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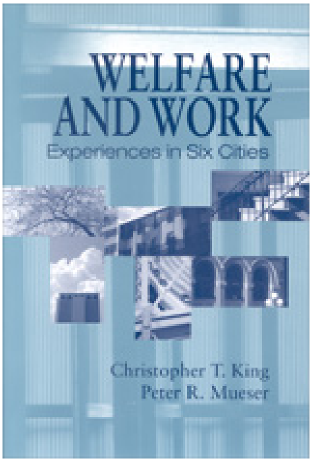
Welfare and Employment Transitions in the 1990s



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1
Welfare and Employment Transitions in the 1990s

The last decade has seen extraordinary changes in the programs supporting indigent parents and their children in the United States, popularly known as welfare. From its inception in the 1930s through the 1960s, the federal/state Aid to Families with Dependent Children (AFDC) program operated on the implicit assumption that a mother's primary "job" should be caring for her children. In recent decades, as women entered the labor force in greater numbers and acceptance of working mothers grew, public opinion has shifted toward an increased emphasis on work as an alternative to welfare, even for mothers with young children.

Although efforts to increase employment of aid recipients date back at least to the 1960s, the shift to an employment-focused system gained serious momentum only in the 1990s. Under federal waivers, many states developed programs that modified the basic structure of AFDC, imposing increasingly stringent work and training requirements on aid recipients. In addition, legislation as well as policy and administrative directives in many states shifted program emphasis away from provision of aid to families and toward finding employment alternatives to public assistance. The national trend culminated with passage of the federal Personal Responsibility and Work Opportunity Reconciliation Act in 1996 (PRWORA), which replaced AFDC with Temporary Assistance for Needy Families (TANF). The new legislation, which Congress passed with bipartisan support, specified explicit program participation and work requirements for participants as well as limitations on the length of time aid could be received. It further expanded state autonomy, allowing states to develop and implement aid under a variety of program structures.

Reform-oriented policy changes at the national and state levels during the 1990s dramatically modified the welfare service delivery system for recipients and administrators alike.[1] National patterns of aid receipt during the 1990s reflect these major changes. After moderate increases through most of the previous two decades, for the most part tracing the growth of the United States population, the number of families receiving aid under AFDC had reached 4.0 million by 1990. In the next four years, the caseload reached a peak of 5.0 million and then began a decline, falling to 3.9 million in 1997, the year TANF was implemented in most states, and 2.6 million in 1999, a level not seen since 1970.[2]

While it is clear that increasing numbers of families are successfully transitioning from welfare to work, the probability that welfare leavers will successfully achieve stable employment and self-sufficiency over the long term remains in question. Many welfare recipients face significant barriers to employment, including physical disabilities, mental health or substance abuse issues, limited English proficiency, learning disabilities, and domestic violence, as well as poor job skills and inadequate work experience. These barriers are substantial in urban areas, where most aid recipients live. Those who are able to move into employment commonly cycle in and out of work, earn low wages, and often continue to rely on government supports such as the Earned Income Tax Credit (EITC), Food Stamps, and subsidized child care and health care.

Our study examines changes in welfare participation and labor market involvement of female welfare recipients starting in the early 1990s and extending through 1999. We focus particular attention on the dynamics of recipients' employment activities in light of the welfare-to-work emphasis of policy reform. Our detailed analysis is based on data for the core counties in six major urban areas: Atlanta, Baltimore, Chicago, Fort Lauderdale, Houston, and Kansas City. Together, these counties accounted for 5.1 percent of the nation's welfare caseload in 1991, as well as shares of their own state's caseloads ranging from 6 percent in Fort Lauderdale to fully 73 percent in Chicago.[3] These sites provide considerable range and diversity, including cities from a very low-benefit state (Texas), a classic northern urban area (Chicago), two cities on the border of the old South (Baltimore and Kansas City), one traditional southern city (Atlanta), and three cities with significant representation of Hispanics, one of the faster-growing populations on welfare. All experienced significant declines in their welfare caseloads over this period that were broadly consistent with the national trend.

Our analyses are based on administrative data that are unusual in allowing us to examine individual welfare and employment histories for extended periods using parallel methods across distinct sites. Information on all welfare recipients beginning as early as 1990 is included in the data we obtained from state agencies, so trends over time in flows onto and off of welfare are identified. We matched this individual information with data collected by states in support of their Unemployment Insurance programs, providing information on recipients' detailed employment experiences, both during and after the period of welfare receipt.[4]

In the remainder of this chapter, we provide an overview of our key findings. Our focus is on trends and patterns that are common across states, and we present both national data and data from our sites to investigate the welfare caseload and employment for welfare recipients. We look at flows onto and off of welfare and consider how these have changed in the 1990s. We address issues of what kinds of people are most likely to leave welfare and what kinds of jobs they are likely to hold. We ask how welfare reform has altered the experiences of recipients and the processes of securing work and leaving welfare.

