

## RESEARCH FINDINGS SHOW 18- TO 49-YEAR-OLD FOOD STAMP RECIPIENTS ARE DISADVANTAGED AND CAN FACE MAJOR DIFFICULTIES IN THE JOB MARKET

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The 1996 welfare law restricted the food stamp eligibility of able-bodied food stamp recipients between the ages of 18 and 50 who do not have children. Under the law, these recipients generally are able to receive benefits for only three months while out of work in any 36-month period. In 1998, USDA released a report by Mathematica Policy Research, Inc., entitled “The Effect of Welfare Reform on Able-Bodied Food Stamp Recipients,” which discusses the three-month time limit and the population it affects. The findings of this study should be helpful to states considering what policies to adopt with respect to these individuals, and in particular whether to request waivers for areas with insufficient jobs, to grant individual hardship exemptions, and to provide work slots. The report’s key findings include:<sup>1</sup>

- **18-49s are likely to have incomes far below the poverty line.** “18-49s,” as the individuals subject to this provision are referred to in this paper,<sup>2</sup> are much poorer than the food stamp population in general. Some 82 percent of the 18-49s who were receiving food stamps prior to enactment of the welfare law were part of food stamp units that had gross incomes below *half* of the poverty line. Moreover, 57 percent of these individuals were part of food stamp units that had no income at all. The average income of these units was just 20 percent of the poverty line. (As used here, “18-49s” refers to individuals aged 18 to 49 who received food stamps in fiscal year 1996 and were neither exempt from the three-month cut-off provision nor employed in the month that they appeared in the data set Mathematica used, which is the fiscal year 1996 quality control (QC) data set.)

With such low incomes, many ABAWDs are likely to be struggling just to meet basic needs. An ERS study of food stamp participants in Iowa found that nearly two-thirds (64 percent) of ABAWDs received privately provided food assistance in the year prior to the study.<sup>3</sup> Over half (52 percent) of the ABAWDs in the study received help from a food pantry or a church to acquire food in the previous year. This assistance often was not enough to meet basic needs, however, and

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<sup>1</sup> The USDA report provides more detail than is presented here. Copies of the full report are available at <http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Program%20Design/finalrep.pdf>.

<sup>2</sup> USDA and many states refer to this population as “able-bodied adults without dependents” or “ABAWDs.”

<sup>3</sup> H. Jensen, S. Garasky, C. Wessman, and S.M. Nusser, Iowa Leavers Survey: Final Report (July 2002).

food insecurity was particularly severe for ABAWDs. Although the proportion of ABAWDs in the ERS study that were considered food insecure (53 percent) was similar to the food stamp population in general (55 percent), ABAWDs were more likely to experience food insecurity with hunger. Over two-fifths (41 percent) of ABAWDs were food insecure with hunger, compared to 28 percent for the food stamp population in general.

- **18-49s are likely to face significant difficulties in finding jobs, even in a good economy.** Most 18-49s have low skills. Some 88 percent of the 18-49s receiving food stamps prior to the welfare law's enactment had no more than a high school education, and 42 percent lacked even a high school diploma or GED. Even in a strong economy, job opportunities for individuals with low education and skills are limited — in many labor markets, the number of low-skilled individuals substantially exceeds the number of low-skilled jobs. When the economy slips into recession, the lowest skilled workers are often among the first to lose their jobs. Moreover, 60 percent of 18-49s lived in central cities, which have more limited job opportunities for low-skilled workers than suburban areas do as the result of the movement of large numbers of low-skill jobs in recent decades from cities to the suburbs.
- **Most 18-49s do not receive food stamps for long, continuous periods.** Despite the deep poverty and lack of skills among this population, most 18-49s leave or cycle on and off of the food stamp rolls. On average, 18-49s spend fewer consecutive months on food stamps than adult food stamp recipients in general. In 1996, fewer than 30 percent of the 18-49s receiving food stamps in a given month had received food stamp assistance for 12 consecutive months. But while many 18-49s receive food stamps for relatively short periods of time, they typically remain on the program for more than three months and accumulate a substantial number of months of food stamp assistance over a three-year period. As a result, a very large number of such individuals are made ineligible by the three-month cut-off.

