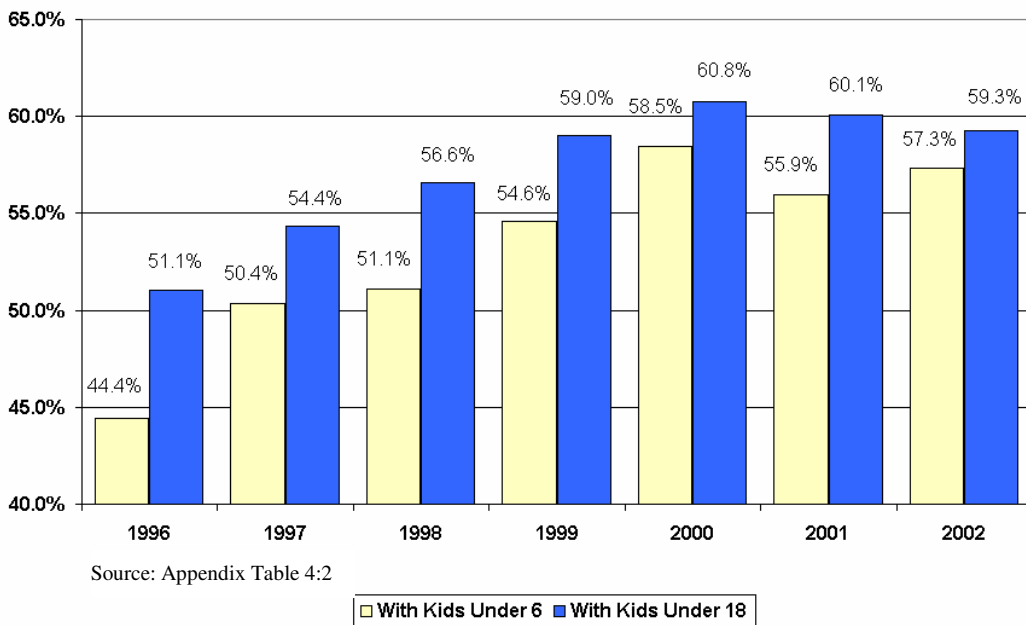


IV. WORK AND EARNINGS

Since the enactment of 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 (earning below 200 percent of poverty), reported in the U. S. Census Bureau's Current Population Survey (CPS) has increased significantly since 1996. Although it declined slightly in 2002, it is still eight 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 13 percentage points higher than in 1996. The year to year trend is displayed in Figure A.

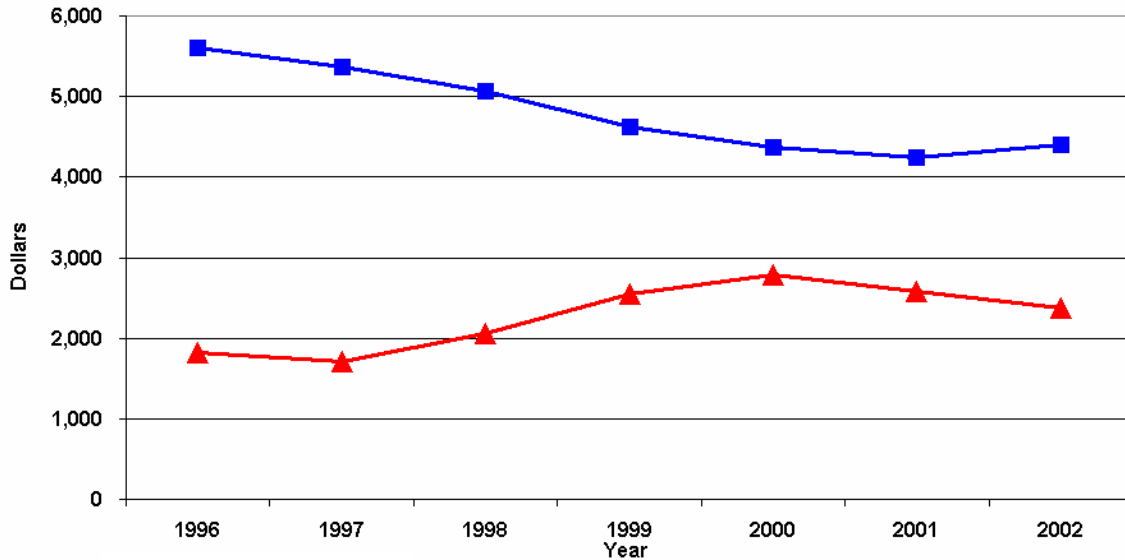
Figure A
Employment Among Single Mothers Under 200% of Poverty



Earnings in female-headed families remain significantly higher than in 1996 despite the brief economic downturn. For the one-fifth of families with the lowest income, single mother families have increased their earned income from an average of \$1,823 in 1996 to \$2,368 in 2002. For the next 20 percent, the increase in income from earnings is even more dramatic, from an average of \$5,310 in 1996 to \$10,570 in 2002. Concomitant with these earnings increases are declines in means-tested income. For the lowest group, the average amount of means-tested income declined from \$5,601 in 1996 to \$4,408 while for the next 20 percent the decline was from \$7,863 to \$3,963. These results are shown in Figures B and C.