The second chapter delves more deeply into the structure of welfare reform at each of our sites, recognizing the central role that differences across states play in defining the features of reform. By focusing on six major cities, we can examine the extent to which differences in state and local policy, administrative directives, and local labor market conditions contribute to observed trends. It is widely acknowledged that policy and administrative changes designed to move families from the rolls have been facilitated by a growing economy, much more so than in the late 1980s and early 1990s during implementation of work-oriented programs under the Family Support Act of 1988. Other supportive policy changes—including expansions of EITC, Medicaid, and child care subsidies—that might fall within the broad rubric of welfare reform, were also occurring during this period. Comparison across cities will allow us to begin to understand mechanisms inducing change and the interaction between labor market conditions and government action.

Chapter 3 considers the role of demographic characteristics, economic factors, and policy regimes in explaining welfare exit and employment rates of welfare recipients during the 1990s at each of our sites. We also examine the reciprocal relationships between recipient employment and exit from welfare.

In Chapter 4, we turn to an analysis of the job stability of welfare caretakers. We consider explicitly job stability and earnings in particular jobs and trends in both over time. We also look at the jobs obtained by workers who are not welfare recipients but who are employed contemporaneously in the same firms and at the same earnings levels as these welfare recipients. Such analysis has not been attempted before.

Chapter 5 considers the extent to which job stability for welfare caretakers is explained by personal characteristics and the kinds of jobs they obtain. To conduct this analysis, we look at caretakers' demographics as well as key traits of their jobs, such as industry. The analysis also considers caretakers who hold multiple jobs and employers who hire more than one welfare recipient to separate out effects of employer and employee.

In our final chapter, we offer overarching conclusions and discuss the policy implications of our findings.

WELFARE CASELOAD DECLINES

The caseload decline after its peak in the 1990s was both precipitous and almost universal across states.[5] Table 1.1 provides information on the national welfare caseload at its peak in the early 1990s, extending through the end of the 1990s.[6] From that peak, the caseload had declined by just about a third by the end of 1997, and then again by another third in the next two years, for an overall decline of 53 percent by the end of 1999. Our sites show similar patterns.[7] Declines in caseload from the peak vary among our sites, but all are substantial, and they bracket the national decline, ranging from a low of 44 percent in Kansas City to a high of 81 percent in Fort Lauderdale. There is some evidence that federal passage of PRWORA in 1996 may have increased caseload declines. Nationally, the decline in percentage terms is similar before and after 1997, meaning that the annual decline in the more recent period is greater. The trend at our sites is similar, with particularly large caseload declines in the last two years.[8]

Many of the legal and policy changes following welfare reform focused on the activities of recipients, attempting to create both incentives and opportunities for them to obtain employment and exit welfare, as well as an accompanying set of penalties and sanctions if they did

Table 1.1 Welfare Caseload Trends in the United States and Six Areas

	Maximum		Fourth quarter 1997		Fourth quarter 1999		
Area	Year: quarter	Caseload	Caseload	Change from maximum (%)	Caseload	Change from 1997 (%)	Change from maximum (%)
United States[a]	1994:1	5,066	3,431	−32	2,361	−31	−53
Atlanta	1994:3	21,765	14,261	−34	9,298	−35	−57
Baltimore	1992:3	37,291	25,186	−32	14,859	−41	−60
Chicago	1995:3	132,345[b]	106,548	−19	63,283	−41	−52
Fort Lauderdale	1994:1	17,038[b]	7,464	−56	3,194	−57	−81
Houston	1992:4	55,468[b]	24,568	−56	12,278	−50	−78
Kansas City	1994:3	14,405	10,732	−25	8,072	−25	−44

[a] Caseload in thousands.
[b] This was the first quarter for which we have data. See text.
SOURCE: National data from U.S. Department of Health and Human Services (2004a,b).

Table 1.2 Welfare Exit Rates in Six Areas and Impact on Caseload

Area	Exit rates[a] At peak caseload[b]	1997	1999	Caseload decline due to exit rate increase (%)[c]
Atlanta	0.073	0.119	0.167	−56
Baltimore	0.064	0.121	0.178	−64
Chicago	0.075	0.089	0.140	−46
Fort Lauderdale	0.175	0.337	0.431	−59
Houston	0.142	0.196	0.204	−30
Kansas City	0.096	0.146	0.161	−40

[a] Quarterly exit rates averaged over four quarters.
[b] Quarterly exit rate for four quarters preceding peak caseload. Where prior quarters are not available in our data, reported exit rates are based on the first four quarters for which we have data.
[c] Calculated decline in the stable caseload that would result from the observed change in the exit rate. The stable caseload can be written as $C=E/d$, where d is the exit rate and E is the flow of entries. A change in the exit rate from d_1 to d_2 produces a percentage change of $-(d_2 - d_1)/d_2 \times 100$.

not. Time limits created inducements to leave welfare: Although only a small number of recipients could exhaust these limits within the period of our study, recipients may well have decided to leave welfare to "bank" their remaining eligibility.[9] Reforms also included mandatory programs designed to aid recipients in obtaining employment, providing them with job readiness training and job search support, as well as basic skills and vocational training. It is clear that such reforms should increase rates of departures from the welfare rolls.

