

EMPLOYMENT RATES FOR SINGLE MOTHERS FELL SUBSTANTIALLY DURING RECENT PERIOD OF LABOR MARKET WEAKNESS

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It is widely known that the proportion of single mothers who were employed increased substantially in the mid- and late 1990s. It is less well known, however, that during the last few years of labor market weakness, the proportion of single mothers who are employed has fallen. The employment rate among single mothers fell from 73.0 percent in 2000 to 69.8 percent in 2003 — a larger decline than among other parents or the population overall.

Despite this recent decline, the employment rate among single mothers remains considerably higher than it was in the mid-1990s. Between 1995 and 2000, single mothers' employment rates increased for several reasons, including a booming economy, expanded assistance for working families, and a variety of welfare-to-work policies. About one-fourth of these employment gains were lost between 2000 and 2003.

The employment losses have not triggered a nationwide increase in the number of families receiving TANF cash assistance, raising questions about whether the safety net has become less responsive to the needs of parents who lose their jobs. In fact, recent data show that among families poor enough to qualify for TANF cash assistance — families typically well below the poverty line — the proportion who actually receives TANF has fallen dramatically since the mid-1990s and continued to fall in the recession year of 2001.

Employment Trends for Single Mothers

Official figures from the Labor Department show that employment rates for single mothers fell in both 2001 and 2002 and the losses grew larger in 2003. Comparing these employment losses with the gains in the late 1990s (see Table 1) shows that:

- Among single mothers overall, the percent employed rose by 11.3 percentage points from 1995 to 2000, but then declined 3.2 points by 2003 — more than one-fourth of the prior increase.¹

¹ These figures reflect the average annual employment-to-population ratio, the ratio of those employed to the total population of single mothers.

Table 1: Employment Rates of Single Mothers

	1995	2000	2003	Change: 1995 to 2000	Change: 2000 to 2003	Percent of 1995- 2000 Gain Lost By 2003
All single mothers	61.7	73.0	69.8	+11.3	-3.2	-28%
Never-married	49.0	66.2	62.7	+17.1	-3.5	-20%

Source: U.S. Department of Labor (DoL). Data for all single mothers has been published by DoL. Data for never-married mothers are from unpublished DoL tables provided to the Center on Budget and Policy Priorities. Figures reflect twelve-month averages of monthly employment rates of single mothers from the Current Population Survey.

- Among never-married mothers, the percent employed rose by 17.1 percentage points from 1995 to 2000, but then declined 3.5 points by 2003 — one-fifth of the prior increase.

By race, the steepest employment losses from 2000 to 2003 were for black mothers (see Table 3):

- Among black single mothers, the employment rate fell by 4.0 percentage points between 2000 and 2003 — about one-fourth of their gain in employment between 1995 and 2000.
- For black single mothers who were never married, the decline was 5.3 percentage points — more than one-quarter of the prior increase.
- Among white single mothers, the employment rate declined 2.8 percentage points (close to one-third of their earlier gains) while employment rates for Hispanic single mothers rose slightly from 2000 to 2003.

Comparisons with Other Demographic Groups

There has been considerable attention in the media to job losses among better-educated and better-paid workers, particularly in the technology and manufacturing sectors.² This appears to have contributed to a misperception that single mothers have largely escaped recent labor market troubles.³ In fact, the employment rate has fallen more among single mothers than

² Fairly typical was a 2002 *USA Today* story, which described those who have been “especially hard hit” by the weak economy: “workers in telecom and tech, two fast-growth industries of the 1990s that have since suffered unprecedented downturns.” Jon Swartz, “Resources dry up as joblessness drags on,” *USA Today*, September 26, 2002, page 1B.

³ For example, the head of the state agency that administers welfare programs in New York said in a recent *New York Times* article: “This recession appears to have affected higher-wage workers more than lower-wage workers.” The article also quotes California and Illinois officials suggesting that sectors that employ welfare recipients were not as adversely affected as sectors that employ white-collar workers. “Despite the Sluggish Economy, Welfare

