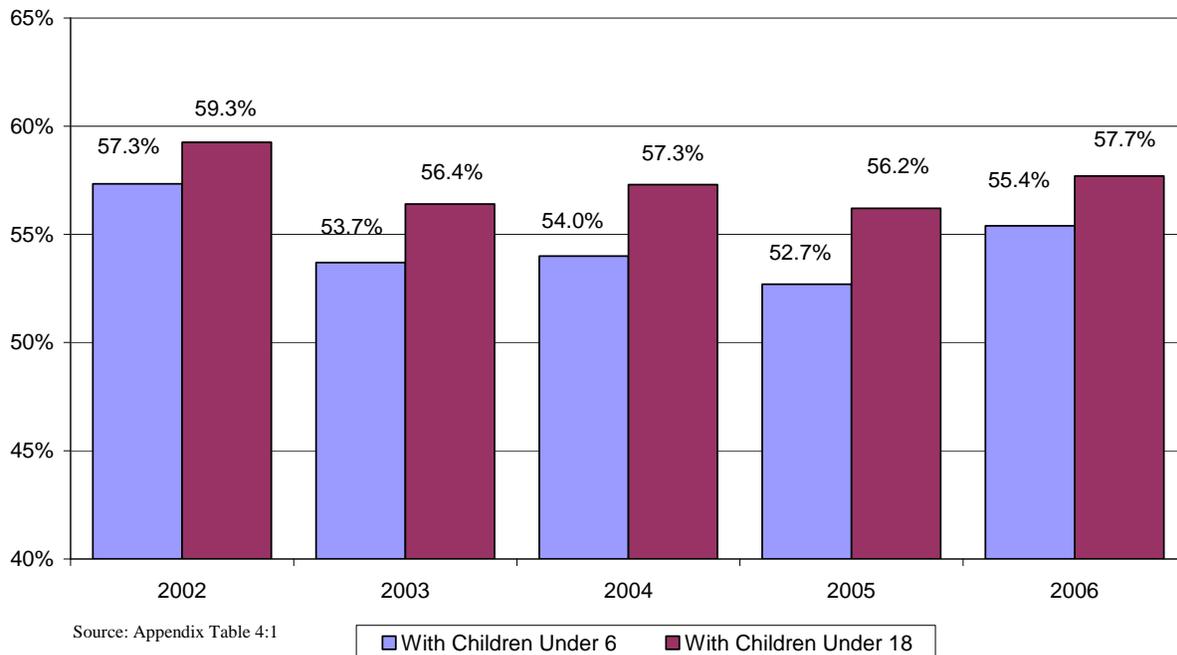


IV. WORK AND EARNINGS

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 (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 57.7 percent in 2006. Although it has declined from its peak of 60.8 percent in 2000, it is still almost seven 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 11 percentage points higher than in 1996, although lower than their peak of 58.5 percent in 2000. The year to year trend is displayed in Figure A.

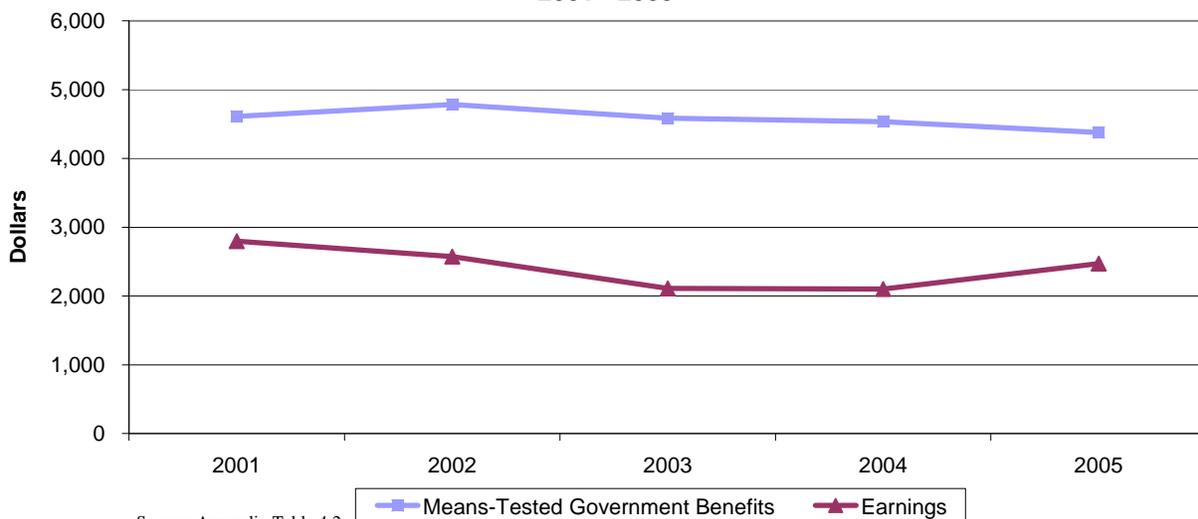
Figure A
Employment Rates for Single Mothers Under 200% of Poverty
2002 - 2006