The Role of Welfare Exits

In all of our sites, we see that, in fact, increases in exit rates are substantial, accounting for large declines in the caseloads. Despite substantial differences across sites in initial departure rates, Table 1.2 shows that there were dramatic increases in exit rates at all sites. For four of the six sites, quarterly exit rates are less than 10 percent at the peak of the caseload, meaning that fewer than 1 out of 10 recipients in a given quarter were off welfare by the following quarter. By 1999, quarterly exit rates at these sites were between 14 and 18 percent. In Fort Lauderdale and Houston, exit rates were initially higher than in our other sites, but both still increased substantially, with Fort Lauderdale's exit rate exceeding 40 percent in the final year.

The final column of Table 1.2 indicates how much the caseload would be expected to decline based on growth in the exit rate alone.[10] At all of our sites, the projected decline is very large, implying that exit rates play an important role in the observed decline. In three of the sites, the caseload would decline to less than half of its prior level because of the growth in exit rates.

Effects on Long-Term Welfare Recipients

Long-term dependence has been a key concern of welfare reformers for many years. How much have policy and program changes influenced long-term recipients? Table 1.3 presents statistics on exit rates for those who have been on welfare for at least two years. At all our sites, the exit rate for this group is much lower than for all recipients, but what is notable is that the increases in exit rates are substantial for these long-term recipients. In three of our sites, exit rates for long-term recipients increased at least two and one-half times. In most sites, substantial increases in their exit rates continued to occur between 1997 and 1999. The case of Fort Lauderdale is special, since Florida's two-year limit—a "hard" time limit relative to that implemented by most states—was forcing individuals to leave welfare by 1999. The exit rate for long-term recipients is between two and three times that for our other sites. Even if we ignore Fort Lauderdale, the evidence suggests that these reforms have been very successful in changing the behavior of long-term aid recipients.

Welfare Entry Effects

Some elements of welfare reform were also designed to reduce entry onto welfare. Not only were explicit diversion programs adopted by many states, in some cases requiring potential recipients to engage in job search prior to submission of a formal welfare application, but

Table 1.3 Welfare Exit Rates for Long-Run Recipients in Six Areas

	Exit rates[a]		
Area	At peak caseload[b]	1997	1999
Atlanta	0.051	0.102	0.141
Baltimore	0.047	0.099	0.157
Chicago	0.054	0.070	0.120
Fort Lauderdale	0.125	0.257	0.312
Houston	0.094	0.138	0.132
Kansas City	0.066	0.114	0.124

[a] Quarterly exit rates averaged over four quarters. Where prior quarters are not available in our data, reported exit rates are based on the first four quarters for which we have data.
[b] Quarterly exit rate for four quarters preceding peak caseload.

many states restructured their application processes as well. Equally important, reforms focused on recipients may have also influenced welfare applicants. Training and employment requirements adopted as part of these reforms may have had the effect of making welfare receipt less attractive, thus reducing incentives for individuals to enter the program. On the other hand, reforms that moved recipients with tenuous employment off of welfare may have increased the number of individuals returning after disappointing labor market experiences.

In fact, Table 1.4 shows that declines in the number of individuals entering welfare each quarter were large at all our sites. The final column of the table shows that, in the absence of any change in the exit rate, the declines in entries would have caused caseload reductions of between one-fifth and two-thirds. Declines in the numbers entering welfare were particularly important in Fort Lauderdale and Houston, suggesting that larger caseload declines in these sites were driven at least partly by a fall in the flow of new recipients.

Table 1.4 Welfare Entry in Six Areas and Impact on Caseload

	Number entering welfare[a]			Caseload decline
Area	At peak caseload[b]	1997	1999	due to entry decline (%)[c]
Atlanta	1,602	906	1,160	−28
Baltimore	2,556	2,451	2,048	−20
Chicago	7,721	7,463	4,403	−43
Fort Lauderdale	2,379	1,850	1,182	−50
Houston	6,962	3,087	2,019	−71
Kansas City	1,534	1,253	1,197	−22

[a] Quarterly number of entries onto welfare averaged over four quarters.
[b] Quarterly number of entries for four quarters preceding peak caseload. Where prior quarters are not available in our data, reported numbers are based on the first four quarters for which we have data.
[c] Calculated decline in the stable caseload that would result from the observed change in the entry flow. The stable caseload can be written as $C=E/d$, where d is the exit rate and E is the flow of entries. A change in the number of entries from E_1 to E_2 produces a percentage change of $(E_2 - E_1)/E_1 \times 100$.