**Table 2. Single Mothers' Labor Force Status:
Annual Averages**

	Percent of All Single Mothers who are Employed	Unemployment Rate Among Single Mothers
1995	61.7	11.0
1996	63.8	11.2
1997	67.1	10.5
1998	69.6	9.3
1999	72.2	8.1
2000	73.0	7.5
2001	72.4	8.0
2001r	72.4	7.9
2002	71.5	9.5
2003	69.8	10.2
<p>Source: U.S. Department of Labor, Bureau of Labor Statistics. Figures reflect twelve-month averages of monthly employment and unemployment rates of single mothers from the Current Population Survey. The unemployment rate reflects the proportion of single mothers considered "in the labor force" who are jobless.</p>		

among other parents, among college educated adults, or among all adults. During the period from 2000 to 2003:

- Among all Americans, the employment rate declined by 2.1 percentage points (from 64.4 percent to 62.3 percent).
- Among persons with at least a four-year college degree, the employment rate declined by 2.3 percentage points; among those with one to three years of education beyond high school, the decline was 2.5 percentage points.
- Among all parents, the employment rate declined by 2.2 percentage points (from 79.4 percent to 77.2 percent).
- Among single mothers, as noted previously, the decline was 3.3 percentage points, while the decline among never-married mothers was 3.5 percentage points.

Rolls Actually Shrank," *New York Times* March 22, 2004, page A1. Similarly, in an online column, Mickey Kaus writes that: "*The rolls didn't rise in the recession because single mothers kept on working.*" "Why Welfare Rolls Are Still Falling," *Slate.com*, March 30, 2004 [emphasis in the original].

Table 3. Single Mothers' Employment Rate Gains and Losses, by Race

<i>Annual Averages</i>					
	1995	2000	2003	Change '95 to '00	Change '00 to '03
All single mothers					
White	65.8	75.0	72.3	+9.2	-2.8
Black	55.3	69.6	65.6	+14.3	-4.0
Hispanic	48.0	64.0	64.4	+15.9	+0.5
Never married mothers					
White	52.0	66.5	64.8	+14.5	-1.7
Black	47.2	66.2	60.9	+19.1	-5.3
Hispanic	37.7	56.7	57.7	+19.0	+1.0

Source: U.S. Department of Labor. Calculations by the Center on Budget and Policy Priorities.

Key Industries Employing Former Welfare Recipients Saw Large Job Losses

A recent study by economists Heather Boushey and David Rosnick helps explain why single mothers may not have fared well in the recent economy. The study examined the nine industries in which welfare recipients most frequently found work in the late 1990s.⁴ Boushey and Rosnick found that all nine of these industries saw either significant job losses since 2001 or slower job growth than in the pre-recession period. While a comparable study looking at all single mothers has not been done, it is likely that many of the same industries that employ large proportions of former welfare recipients also employ large proportions of single mothers overall.

Retail trade jobs, which comprised the largest single destination for adults leaving welfare for work in the 1990s, has declined at an annual rate of 0.9 percent a year since the beginning of the 2001 recession — the same rate of job loss as the private economy as a whole.⁵ The rate of job loss was even larger for manufacturing (5.6 percent a year), temporary help services (1.0 percent) and the accommodation (hotel) industry (2.6 percent); these industries were the third, fourth, and fifth largest welfare-to-work employers, respectively. Other common employers of former welfare recipients, such as restaurants and home health care agencies, saw job growth from March 2001 to February 2004 but at notably lower rates than before the recession.

⁴ Heather Boushey and David Rosnick, “For Welfare Reform to Work, Jobs Must be Available” (Washington, DC: Center for Economic and Policy Research, April 2004), www.cepr.net/labor_markets/welfarejobshit-2004april01.htm.

⁵ Job loss figures by industry are for the period from March 2001, when the latest recession began, to February 2004, when Boushey and Rosnick’s analysis ends. Boushey and Rosnick show annualized job change figures for two consecutive periods: the 8 months of recession in 2001 and the subsequent 27 months of recovery. For simplicity, we combine the two periods using a weighted average.

The researchers also hypothesize that within each industry, single mothers who moved from welfare to work may have been among the last hired and first fired when employers trimmed jobs. Boushey and Rosnick note, “Former welfare recipients are likely to be among the first laid-off, as many have shorter employment histories than other workers. And when they do lose their jobs, these workers will certainly have a more difficult time finding employment than they did when the economy was booming in the late 1990s.”⁶

Trends in Unemployment Rates and Labor Market Participation for Single Mothers

Among single mothers overall, the unemployment rate declined 3.5 percentage points from 1995 to 2000 but then rose 2.7 points by 2003, three-fourths of the late 1990s gain. Among never-married mothers, the unemployment rate fell 6.4 points but then rose 3.1 points, nearly half of the gain.

