Women, Work, and Public Assistance

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Executive Summary

This paper looks at the process of entering employment for women who are on public assistance or who are at risk of receiving public assistance. We use Family Income Study data to investigate the labor market status and movement between different labor market states for the two sample groups.

Family Income Study: A longitudinal study of 2,100 Washington households that receive public assistance or are at risk of receiving public assistance. These sample households are being interviewed annual over a five-year period.

Women on Public Assistance: A representative sample of women who were receiving public assistance in April 1988.

Women At Risk of Public Assistance: A representative sample of women who are at an elevated risk of going on public assistance.

For both sample groups, the analysis covers women who are either mothers with children living at home or of childbearing age (16 through 45 years of age).

Principal Findings:

- Education, particularly high school completion, is the most important factor associated with working for both women on public assistance and women at risk of receiving public assistance.

- Women in multiple adult households are consistently more likely to work than women in single adult households.

- Black women are more likely to be employed than white women. Other (than black) non-white women are less likely to be employed than white women. These findings conform to the results of national studies of female labor force participation.

- Women on public assistance are less likely to be working, or looking for work, and are more likely to be out of the labor force altogether than women at risk of receiving public assistance.

- At any point in time, up to 40 percent of the women on public assistance may be either new parents or experiencing health problems which reduce their options for working. Thus, a significant proportion of the women receiving public assistance may have limited prospects for immediate success in a welfare-to-work program.

Introduction

Many states are implementing welfare-to-work demonstration programs to encourage economic independence among public assistance recipients. Washington State's efforts in this area are represented by the Family Independence Program (FIP) and the Job Opportunities and Basic Skills (JOBS) program of the federal Family Support Act of 1988. These programs attempt to enhance participants' earnings through education and training. They also provide other services, such as extended medical assistance and child care coverage, to ease the costs of working.

Do these programs provide the types of help public assistance recipients need to become employed? This paper addresses this question by portraying the likelihood of working for women receiving public assistance (AFDC or FIP) and for women at risk of receiving public assistance. We examine the static question of: "What proportion of women with the given characteristics are working?" We also examine the more dynamic questions of: "What are the chances that a non-working woman will become employed?" Additionally, we examine the probability of employment for women with several different types of characteristics and how these characteristics influence the chances of working.

This study uses data from Washington State's Family Income Study of women who were either on assistance in April 1988, or who were at risk of receiving public assistance. For this analysis, the sample only includes women who were either mothers or who were of childbearing age (16 to 45 years of age). This paper covers the 24-month period from June 1987 through May 1989.

Three types of labor market activity or labor market status are analyzed:

Employed:[1] Working for pay, for at least one hour per week.

Unemployed: Not working, but actively looking for work (defined by job contacts).

Not in Labor Force: Neither working nor looking for work.

Labor Market Activities

Women who were on public assistance in April 1988 and those who were at risk of going on public assistance at that time display very different patterns of labor market behavior over the two-year period. As Figure 1 shows (see page 2), most of the women receiving public assistance were not in the labor force at any time during the period covered by this study. However, over the 24-month period, the proportion employed increased from 21 to 30 percent.

[1] These definitions are the same as those used by the Bureau of Labor Statistics, U.S. Department of Labor. The BLS definitions are more fully described in *Monthly labor Review*, Vol. 113, no. 8 (August 1990), page 53.