EMPLOYMENT OF WELFARE RECIPIENTS

Welfare reform signaled a major change in the emphasis placed on employment as an alternative to cash assistance. Prior to the 1990s, AFDC rules specified certain eligibility criteria, and federal courts had ruled that those meeting the criteria were categorically eligible to receive benefits. States therefore had little leverage over recipients, and there were minimal efforts to increase their labor force participation. In practice, recipients in many states appear to have faced implicit pressure not to work while they received AFDC, since working recipients—and their caseworkers—were saddled with additional reporting requirements, a result of efforts to assure that benefits would be adjusted to reflect earnings variation.[11] Following welfare reform, states required most recipients to participate in work or training activities, applying sanctions—often including removal from the rolls—for those who failed to comply. In addition, many states raised the earnings disregard, providing increased pecuniary incentives for individuals to obtain and retain employment.[12]

Table 1.5 provides employment rates for AFDC/TANF recipients for the United States and for our six sites. The welfare employment rate for the United States is provided for comparison, but it must be recognized that it is calculated differently in several respects from our site measures. First, the criteria for a case to be counted are slightly different, but this does not have an important impact on computed employment rates.[13] Second, the national statistics are based on employment rates submitted by state agencies for their caseloads, which are based on reports by caseworkers. In contrast, the employment rates for our sites are based on quarterly earnings reports from employers (i.e., unemployment insurance wage records). Given incentives for caseworkers to underreport employment under AFDC, it is likely that the former measure

Table 1.5 Employment Rates for Welfare Recipients in the United States and Six Areas

	Employment rate (%)		
Area	1994[a]	1997[b]	1999[c]
United States	8.3	18.2	27.6
Atlanta	26.5	34.4	37.0
Baltimore	20.1	28.4	34.7
Chicago	28.1	31.6	42.5
Fort Lauderdale	36.6	37.1	43.3
Houston	28.2	30.6	31.7
Kansas City	38.5	47.0	45.2

[a] Averaged over the four quarters of the federal fiscal year (October 1993–September 1994) except for Fort Lauderdale (January–December 1994) and Chicago (July 1995–June 1996).

[b] Averaged over the four quarters of the federal fiscal year except for national statistics (July–September 1997), and Fort Lauderdale (September 1996–March 1997, July–September 1997).

[c] Averaged over the four quarters of the federal fiscal year except for Houston (July–December 1998).

SOURCE: National data from U.S. Department of Health and Human Services (2004a,b).

may miss some employment. Third, since the national welfare employment figure is based on data for a single month, individuals employed for only one or two months in a quarter are only counted as employed in those months, whereas the quarterly measure that we use for our sites identifies as employed individuals receiving earnings in any month during the quarter. (The appendix contains a detailed description of our data sources and definitions.)

Table 1.5 suggests that, nationally, employment rates for recipients in 1994 were less than 10 percent, whereas our sites exhibit employment rates between 20 and 40 percent. And, the national figures show an increase of about 10 percentage points from 1994 to 1997, whereas our sites show more modest increases. A similar pattern occurs for the period from 1997 to 1999, the national figures again showing nearly a 10-percentage-point growth, and our sites generally displaying more modest growth in the rate of employment. Although it is clear that an increasing share of recipients is actively engaged in the labor market, the official statistics would appear to overstate the growth as we observe it at our sites. We have much greater confidence in the accuracy of UI wage records for documenting recipients' employment patterns, as do most researchers.

EMPLOYMENT OF LEAVERS

Not only did PRWORA specify work requirements for recipients, but the federal Welfare-to-Work program enacted as part of the Balanced Budget Act of 1997 provided additional support for recipients in obtaining employment. Those supporting welfare reform often suggested that reform would facilitate self-sufficiency through employment, improving the lives of those who would otherwise be dependent on government support.

One might expect that the increasing concern with employment would have been associated with higher employment levels for those leaving welfare. On the other hand, policy changes also may have had the effect of discouraging individuals from continuing to receive public assistance even when their employment opportunities were very limited.

States are not required to follow those leaving welfare, so there are no comprehensive national statistics identifying the employment experiences of those who leave welfare. However, states are required to identify the reason that an individual left welfare. Although many individuals do not provide this information, and states have little incentive to provide accurate data (a majority of cases are coded as "other"), these statistics do give a sense of the trend in movements. The first line in Table 1.6 shows that, in 1994, 15 percent of welfare leavers were coded as leaving because of employment (technically, "increased earnings"). The proportion had increased to fully 23 percent by 1999.