Figure B

Income for Single-Mother Families with Children* Families with Income in the Lowest 20th Percentile in 2002 Dollars



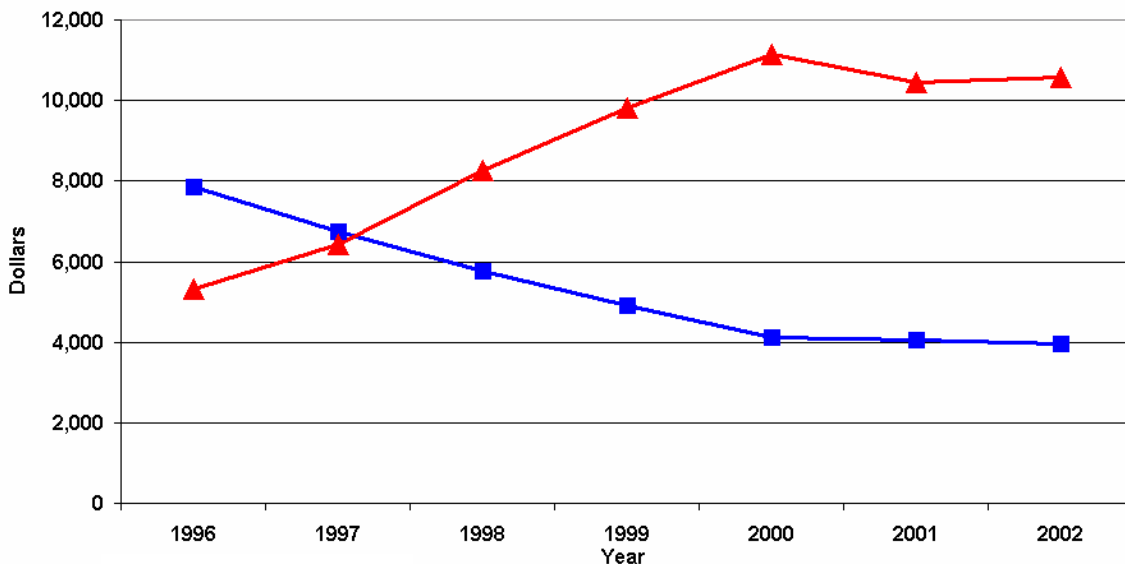
Source: Appendix Table 4:3

■ Means-Tested Income ▲ Earnings

* Means-tested income is the total of Supplemental Security Income, Public Assistance, certain Veteran's Benefits, Food Stamps, School Lunch, and housing benefits

Figure C

Income for Single-Mother Families with Children* Families with Income Between the 20th and 40th Percentiles in 2002 Dollars



Source: Appendix Table 4:3

■ Means-Tested Income ▲ Earnings

* Means-tested income is the total of Supplemental Security Income, Public Assistance, certain Veteran's Benefits, Food Stamps, School Lunch, 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 (NEWWS), 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 one of every three adults in FY 2002, and this while the national caseload has been cut by more than a half since TANF's enactment. The percentage of working adult recipients was 30.1 percent in FY 2002, down slightly from 32 percent in FY 2001. Seventy-eight percent of recipients who were working were doing so in paid employment; the remainder were involved in work experience, community service and subsidized employment. State-reported data for welfare recipients show that the average monthly earnings of those employed increased from \$466 per month in FY 1996 to \$678 in FY 2002, a 45 percent increase.

As discussed in Chapter X, States report reasons for cash assistance case closings. In FY 2002 about 17.2 percent of case closings, or 348,624 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 31 percent of adults in closed cases worked during their last month of TANF receipt. States also reported that 25.8 percent of closed cases were closed for failure to comply with program requirements, and 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, but among the indicators used is an employment retention measure that requires matching records of recipient adults from each given quarter with their corresponding earnings in the prior quarter, the quarter they received TANF, and for the first and second following quarters. These matches provide employer-provided earnings records from each of these target quarters even if the client was not on TANF in the preceding or following quarters. Therefore, the data have the ability to show the earnings

progression over time for adults who were at least once on TANF, whether they remained on TANF or left the rolls.

The FY 2002 HPB employment indicators reflected strong job retention and earnings. Thirty-three percent of unemployed adult welfare recipients entered the work force in FY 2001. Sixty-three percent of those who started work were still employed six months after getting a job. Average quarterly earnings increased 26 percent for current and former welfare recipients, from \$2,107 in the first quarter of employment to \$2,661 in the third quarter.

Beyond use in the HPB performance indicators, these data allow for constructing broader profiles of earnings patterns. For example, adults who received TANF cash assistance in an average quarter in FY 2002 had the following earnings profile:

In the quarter they received TANF:

- 61 percent of adults had zero earnings;
- 19 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
- 10 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 – higher proportions have higher levels of earnings in States that disregard larger amounts of earnings when establishing eligibility.

Moreover, these data can also show us how earnings levels differed in the quarter prior to a client's TANF receipt (when they may or may not have been on TANF), and how it changed in the 2 following quarters (again, regardless of whether they were on or off TANF in these quarters):

- Of those who had zero earnings in the quarter in which they received TANF, 82 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, about one quarter to one third saw higher earnings two quarters later, the rest earned about the same or less.