Particularly during periods when the labor market is weak, economists and others often focus on *employment rates* rather than *unemployment rates* when studying trends in labor market outcomes. Unemployment rates are heavily influenced by whether jobless individuals are deemed to be in or out of the labor force. To be considered “in” the labor force, a jobless individual must actively be seeking work under certain criteria. When labor markets are weak, unemployment rates may decline by less than the drop in employment rates because a growing number of jobless adults may not meet the active job seeking criteria and, thus, would not be considered part of the labor force. Some of these individuals may not be seeking work based on their perception that is unlikely that they will find suitable employment.⁷

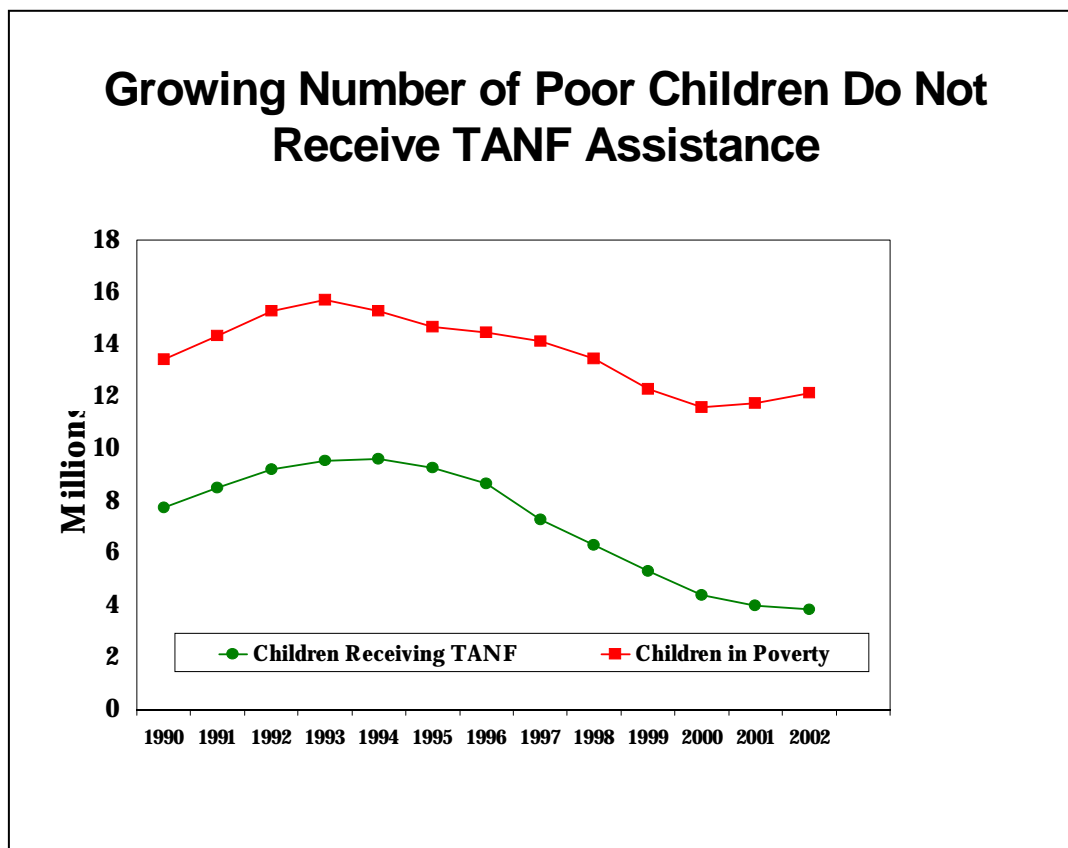
Still, unemployment rates do provide useful information about the labor market, with recent unemployment figures confirming that some of the substantial progress of the late 1990s has since been lost.

The rising unemployment figures also suggest that many newly jobless single mothers are still actively seeking work. Further support for this impression is provided by yet another employment status measure, the labor market participation rate. This rate is defined as the proportion of the population either working, actively seeking work, or on temporary layoff. For single mothers, the labor market participation rate rose from 69 percent to 79 percent between 1995 and 2000, and remained high at 78 percent in 2003. Taken together with the unemployment trends, these continuing high labor market participation figures indicate that single mothers continue to want to work. Far from leaving employment voluntarily, most single

⁶ Ibid.