The measure of employment we report at our sites indicates the proportion of leavers who are employed at some point in the first quarter following departure from welfare, again as measured by UI wage records.[14] It is important to note that not all individuals who are counted as employed by this measure are employed at the point they exit welfare, since observed employment may begin at any point in the quarter following the welfare exit. The measure is best viewed as an indicator of whether a recipient moving off of welfare is able to obtain a job, even if she exits without one. The table shows that about half of leavers obtain employment in the quarter after leaving. All of the sites display

Table 1.6 Employment Rates for Welfare Leavers in the United States and Six Areas (%)

Area	1994	1997	1999
United States[a]	14.7	17.4	23.0
Atlanta	58.5	64.5	61.2
Baltimore	44.8	54.6	59.7
Chicago	48.6	54.5	56.7
Fort Lauderdale	53.3[b]	53.2	55.4
Houston	43.7	50.4	49.1
Kansas City	57.6	65.2	66.0

NOTE: All measures apply to federal fiscal year (October–September) unless indicated otherwise. Site measures are means for four quarters.
[a] Proportion indicating employment as reason for leaving welfare.
[b] Fiscal year 1996.
SOURCE: National data from U.S. Department of Health and Human Services (2004a,b).

increases over the period of our study, varying from as little as 2 percentage points in Fort Lauderdale to 15 percentage points in Baltimore. In all sites, almost all of the increase occurred before 1997.

It is useful to place these results in context. First, it must be recognized that although the overwhelming majority of those working for employers in the state are covered in our data, some of those leaving welfare obtain employment outside the state, are self-employed, or are working in illegal or informal jobs, which are not covered in our state-specific UI wage record data. Second, our data do not attempt to capture household income. A substantial portion of departures from welfare are associated with changes in household structure, and in many cases this implies that former recipients are supported by other individuals. It is therefore no surprise that more than a third of former recipients are not actually earning income.

Nonetheless, the employment of leavers is of particular concern because national and state welfare reforms placed increased emphasis on this route of exit from welfare. Those supporting the reforms argued that their implementation would both benefit recipients and relieve the public purse. Training and related programs, in conjunction with work requirements, would move welfare families into the world of work, providing them with new opportunities for material betterment. Critics warned that it was more likely that the reforms would merely force those who were ill-prepared to support themselves to seek aid from family, private charities, or less restrictive public programs, causing increased material hardship and ultimately damaging the welfare of children in these families.

Our results do not fit either of these extreme views. The moderate increases in employment rates for welfare recipients in the face of the extraordinary economic growth occurring in this period do not paint a picture of unprecedented opportunity provided to those who exited welfare. On the other hand, given the dramatic increases in the exit rates from welfare, the very fact that employment rates did not decline suggests that the reforms have been at least somewhat successful in achieving reforms' employment goals. There is little support for the view that the reforms have dumped former recipients into a glutted labor market where they face worsening employment prospects. Of course, that judgment is based only on looking at employment rates. One may also ask whether the types of jobs welfare leavers obtain have changed and what factors determine employment success. That is the focus of Chapters 3 through 5, which we now summarize.

EXPLAINING WELFARE EXITS AND EMPLOYMENT

To what degree are changes in the characteristics of welfare recipients responsible for the increased exit rates from welfare and for the growth in employment for welfare recipients? Prior to welfare reform, observers suggested that as individuals left the rolls, the remaining recipients might differ dramatically from the prior caseload. Our data allow us to identify the age and race of recipients, as well as the number of dependent children on the case and the length of time that the payee or case head has received aid. Consistent with other findings, we observe only modest changes in these measures over the period of our study.

Table 1.7 presents data on the contribution of such changes to observed differences in exit rates and employment between 1994–1995 and 1998–1999.[15] The details of this analysis are provided in Chapter 3.[16] In the case of welfare exit rates, we see that changes in characteristics contribute very little to the observed growth. The negative percentages in the table indicate that, based only on observed changes in recipient characteristics, exit rates would be expected to decline slightly rather than increase over this period. We must attribute essentially all of the increases in exit rates to changes in either the policies or the environment.

Similar results hold in the case of employment rates for welfare recipients. In four of the sites, we observe substantial increases in employment rates, and in each case cohort characteristics contribute very little to the observed increase. Higher rates of employment for recipients must be due to changes occurring over time in either the welfare program or the local labor market.

Since the goals of welfare reform focus jointly on moving people off of welfare and getting them into jobs, it is natural to ask how these goals are related. Our analyses show that many factors jointly influence employment and departures from welfare. Minority recipients are more likely to be employed but substantially less likely to leave welfare. In contrast, other factors tend to induce more welfare exits and higher employment. Those with more children and those who have received aid

Table 1.7 Changes in Exit and Employment Rates for Welfare Recipients: Role of Personal Characteristics and Regime Change in Five Areas

	Probability of exiting welfare				Probability of employment			
			Difference (%) in probability accounted for by				Difference (%) in probability accounted for by	
Variables	1994–95	1998–99	Cohort characteristics	Regime	1994–95	1998–99	Cohort characteristics	Regime
Atlanta	0.072	0.153	−1	101	0.340	0.396	−13	113
Baltimore	0.073	0.191	2	98	0.225	0.333	7	93
Fort Lauderdale	0.177	0.410	−3	103	0.361	0.439	−14	114
Houston	0.141	0.209	−9	109	0.242	0.229	108	−8
Kansas City	0.099	0.165	−0	100	0.413	0.454	13	87

for longer are both less likely to find employment and less likely to leave welfare. Unmeasured factors have similar effects on employment and welfare exits. Those individuals who are particularly likely to be employed are also likely to leave welfare. Of course, in part this reflects the fact that when employment yields sufficiently high earnings, an individual will no longer be eligible for welfare. The details of this analysis are provided in Chapter 3.