Overall, the Mathematica report provides evidence that many of the people subject to the time limit are disadvantaged and face significant barriers to employment.

## **I. Employment Prospects of 18-49s: Findings of Recent Studies**

The Mathematica study reports that “the employment prospects of ABAWD FSP participants are likely to be greatly limited.” Nearly 60 percent of the 18-49s live in central cities, and most have low educational attainment. Some 42 percent of 18-49s have not completed high school or attained a GED, while another 46 percent finished high school but have no further education. Many 18-49s also have limited work experience. The report states that “Research suggests that employment opportunities for persons with limited education and few skills are severely limited, even when economic conditions are strong.”

Job opportunities tend to be limited for such individuals, the report explains, because of a series of changes in the labor market that have resulted in a surplus of very low-skilled individuals in many areas relative to the number of very low-skilled jobs available. The report's findings on these issues, which are based on a comprehensive review of the research literature as well as Mathematica's analysis of data on 18-49s, include the following:<sup>4</sup>

- *There is a substantial imbalance between low-skill job seekers living in central cities and the jobs available to them.* Many low-skill workers live in inner cities, while low-skill jobs are increasingly concentrated in the suburbs. Researchers refer to this condition as a “spatial mismatch.”

The leading research on this matter is a comprehensive survey and analysis of the employment prospects of less-educated workers in the United States by economist Harry Holzer. Holzer found that in the urban labor markets he examined, the number of less-educated workers seeking employment substantially exceeded the number of jobs available for them. He noted this results in a substantial amount of “queuing up” for the available jobs.

As the Mathematica report explains, “Holzer points out that the more disadvantaged, less-skilled job seekers — which many ABAWDs will be — are always at the back of the queue, and for this reason, jobs will not be available to them even when the economy is strong. He found there is more unemployment per [job] vacancy in the inner cities than in the suburbs, indicating even less job availability for city residents.”

Using data on 28 local labor markets, Holzer also found that unemployment rates significantly exceed job vacancy rates throughout the business cycle. In related research, he reported that the shift of low-skill jobs in recent decades from the inner cities to the suburbs has created an acute imbalance between the location of many low-skilled black workers and the jobs available to them.

In short, Holzer's work finds that in an environment where the number of low-skilled job applicants exceeds the number of low-skilled jobs, employers are able to select those with the most skills and experience within the low-skill sector. This development has diminished the job prospects of very low-skill workers, especially in the inner cities.

Holzer's findings are consistent with those of Katherine Newman and Chauncy Lennon in their well-known study of fast food restaurants in Harlem. Newman and Chauncy found 14 applicants for every one job opening in these restaurants, further evidence of a substantial imbalance between the number of job seekers and

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<sup>4</sup> The appendix to this paper provides references to a number of the principal studies from which these findings and conclusions were drawn.

the number of job vacancies in the inner city. They also found that 83 percent of the job seekers who did not initially obtain employment still had not found a job one year later.

In summarizing this research, the Mathematica report notes that “Together, these studies depict a situation in which ABAWDs — particularly the urban less-educated, minority individuals — will have limited job prospects because they will enter job markets in which there is a shortage of job vacancies for persons with their skills.”

This situation of limited job prospects may be exacerbated by transportation barriers. The ERS study of food stamp participants in Iowa found that ABAWDs were less likely to own their own car than the food stamp population in general. Over half (54 percent) of the ABAWDs in the study did not own their own car, compared to 22 percent for the food stamp population in general. Particularly in rural areas where the availability of public transportation is limited, ABAWDs may face considerable difficulty conducting job searches or getting to the jobs they may already have. Of the ABAWDs that worked in the month prior to the ERS study, one-fifth had to use a combination of transportation modes to get to work (such as walking and using public transport), compared to 2 percent for the general food stamp population.