⁷ By definition, the unemployment rate (jobless persons as a percentage of the total labor force) omits jobless persons who are outside the labor force, that is, who neither actively looked for work in the past four weeks nor are on temporary layoff. By contrast, the employment rate (known officially as the employment-to-population ratio) is broader and includes the entire adult civilian non-institutional population in its denominator. Thus, shifts in the job-seeking activity of single mothers may greatly affect their unemployment rate but will not affect the employment rate.

Figure 1



mothers remained strongly attached to the labor force in 2003, but a growing share was unable to find jobs.

TANF Cash Assistance Caseloads Remained Flat Despite Decline in Single-Mother Employment

Given that one of the basic purposes of TANF is to provide “assistance to needy families” it is reasonable to expect that the number of families receiving TANF cash assistance would fall when the number of needy families with children — that, the number of poor families with no or limited employment — falls. Conversely, it is reasonable to expect that the number of families receiving TANF assistance would rise when the number of needy families with children increases. One of the criticisms made in the early 1990s of AFDC — the program TANF replaced — was that it was not adequately responsive to economic conditions. For example, critics of AFDC pointed to significant increases in caseloads in the 1990s and the fact that caseloads remained relatively high even after the 1990-1991 recession ended as evidence that AFDC needed to be reformed.⁸

⁸ See Rebecca Blank, “Evaluating Welfare Reform in the United States,” *Journal of Economic Literature*, Vol. XL, December 2002, p. 1115. Blank notes that “[d]espite a relatively mild economic slowdown, caseloads rose 27

During the last half of the 1990s, single-mother employment increased and poverty fell at the same time as TANF cash assistance caseloads declined (see Figure 1). Although the caseload declines far outpaced the decline in poverty — that is, caseloads fell at a much faster rate than the decline in the number of needy families — the caseload moved in the direction one would expect given economic trends.

As this analysis has shown, single mothers' employment rates fell (and their unemployment rates rose) between 2000 and 2003. Child poverty also increased between 2000 and 2002 (the latest available data on the number of poor children).⁹ Unlike trends in the last half of the 1990s, however, welfare caseloads did not increase as the number of needy families increased.

More detailed analyses have found that an increasing number of families with children who are poor enough to be financially eligible for TANF cash assistance — in most states, these are families with income far below the poverty line — are not receiving that aid. Data from an annual HHS report show that while the number of families eligible for TANF cash assistance rose during the recession year of 2001, the number of families who *received* that assistance declined. The percentage of families poor enough to qualify for TANF cash assistance *that actually received that assistance* dropped to 48 percent in 2001, down from 52 percent the previous year.¹⁰ In other words, less than one out of every two poor families with children who were eligible for TANF cash assistance actually received it. The proportion of families eligible for TANF cash assistance that actually receive that assistance has fallen dramatically since the mid-1990s, when it stood at about *80 percent*. (See Figure 2.)¹¹

While cash assistance caseloads have not increased, caseloads in other low-income programs have grown as would be expected during a period of labor market weakness. Food stamp caseloads increased markedly between July 2000 (when food stamp rolls fell to their lowest level) and February 2004. And a recent report by the Urban Institute found that the