LOOKING AT RECIPIENTS' JOBS

A central goal of welfare reform is moving recipients into stable jobs. Chapters 4 and 5 use UI wage record data to examine the stability and earnings of jobs held by recipients in our six areas over the 1990s, before, during, and after the implementation of welfare reform. We are not aware of any systematic analysis of the kinds of jobs held by recipients that would allow this kind of comparison.

It is known that welfare recipients tend to have unstable, short-term jobs, with few benefits and low wages. Although we are not able to determine benefits, the wage record data allow us to determine how long an employee continues to receive earnings from a given employer. Table 1.8 is based on an analysis, presented in Chapter 4, that examines all new jobs that are begun by welfare recipients in the relevant period. We include continued employment with the employer even after an individual leaves welfare, assuring that we do not omit those jobs that lead to self-sufficiency. The first two columns show that only about half of all jobs obtained by welfare recipients last beyond the quarter in which they start. Perhaps of most interest, the proportion did not change appreciably between 1994–1995 and 1998–1999. The two columns on the right show that between 4 and 10 percent of jobs last eight quarters or more. This table displays a modest decline in the share of jobs lasting at least eight quarters at three of the five sites where we have data, and little or no change at the other two.

Although these results might suggest a decline in the quality of jobs welfare recipients are obtaining, in Chapter 4 we show that similar declines occurred for other low-wage workers as well. We also show that even where job stability has declined, earnings have not. We are therefore left to conclude that the kinds of jobs welfare recipients obtain

Table 1.8 Stability of Jobs Held by Welfare Recipients: Six Areas

	Probability that job lasts more than 1 quarter		Probability that job lasts more than 7 quarters	
Variables	1994–95	1998–99	1994–95	1998–99
Atlanta	0.472	0.457	0.050	0.050
Baltimore	0.536	0.525	0.089	0.060
Chicago	0.539	0.561	0.100	0.097
Fort Lauderdale	0.517	0.519	0.075	0.068
Houston	0.533	0.527	0.073	n/a
Kansas City	0.441	0.428	0.044	0.032

have not seriously deteriorated over the 1990s. Nor have there been substantial improvements, either in job stability or in earnings.

While the changes over time are modest at best, by any standard the jobs these welfare recipients have been able to secure are very poor ones. Over the life of the job (up to two years), the average cumulative earnings are between $2,000 (for Atlanta) and $5,000 (for Chicago).[17] Few of these jobs lead to economic self-sufficiency for mothers with at least one and often two or more dependents. Some individuals obtain sufficient earnings to move off of welfare and support their families when they succeed in cobbling together multiple low-paying jobs into a semisteady earnings stream. Others may stumble onto a good job after many tries.

FINDING A GOOD JOB

Although opportunities clearly are limited, those recipients who obtain the best jobs have substantial advantages. In all of our areas, the standard deviation of total earnings on a job is at least 50 percent greater than the mean, implying that some jobs provide reasonably good long-term earnings in these urban labor markets. In considering how a particular welfare recipient achieves stable employment, it is natural to ask how important individual characteristics are in procuring a good job. It may well be that individual characteristics determine who will get the best jobs. In this case, there is little benefit in placing individuals with certain employers, since the only route to achieving economic self-sufficiency will be to augment their human capital. In contrast, certain employers may offer highly desirable jobs, and individuals lucky enough to land them will do relatively well over time.

Chapter 5 looks at the factors determining differences in earnings and job stability across jobs. Our findings confirm that demographic characteristics play a role in determining these job outcomes, but their effects are quite modest. In contrast, we find that the industry of the employer is of substantial importance. Furthermore, when we examine those firms that employ many welfare recipients, we find that employers differ from one another quite dramatically. It appears that some employers offer unstable employment and low wages to all their employees, whereas others offer relative stability and higher wages. Once again, getting a "good job"—one with a "good" employer—makes a real difference.

Naturally, one may ask whether differences between employers may be a result of unmeasured differences between individuals. If some employers hire particularly capable individuals, but differences between individuals are not readily observable, we may mistakenly assume that they offer desirable jobs. If this were the case, there would be no benefit of placing less qualified workers with such employers, since they would be expected to face summary dismissal. Fortunately, we are able to examine the importance of unmeasured individual factors, since many welfare recipients obtain multiple jobs. As might be expected, our analysis confirms that unmeasured differences between individuals do play an important role. But we find even after controlling for such person "fixed effects," substantial differences between jobs remain. As a result, it is possible to say with some confidence that certain types of jobs are "good," and that directing recipients to them will likely provide significant benefits. This implies a role for more targeted workforce development services for welfare recipients, a topic we turn our attention to later.

