2%	1.3%	6.7%	178,682
Kansas	37.5%	9.1%	0.0%	1.4%	4.7%	47.2%	247,254
Kentucky	43.4%	22.0%	3.5%	24.8%	4.2%	2.2%	207,390
Louisiana	65.7%	12.7%	3.2%	14.8%	3.5%	0.0%	156,791
Maine	54.4%	8.3%	23.3%	2.5%	11.5%	0.0%	149,904
Maryland	53.9%	1.4%	24.3%	15.2%	5.3%	0.0%	76,117
Massachusetts	62.4%	2.2%	9.1%	3.1%	23.3%	0.0%	169,697
Michigan	86.6%	0.0%	9.8%	1.0%	2.4%	0.2%	656,707
Minnesota	52.3%	0.2%	18.7%	5.3%	16.9%	6.7%	445,584
Mississippi	60.4%	14.7%	10.9%	8.1%	5.8%	0.0%	25,702
Missouri	53.5%	2.3%	6.0%	21.1%	6.9%	10.2%	341,439
Montana	6.3%	57.4%	7.0%	0.3%	0.1%	28.8%	156,887
Nebraska	37.3%	0.5%	14.4%	11.5%	19.5%	16.8%	50,869
Nevada	69.9%	3.1%	12.1%	9.5%	2.1%	3.4%	49,124
New Hampshire	43.1%	1.4%	27.5%	3.4%	17.6%	6.9%	50,987
New Jersey	38.4%	27.3%	9.0%	16.0%	9.3%	0.0%	452,145
New Mexico	71.7%	8.6%	4.7%	9.1%	5.8%	0.1%	258,626
New York	68.7%	23.4%	2.1%	4.9%	0.9%	0.0%	2,207,888
North Carolina	62.3%	2.7%	9.9%	18.1%	7.0%	0.0%	174,984
North Dakota	46.4%	12.1%	13.1%	18.1%	10.3%	0.0%	29,284
Ohio	36.5%	27.6%	4.7%	14.8%	6.8%	9.6%	1,426,093
Oklahoma	38.4%	2.5%	25.9%	10.1%	23.2%	0.0%	69,003
Oregon	11.6%	3.0%	18.3%	0.0%	9.4%	57.7%	56,719
Pennsylvania	81.9%	6.0%	5.8%	0.4%	5.8%	0.1%	376,194
Puerto Rico	30.7%	24.0%	19.4%	16.0%	9.8%	0.0%	184,937
Rhode Island	70.0%	2.8%	4.1%	9.6%	7.9%	5.5%	137,944
South Carolina	56.1%	1.2%	6.4%	13.9%	6.9%	15.5%	94,338
South Dakota	23.8%	54.8%	3.6%	8.0%	9.8%	0.0%	18,225
Tennessee	44.9%	0.6%	9.8%	7.0%	13.4%	24.3%	673,029
Texas	52.4%	1.9%	15.7%	6.4%	3.2%	20.3%	352,441
Utah	20.3%	1.3%	8.3%	5.0%	13.9%	51.2%	27,552
Vermont	49.2%	3.6%	18.4%	10.6%	11.3%	6.9%	58,759
Virgin Islands	23.6%	32.1%	6.8%	0.8%	35.7%	1.0%	2,638
Virginia	73.4%	1.9%	20.8%	0.3%	3.6%	0.0%	98,689
Washington	38.2%	31.8%	8.4%	1.0%	9.9%	10.5%	1,112,720
West Virginia	37.4%	35.1%	7.0%	16.0%	4.5%	0.0%	65,917
Wisconsin	6.2%	40.2%	12.7%	3.7%	37.2%	0.0%	140,915
Wyoming	18.8%	51.3%	16.5%	5.2%	8.2%	0.1%	3,622