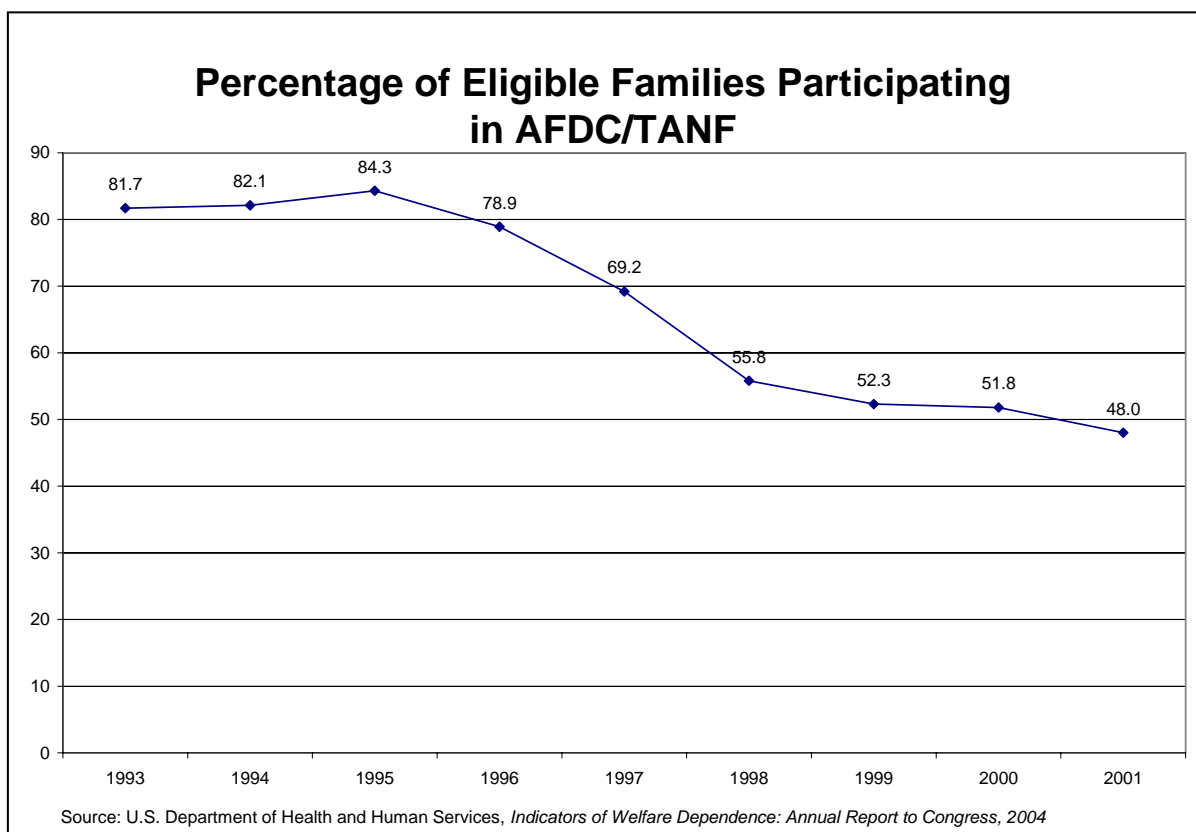
percent between 1990 and 1994. This rise in caseloads was one of the driving forces behind the desire of state governors to implement more radical welfare reform.”

⁹ The number of children in poverty rose from 11.6 million in 2000 to 12.1 million in 2002, an increase of 546,000 children. U.S. Bureau of the Census, “Historical Poverty Tables -- Table 3. Poverty Status of People, by Age, Race, and Hispanic Origin: 1959 to 2002,” www.census.gov/hhes/poverty/histpov/hstpov3.html.

¹⁰ U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress, 2004* (Table IND 4a).

¹¹ Other national surveys also find that about half of TANF-eligible families are not receiving assistance. A survey of new parents in 20 U.S. cities found that 45 percent of TANF-eligible mothers did not receive TANF between child's birth and the child's first birthday. Nancy E. Reichman, Julien O. Teitler, Irwin Garfinkel, and Sandra Garcia, “Variations in Maternal and Child Wellbeing Among Financially Eligible Mothers by TANF Participation Status,” Center for Research on Child Wellbeing, Working Paper #03-13-FF, April 2003.

Figure 2



number of children receiving health insurance through Medicaid or SCHIP increased by 4.8 million between 1999 and 2002.¹² The increases in food stamps, Medicaid and SCHIP participation almost certainly reflect both rising numbers of families in need and efforts designed to improve access and enroll a higher proportion of eligible participants in these programs.

Why Haven't TANF Caseloads Increased During the Recent Period of Labor Market Weakness?

Various factors likely have contributed to the decline in TANF participation by very poor and jobless families. Researchers at the Urban Institute have found that single mothers who were potentially eligible for welfare were much less likely to enter the TANF system after enactment of the 1996 welfare law than in the first half of the 1990s. The decline in entry rate is not explained by changes in the characteristics of low-income mothers or improvement in the economy, and falling benefit levels (measured in real terms) had only a modest impact on entry

¹² See Genevieve M. Kenney, Jennifer M. Haley, Alexandra Tebay, "Children's Insurance Coverage and Service Use Improve," Urban Institute, July 2003.

rates.¹³ Only limited research has been conducted to date on why entry rates have fallen, but an increased emphasis on diverting families eligible for welfare benefits away from TANF cash assistance programs may be playing a role.¹⁴ In some cases, welfare agencies provide families diverted from welfare with other benefits such as one-time payments that help them regain employment and avoid going on welfare, but in others, needy families simply may be discouraged from completing their applications.