Although many differences between jobs may be difficult to measure, we do observe that broad industries differ widely in expected earnings. Figure 1.1 provides information about the expected earnings for jobs in six industries, based on a model that controls for unmeasured individual characteristics.[18] Although there are clearly differences across our sites, we see that variation in expected earnings across industries is generally consistent. As might be expected, jobs in temporary help services firms provide the lowest expected total earnings, reflecting both shorter duration of employment and lower quarterly earnings. Retail trade provides somewhat greater job stability and higher earnings, while restaurant work is only slightly better. Manufacturing jobs are appreciably better than jobs in these other industries, often with total earnings two or three times those for temporary help jobs. The figure also includes public administration, which generally provides very substantial job stability (except in Fort Lauderdale). Unfortunately, the number of welfare recipients who obtain jobs in public administration is quite small.

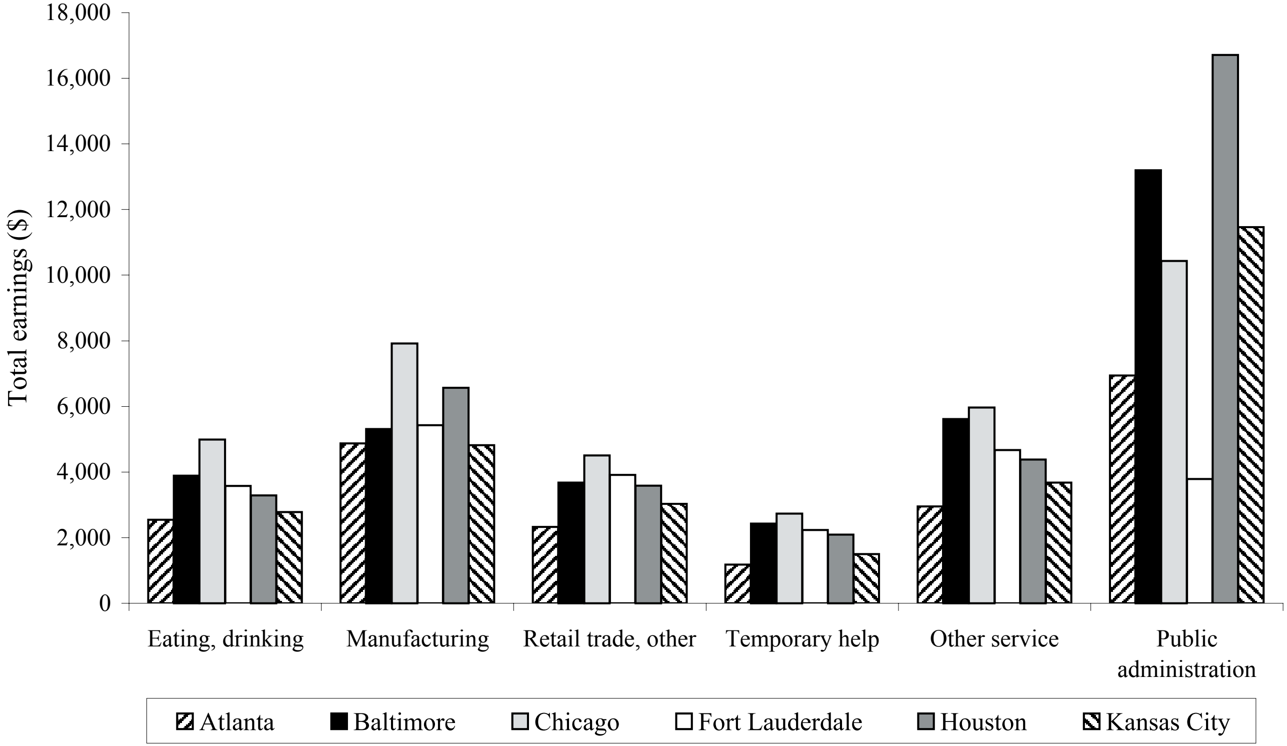
These results support the view that getting a good job is valuable for welfare recipients, as well as for others seeking work in urban labor markets. Although we do not see evidence that welfare reform has improved the stability of the jobs that recipients obtain, we do not see evidence of a deterioration in job quality. This latter observation may be taken as an endorsement of welfare reform, since we might well expect that, with an increasing proportion of welfare recipients obtaining jobs, there would be greater pressure for them to take inferior jobs. After all, the mantra of work-first programs under TANF and related federal programs has too often been, "Get a job, any job," much more so than, "Get a job, get a better job, get a career," as some have advocated.