- *Increasingly, even “low-skill” jobs require a variety of skills.* Trends in the economy have led to an increasing demand for higher-skill workers and relatively less demand for low-skill workers. Even jobs for non-college workers now tend to have a variety of requirements. These often include a high school diploma, work experience, references, cognitive skills such as reading, writing, arithmetic, and computer skills, and soft skills such as motivation, communication, and people skills. Holzer’s study found that only five percent of non-college jobs in the central cities do not require reading, writing, arithmetic, using computers, or dealing with customers.
- *The lack of social networks may diminish the job prospects of some 18-49s.* Several studies emphasize the importance of informal social networks and personal connections; these studies found that referrals and “word of mouth” play a large role in informal recruiting for low-skill workers. These studies concluded that low-skilled job seekers with few connections are likely to be further disadvantaged in the job market, or as the Mathematica report puts it, “For those with few connections, the probability of securing employment will be particularly low.” In some areas, local institutions such as training programs and vocational schools may improve prospects of finding employment for some of these individuals.
- *Local economic conditions matter.* Even when the national unemployment rate is low, very low-skilled job seekers in many localities may encounter substantial difficulty in finding employment. In areas where the number of low-skilled job

seekers significantly exceeds the number of low-skilled job openings, job prospects for 18-49s are likely to be quite weak.

Viewing this body of research as a whole, the Mathematica report observes: “Implicit in PRWORA’s work requirement is the assumption that there are enough employment opportunities for ABAWDs — that is, they can find work if they seek it....However, a relatively large body of research indicates that the labor market situation of the low-skilled has become considerably worse in recent decades and that their current employment prospects are limited. This suggests that even if ABAWDs are willing to work, they may be unable to do so because there are not enough jobs for low-skilled workers.”

## Mathematica's Summary of the Research Findings

In the Conclusions section of the chapter in the report on the employment prospects of 18-49s, Mathematica writes:

“From our review of the literature, we learn that:

- ***Job prospects for ABAWDs do not look promising.*** Structural changes in the U.S. economy over the past few decades have adversely affected the employment prospects of low-skill workers as demand has shifted away from the industries, locations, and skill levels in which ABAWDs are concentrated. The most up-to-date research suggests that current prospects for less-educated job seekers are severely limited, especially for nonwhites and in urban areas, where most ABAWDs reside (Holzer 1996).
- ***Of the jobs that are available to the less-educated, most can be found in the retail trade and service industries and tend to be white collar, especially clerical, jobs.*** This is particularly true in urban areas, where the vast majority of ABAWDs live. It is no longer true that the manufacturing and construction sectors are the dominant employers of low-skill workers.
- ***Many ABAWDs will face a ‘spatial mismatch’ between the location of their residence and location of low-skill jobs.*** While over half of ABAWDs reside in inner cities, many large employers of low-skill workers have moved out of the cities to the suburbs. Hence, these individuals are geographically separated from many of the jobs that could have been available to them.
- ***ABAWDs will also likely face a ‘skills mismatch’ between the skills employers require and the skills they possess.*** This will be particularly true for urban residents, since employment in the inner city has become increasingly concentrated in high-skill jobs. In addition, competition for the low-skill jobs that do remain in the cities has increased the skill requirements within the low-skill sector.
- ***Jobs that are available to less-educated workers tend to require a range of cognitive and interactive skills.*** These include “hard” skills such as reading, writing, arithmetic, and computers, as well as “soft” skills such as communication and teamwork. Such skill requirements are particularly prevalent in white collar, clerical occupations, where much of the employment is available, albeit limited.
- ***Job prospects will be worse for those who have few connections in the working world.*** This stems from the growing importance of informal networks and referrals in recruitment for low-skill jobs. ABAWDs who are members of families, neighborhoods, or communities in which few adults hold jobs will be at the greatest disadvantage.
- ***The job prospects of ABAWDs will depend significantly on economic conditions prevailing in their local area and region.*** The tightness of the local labor market and the strength of demand, particularly in the industries with the most jobs for low-skill workers, will be an important factor in the probability of employment. In addition, the availability and quality of local institutions supporting employment will influence individuals’ employment prospects.”