Sanction and time limit policies also may be limiting TANF programs' responsiveness to labor market weakness.¹⁵ These policies may deny aid — temporarily or permanently — to families that otherwise would participate in TANF cash assistance programs. Recent time limit research conducted in Minnesota and Ohio finds that families that leave TANF cash assistance programs due to time limits have lower employment rates, higher poverty rates, and higher levels of material hardship than other TANF leavers.¹⁶ The policies may particularly affect the most marginally-employable single mothers, who may have particular difficulty finding and keeping jobs when the overall labor market is weak.

A more positive factor that may have contributed to the decline in the proportion of eligible families that receive TANF cash assistance is increased utilization of unemployment insurance and work supports such as child care and health insurance. A growing proportion of jobless single mothers may be eligible for and receiving unemployment insurance payments by virtue of their increased work history. In addition, during the late 1990s, child care, health insurance, and other work supports were extended to many low-income families that do not receive cash assistance. These supports help some families remain off of cash welfare programs even when their incomes are low enough that they qualify for cash aid.

Although unemployment insurance and work supports likely make it easier for some low-income families to weather periods of joblessness or low earnings, it is still the case that a very substantial number of those needy families who do not receive TANF cash assistance are extremely poor and could benefit from the income support provided by TANF cash assistance. Researchers at the Urban Institute found that in 1996 and 1998 — when the economy was strong — between 500,000 to 1 million single-parent families that were eligible for TANF, but not

¹³ Greg Acs, Katherin Ross Phillips, and Sandi Nelson, "The Road Not Taken? Changes in Welfare Entry during the 1990s," December 2003.

¹⁴ For a discussion of two recent studies on diversion and welfare "non-entrants," see Shawn Fremstad, "Recent Welfare Reform Research Findings: Implications for TANF Reauthorization and State TANF Policies," Center on Budget and Policy Priorities, January 2004.

¹⁵ The estimate cited in this paper of the proportion of eligible families participating in TANF cash assistance programs takes into account federal and state time limit policies. Thus, time limit policies should not affect the estimate of the proportion of eligible families receiving TANF cash assistance, but these policies do affect the overall trend in TANF cash assistance caseloads.

¹⁶ It also should be noted that research has consistently shown that large shares of families that have been sanctioned face significant barriers to employment — such as health problems, children with health problems, low basic skill levels, and substance abuse problems — that in many cases may affect the parents' ability to comply with program requirements.

participating, could have received important assistance from TANF. About half of these non-participants were extremely poor and many had poor health or other work barriers.¹⁷

There likely are other factors that have reduced the extent to which TANF cash assistance programs respond to the economy and increases in joblessness, such as complex and burdensome application procedures, increased stigma of receiving welfare, the misperception that welfare is no longer available, misunderstanding about when and how families that lost eligibility because of sanctions or time-limits can return to TANF,¹⁸ continued declines in real benefit levels,¹⁹ and the restrictions that the 1996 law placed on legal immigrants' eligibility for TANF. More research is needed to determine the relative importance of these and other factors on TANF participation.

¹⁷ Sheila R. Zedlewski, "Left Behind or Staying Away? Eligible Parents Who Remain Off TANF," September 2002.

¹⁸ An Urban Institute study found that almost 40 percent of TANF recipients overall report that they were not told they had a time limit or did not know when they would reach the limit. About 73 percent of Spanish-speaking TANF recipients and 50 percent of recipients with two or more work barriers did not understand the time limit. Sheila R. Zedlewski and Jennifer Holland, "How Much Do Welfare Recipients Know about Time Limits?," Urban Institute, November 2003.

¹⁹ The maximum cash assistance payment in the median state declined 18 percent from January 1995 to January 2003 after adjusting for inflation. See, U.S. House of Representatives, Committee on Ways and Means, *2004 Green Book* and U.S. House of Representatives, Committee on Ways and Means, *1996 Green Book*. Calculations by the Center on Budget and Policy Priorities.