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 rose to an average of \$2,472 in 2005, well above the average of \$1,979 in 1996 (in 2005 dollars). For the next 20 percent, earnings remained well above their

1996 levels when the average was \$5,765; in 2005 the average earnings for the second quintile was \$9,888 (in 2005 dollars). Concomitant with these earnings increases since 1996 are declines in means-tested benefits (e.g., cash assistance, food stamps). For the lowest group, the average amount of means-tested benefits of \$4,377 in 2005 remained below the 1996 level of \$6,080 while for the next 20 percent of families the 2005 average decline was from \$8,536 to \$5,465. These results are shown in Figures B and C.

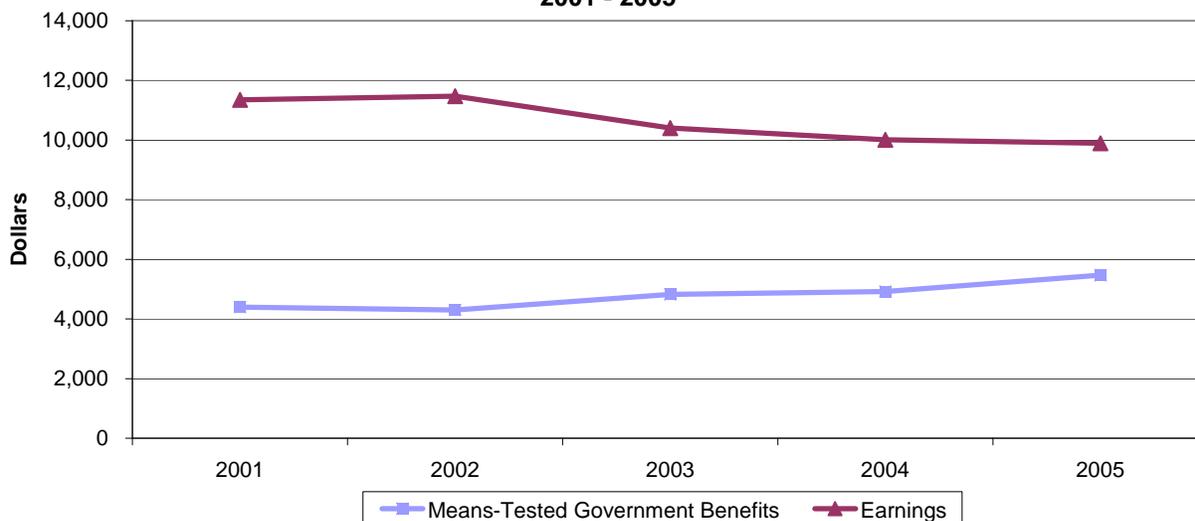
Figure B
Government Benefits and Earnings for
Single-Mother Families with Children¹
with Income in the Lowest 20th Percentile in 2005 dollars
2001 - 2005



Source: Appendix Table 4:2

¹Means-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 Children¹
with Income Between the 20th and 40th Percentiles in 2005 dollars
2001 - 2005



Source: Appendix Table 4:2

¹Means-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 (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 (including unsubsidized employment and work preparation) 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 2006, and this while the national caseload has been cut by more than a half since TANF's enactment (See Appendix

Table 10:29). The percentage of adult recipients who were working or involved in work preparation was 31.7 percent in FY 2006, up slightly from 31.2 percent in FY 2005. Sixty-eight percent of recipients who were working or who were involved in work preparation 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 \$599 per month in FY 1996 (in 2006 dollars) to \$707 in FY 2006, an 18 percent increase (See Appendix Table 10:45).

