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LAST HIRED, FIRST FIRED

Job losses plague former TANF recipients

by Heather Boushey

When welfare reform was signed into law in 1996, the booming economy of the late 1990s helped many women find jobs after they left the welfare system. A majority of these former welfare recipients—around 60%—have successfully found work at some point in the last five years.

But these women's jobs are now at risk. The economy's slide into recession and the fallout from the September terrorist attacks have led to considerable job losses in the very industries in which many welfare recipients had found employment. It will now be difficult for these workers to maintain their tenuous foothold in the labor market, and those who lose their jobs will find a much-weakened safety net available to break their fall into poverty.

Where former welfare recipients found jobs

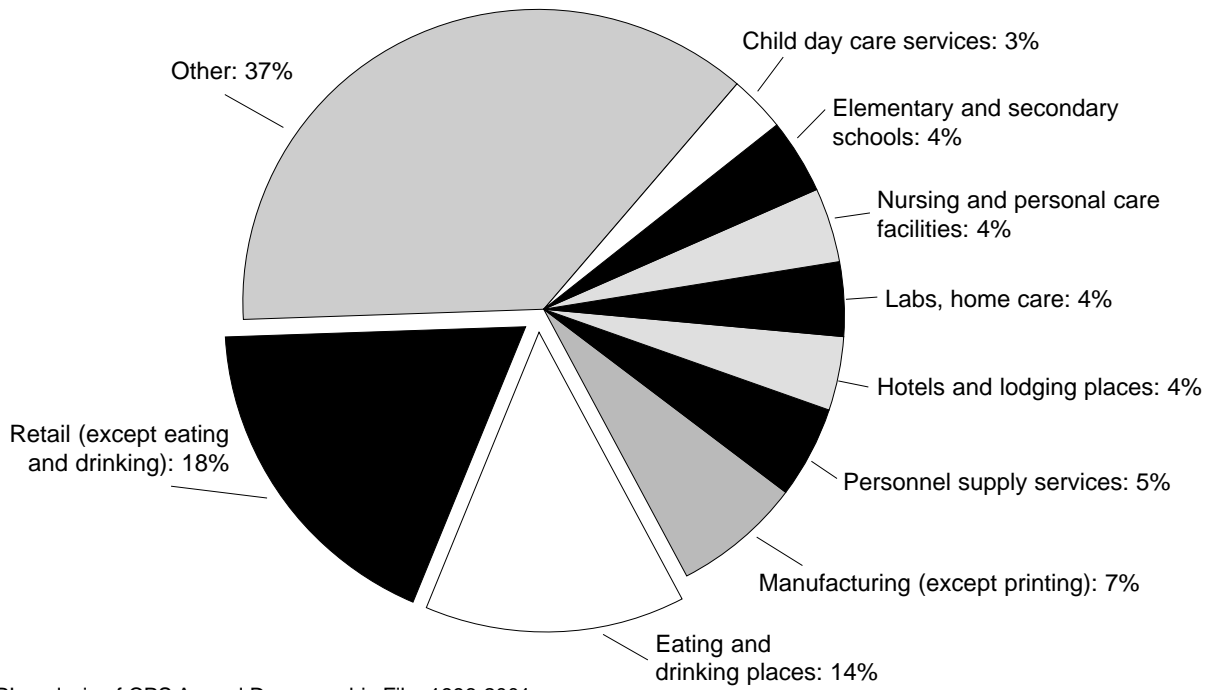
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 did not mandate that states monitor what happened to welfare recipients after they were forced from the rolls,¹ but an examination of Current Population Survey (CPS) data² shows that one-third of former welfare recipients found employment in retail trade (**Figure A**). Within this industry, nearly half worked in eating and drinking establishments.³

Many of the industries in which former welfare recipients found work grew rapidly in the late 1990s (**Figure B**).⁴ Four of the top nine industries hiring former welfare recipients—personnel supply, child care, education, and hotels and lodging—grew faster than total employment between August 1996 and October 2001. All but two of these nine industries—manufacturing and home health care services—saw total employment increase by more than 5% between 1996 and 2001.

But when unemployment rose dramatically in October 2001 to 5.4%—up from 3.9% just a year earlier—these once-thriving industries were hit the hardest. In particular, employment in personnel supply services dropped by nearly 5% between June and October 2001, and employment in hotels and lodging industries dropped by over 3%. Between September and October 2001, the service sector lost 111,000 jobs, a historically unprec-