## II. Statistical Profile of the 18-49 Population (Based on 1996 Data)

The report bases its profile of the 18-49 population on data from the fiscal year 1996 food stamp quality control (QC) data set. The QC data set provides detailed information on households that receive food stamps. Since the report uses data from 1996, a period before the three-month cut-off provision was instituted, it is able to look at the characteristics of those who received food stamp benefits but who would have been subject to the three-month cut-off provision had it then been in effect.

- *Many 18-49s are female.* Women made up 42 percent of the 18-49 population.
- *Most 18-49s live alone:* 72 percent of 18-49s lived alone, as compared to 29 percent of all adults receiving food stamps.
- *18-49s are not heavily concentrated in any particular age group:* 18-49s fell fairly evenly across the age range of 18 to 49. Some 29 percent were over 40; another 35 percent were between 31 and 40; the remaining 35 percent were between 18 and 30.
- *The racial makeup of the 18-49 population is fairly evenly divided between African-Americans and non-Hispanic whites but contains a larger population of African-Americans than the adult food stamp population in general:* Some 46 percent of the 18-49s were African-American; another 41 percent were non-Hispanic whites; and about 10 percent were Hispanic. Among the adult food stamp population in general, 34 percent were African-American, 49 percent were non-Hispanic white, and 13 percent were Hispanic.
- *18-49s have extremely low incomes that fall well below the incomes of the general food stamp population:* As noted, some 82 percent of 18-49s lived in food stamp units with gross income below *half* of the poverty line. By contrast, 39 percent of the overall adult food stamp population lived in units with income this low. Similarly, 57 percent of 18-49s were part of food stamp units that had no income at all, while only 10 percent of all adult recipients lived in units with no income. As individuals, only 28 percent of 18-49s received any income themselves, either earned or unearned. (Some such 18-49s lived with other individuals who had some income.) By contrast, 80 percent of all adult food stamp recipients received income, meaning that the average adult recipient was nearly three times as likely to receive income as the average ABAWD recipient. Among those 18-49s who did receive income themselves, average income was only \$218 a month, and the most common source of such income was general assistance. The finding that GA was the most common income source — 15 percent of 18-49s received it — suggests that among this population, income may vary substantially by state depending upon whether a state (or county) has a general assistance program that serves individuals such as these.

- Few 18-49s were currently employed, although many had worked recently. Some five percent of the 18-49's received wages in the month they were sampled. Another two percent reported self-employment income. However, historical data from the early 1990s, which also are analyzed in the Mathematica report, show that 47 percent of all individuals who met the 18-49 criteria at some point during 1990 or early 1991 worked more than 20 hours per week at some time during the

<b>How the Incomes of 18-49s Compared to the Incomes of All Adult Participants, FY 1996</b>		
	<u>18-49's</u>	<u>All Adult Participants</u>
<b>By Household Unit</b>		
Unit has gross income below 50% of poverty line	82%	39%
Unit has no income	57%	10%
Average income of unit as percentage of poverty line	20% of poverty line	58% of poverty line
Unit has more than \$100 in assets	6%	15%
<b>By the individual recipient</b>		
Individual has any income	28%	80%
Average income of those with income	\$218 a month	\$512 a month
Source: Mathematica Policy Research, Inc., "The Effect of Welfare Reform on Able-Bodied Food Stamp Recipients."		