CONCLUSIONS

The 1990s saw a dramatic shift in the character and focus of welfare in the United States. Our analyses document extraordinary changes in the patterns of movement onto and off of welfare, as well as important changes in the employment of welfare recipients. Nonetheless, patterns of movement from welfare to work have changed only in relatively subtle ways.

During the 1990s, the proportion of recipients working increased substantially, and among those leaving welfare, employment also was more prevalent. However, over this period, the kinds of jobs obtained by welfare recipients did not change dramatically. Expected earnings

Figure 1.1 Predicted Total Earnings for Jobs in Selected Industries



and job stability remained low for the average recipient of cash assistance, and few of the jobs they landed could assure economic self-sufficiency.

Despite the poor prospects offered by the average welfare recipient's job, we find evidence that some jobs do offer greater opportunities. Even recipients who have had a string of dead-end or short-lived jobs may ultimately be able to obtain a job providing a reasonable chance for economic self-sufficiency at some point. Federal and state welfare reforms of the 1990s have not altered this dynamic in a significant way. On one hand, this provides an endorsement of these new policies, since it suggests that they have succeeded in cutting caseloads and increasing labor market involvement of recipients and former recipients without causing a significant deterioration in their job prospects. On the other hand, the findings underscore the fact that reform has not substantially improved economic opportunities for recipients. The goal of reduced dependency has been attained in the sense that fewer individuals now receive cash aid and more are working, but there is no evidence that reform has substantially improved the lives of recipients or former recipients.

Notes

1. As explained below, welfare reform encompassed a broad array of policy and program changes at all levels and, given state-based actions and the widespread use of federal waivers, was implemented over a number of years in the 1990s.
2. Families receiving AFDC or TANF, computed as the average monthly level (United States Department of Health and Human Services 2004a,b).
3. Nationwide caseload information is from the U.S. Department of Health and Human Services (2004a,b). Broward County data are from the Florida Department of Children and Families (2004). Data for other counties are from Allen and Kirby (2000).
4. The study, and our state and site selection, is an outgrowth of our ongoing research as part of the multistate ADARE project, which has been funded by the U.S. Department of Labor since 1998. For more information about this effort, visit the ADARE Web site at www.ubalt.edu/jfi/adare/.
5. Hawaii holds the distinction of being the only state whose welfare caseload did not decline during this period.
6. The caseload for the United States is the average monthly caseload during the specified quarter. The quarterly caseload in each of our sites is the number of female payees receiving any payment during the relevant quarter, who are not in

the two-parent program (AFDC-Unemployment Parent or its TANF successor), and are at least 18 but less than 65. Caseload estimates at our sites could be as much as 10 percent higher if we included all cases. On the other hand, our use of quarters rather than months for site tabulations increases estimates of caseload by 5 to 10 percent. Further discussion of our data is provided in the appendix.

7. In three of our sites, the caseload declines from the initial quarter for which we have data. For Chicago, state data suggest that this first quarter is about 10 percent below the actual peak. In the other sites, the first quarter appears to be close to the actual maximum.
8. Figure 2.2 in Chapter 2 provides caseload patterns for each of our sites.
9. Only in Fort Lauderdale, where a two-year limit came into effect for receipt beginning in 1996, could a substantial number of recipients actually lose welfare eligibility due to time limits. In our other sites, almost all recipients were subject to the federal five-year limit (four years in Atlanta), which would not be directly binding until after 2000. Details are provided in the following chapter.
10. The percentage indicates how the stable caseload level is influenced by the observed change in exit rate. Details are provided in the notes to Table 1.2.
11. See Bane and Ellwood (1994) and Nathan and Gais (1999).
12. Other policy changes may also have encouraged work among welfare recipients. Hotz, Mullin, and Scholz (2001) report that increases in the federal EITC in the 1990s increased employment among welfare recipients in California.
13. Federal numbers include all cases, whereas those for our sites consider only female payees who are 18 but less than 65. The omission of males from our site analyses has a minor effect on employment rates. In 1996, federal statistics indicate that the employment rate for female adults receiving AFDC was 10.1 percent, whereas the full sample employment rate was 11.3 percent. Other sample differences have even smaller impacts.
14. This is the first quarter that the exiter receives no cash payment.
15. Chicago is omitted since our data do not extend back far enough to undertake analyses there.
16. Welfare exit rates and employment rates reported in Table 1.7 differ from those in Tables 1.2 and 1.5 both because the samples differ and because Table 1.7 presents means across individuals rather than means across periods of time. See Chapters 2 and 3.
17. In the discussion here, "total" or "cumulative" earnings on a job refers to the sum of earnings for as long as the job lasts, up to eight quarters. Fewer than 1 in 10 jobs last longer than eight quarters. Earnings are adjusted for inflation and are reported in 1999:4 dollars.
18. Estimated total earnings on a job reported in Figure 1.1 are based on wage records from a subset of major industries. Relative earnings for all major industries are presented in Table 5.7 in Chapter 5.