FIGURE A

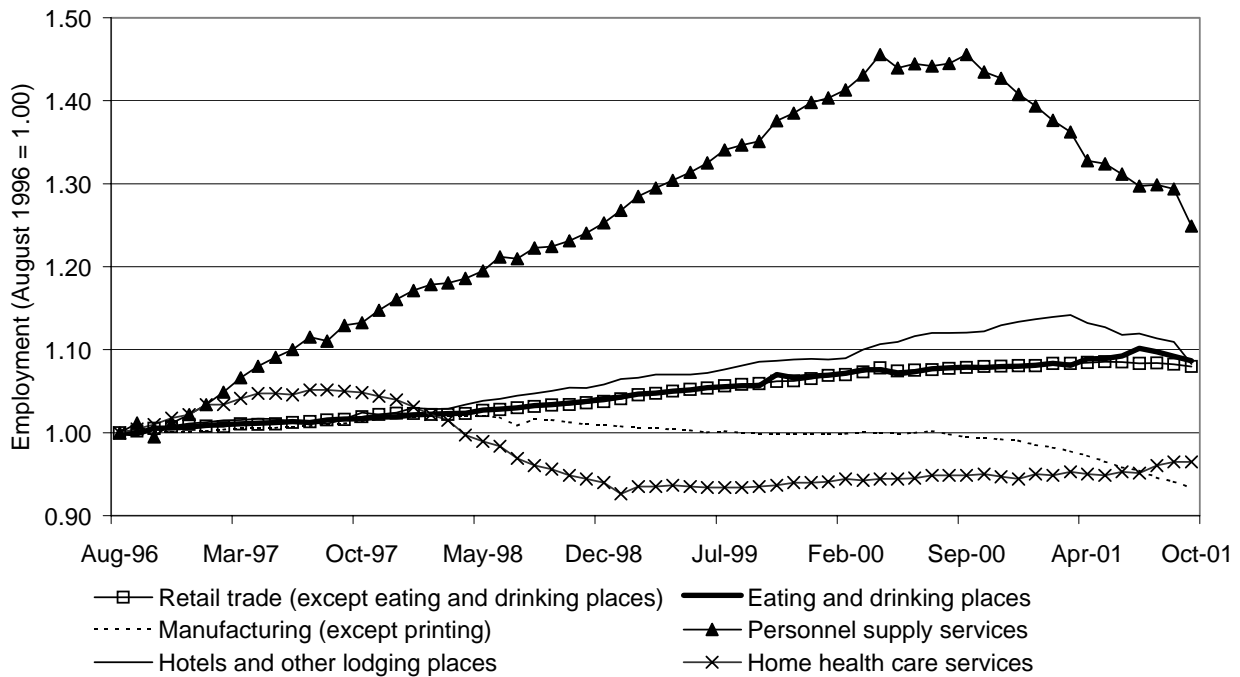
Industries that most commonly employ former welfare recipients, 1996-2000



Source: EPI analysis of CPS Annual Demographic File, 1996-2001.

FIGURE B

Employment growth in top industries employing former welfare recipients, 1996-2001



Source: EPI analysis of Current Establishment Survey data, 1996-2001.

edented employment loss for a single month. Although some of this decline can be linked to the events of September 11, job losses in most of these industries predated the terrorist attacks.

The past was little help in predicting the severity of the current downturn—in the last recession these industries did not experience employment declines as rapid or as steep as those seen over the past few months. From January 1989 through the end of the recession in November 1992, personnel supply services shed 7% of that sector's jobs before bouncing back in mid-recession; manufacturing lost only 8% of its jobs over the entire period. The fall in employment during the current downturn is already much greater, with personnel supply services losing 20% since October 2000 and hotels and lodging losing 6% since February 2001.

The employment gains made by former welfare recipients are now in jeopardy because of these dramatic declines. 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.

Holes in the safety net

Although the 1996 welfare legislation succeeded in pushing welfare recipients into the labor market, it did not include reforms to make it easier for them to access social insurance programs, such as unemployment insurance (UI), if they lost their jobs. As a result, the women who left welfare and now face unemployment will find little in the way of a safety net to help keep them and their families out of poverty.

To make matters worse, many former welfare recipients now may be ineligible to receive welfare assistance, even if they need it. By January 2002, families in 36 states will come up against more stringent limits on welfare eligibility. The welfare legislation passed by Congress in 1996 mandated a five-year lifetime limit on eligibility, but almost half of all states have implemented even shorter limits (Center for Law and Social Policy and Center on Budget and Policy Priorities 2001).⁵

The low wages and intermittent employment typical of the service-sector jobs worked by many former welfare recipients means that these workers are not building up the employment histories required for UI eligibility. Since states have made no effort to reform their UI systems in light of welfare reform's new work requirements, most state UI systems will be of little help to former welfare recipients and their families (Wenger 2001).

Unfortunately, states will have difficulty accommodating increased caseloads if demand for cash assistance increases substantially. The block-grant structure for distributing these federal funds means that states get the same amount of money for welfare under the Temporary Assistance for Needy Families (TANF) program every year, regardless of a state's need. Over the past five years, many states have diverted TANF funds into programs such as child care and transportation. Nationally, only 43% of TANF block-grant funds are used for cash assistance (Primus and Lazere 2001). Thus, if people need to get back on the welfare rolls because they are unemployed and cannot qualify for UI, the funds may no longer be available.

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Endnotes

1. Using nationally available surveys to study welfare recipients is difficult for two reasons. Most national datasets are cross-sectional, and the most timely—the Current Population Survey Annual Demographic file—only indicates if someone both uses welfare and works within a year. In order to follow someone after they leave welfare, researchers need longitudinal datasets that follow individuals over time. The U.S. Census will not release the final files of the most complete longitudinal dataset on this issue—the Survey of Income and Program Participation—until late spring 2002.
2. We used the Current Population Survey Annual Demographic File to examine the industries that employ people who both received welfare and worked within any year between 1996 and 2000.
3. In terms of occupations, former welfare recipients are most likely to work in services or in administrative or clerical positions (Loprest 2001).
4. These numbers are indexed to August 1996, the month in which welfare reform was signed into law.
5. Eight states—Arkansas, Connecticut, Florida, Georgia, Idaho, Indiana, Nebraska, and Utah—have implemented lifetime caps on welfare eligibility that are lower than the federal five-year limit. Fourteen states—Arizona, Delaware, Florida, Louisiana, Massachusetts, Nebraska, Nevada, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, and Virginia—have gone even further by limiting the number of consecutive months a recipient can receive welfare benefits.

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