12 months following their first month in the 18-49 category.<sup>5</sup>

- *Most 18-49s are not on food stamps continuously:* In an average month in federal fiscal year 1996, some 34 percent of 18-49s receiving food stamps that month had been on food stamps for three or fewer consecutive months. Some 29 percent had been on food stamps for more than 12 consecutive months. By comparison, 49 percent of all food stamp adults had been on food stamps for more than 12 consecutive months. (Many of the non-18-49s who had been on food stamps for more than 12 straight months were elderly or disabled.)

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<sup>5</sup> The report found that the group of food stamp recipients who meet the 18-49 criteria in a particular month is more disadvantaged, on average, than the group described here, which includes individuals who met the 18-49 criteria *at any point* during a 13-month period at the beginning of the 1990s. This latter group includes a larger proportion of individuals who received food stamps, and met the 18-49 criteria, for only a short period of time.

- *States with the largest number of 18-49s:* California, Florida, Illinois, Michigan, New York, Ohio, Pennsylvania, and Texas were the states with the largest numbers of these individuals in 1996. Slightly more than half of the 18-49s — 52 percent — resided in these eight states.
- *States with the most 18-49s as a percentage of the food stamp population:* Connecticut, the District of Columbia, Hawaii, Maine, Oregon, and West Virginia were the jurisdictions in which 18-49s constituted the largest share of the food stamp population in 1996. The 18-49s constituted at least five percent of food stamp recipients in these jurisdictions.

## APPENDIX: STUDIES REVIEWED IN THE USDA REPORT

The list below shows some of the studies the Mathematica report included in its literature review. The categories used here follow the categories Mathematica uses in the report's summary.

### *Job Availability*

Harry Holzer, *What Employers Want: Job Prospects for Less Educated Workers*, New York: The Russell Sage Foundation, 1996.

Katherine Newman and Chauncy Lennon, "Finding Work in the Inner City: How Hard is it Now? How Hard will it be for AFDC Recipients?" in *Russell Sage Foundation Working Paper # 76*, October 1995.

### *Types of jobs available*

Gregory Acs and Sheldon Danziger, "Educational Attainment, Industrial Structure, and Male Earnings" in *Journal of Human Resources*, vol. 28, Summer 1993.

John Bound and Harry Holzer, "Industrial Shifts, Skills Levels, and the Labor Market for White and Black Males" in *The Review of Economics and Statistics*, vol. 75, no. 3, August 1993.

Holzer, *ibid.*

### *Spatial mismatch*

Holzer, *ibid.*

Philip Moss and Chris Tilly, "Raised Hurdles for Black Men: Evidence from Interviews with Employers", Russell Sage Foundation, November 1995 (<http://epn.org/sage/rstimo.html>).

Newman and Lennon, *ibid.*

### *Skill requirements*

Holzer, *ibid.*

Moss and Tilly, *ibid.*

Philip Moss and Chris Tilly, "Soft' Skills and Race: An Investigation of Black Men's Employment Problems," New York: Russell Sage Foundation, 1995 (<http://epn.org/sage/rstill.html>).

Newman and Lennon, *ibid.*

### ***Recruitment and hiring***

Holzer, *ibid.*

Moss and Tilly, “Raised Hurdles for Black Men: Evidence from Interviews with Employers”, *ibid.*

Newman and Lennon, *ibid.*

### ***Local economic conditions***

Henry W. Herzog and Alan M. Schlottmann, “Worker Displacement and Job-Search: A Regional Analysis of Structural Impediments to Reemployment” in *Journal of Regional Science*, vol. 35, no.4, November 1995.

Paul Osterman, “Gains from Growth? The Impact of Full Employment on Poverty in Boston” in *The Urban Underclass*, edited by C. Jencks and P. Peterson, Washington DC: The Brookings Institution, 1991.

Hal Wolman, “Welfare to Work: The Need to Take Place Differences into Account”, Technical Analysis Paper no. 45, 1996 (<http://aspe.os.dhhs.gov/hsp/isp/tap45.htm>).