Figure 1: Labor Market Status of Women On Public Assistance

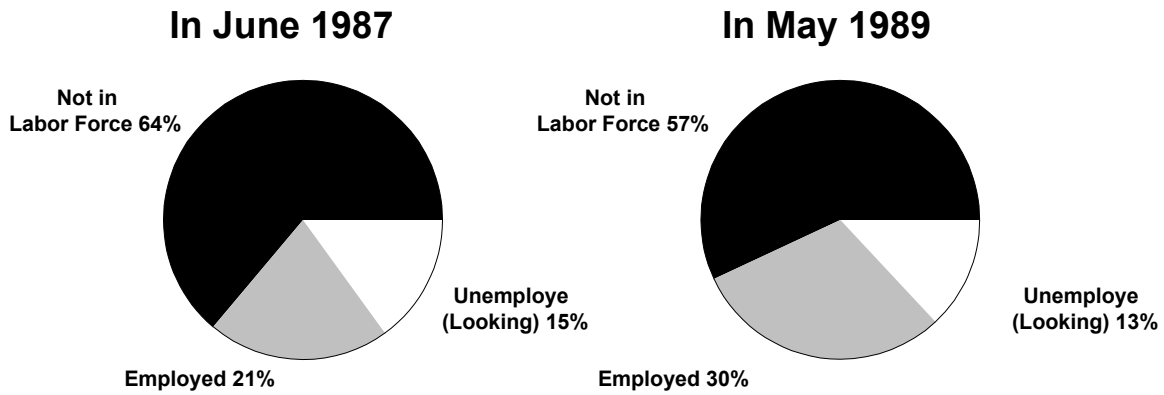

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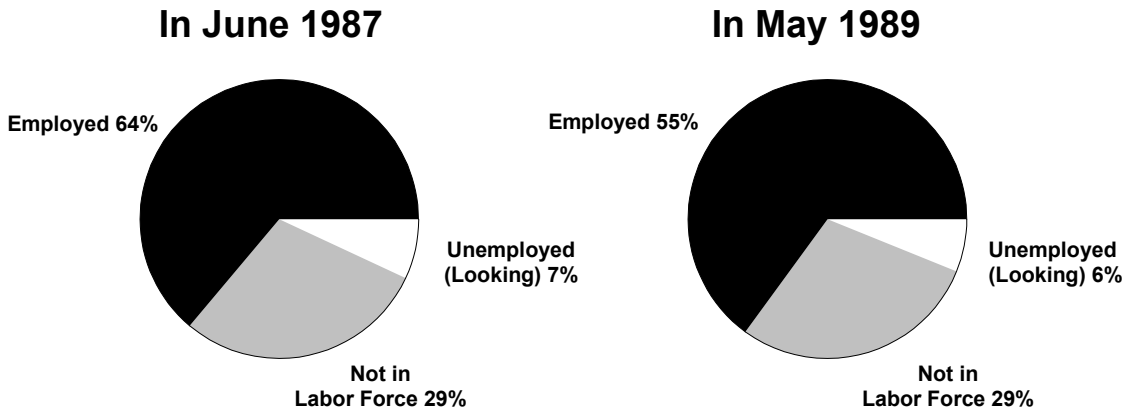
Figure 2: Labor Market Status of Women At Risk of Public Assistance



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For women at risk of receiving public assistance, the pattern of labor market activity is quite different. Figure 2 (page 2) illustrates that at-risk women, like women in the general population, are most likely to be employed. Also, over the 24-month period, the proportion of at-risk women in a given labor market status does not change very much. This does not mean that they do not change their labor market behavior, but rather that the movements from employed to unemployed are largely offset by movements in the opposite direction (from unemployed to employed).

The advantage of longitudinal studies such as the Family Income Study is the measurement and analysis of change and transition. Thus, we examined the monthly patterns of change from one labor market state to another for both sample groups. While most women do not change their labor market status from one month to another, over the 24 months covered by our data, many did change their status. Figure 3 (see page 4) shows that nearly two-thirds of the women on public assistance changed their labor market status during the two years of this study. Most (28 percentage points of the 34 percent) of the public assistance population who did not change labor market status were out of the labor force altogether.

Women at risk of receiving assistance exhibited more labor market stability. Figure 4 (see page 4) shows that one-half stayed in the same labor market status throughout the 24-month period. Unlike the public assistance group, however, most of the at-risk women who did not change their labor market status (36 percentage point of 50 percent) were employed during the study period.

Who Works?

We analyzed the characteristics associated with working and not working for women from both sample groups. However, because of our focus on welfare-to-work programs, we are particularly interested in the factors associated with employment. Of the many variables used in the analysis, the level of education was consistently an important factor in explaining the likelihood of employment in both the public assistance and at-risk samples. **High School completion has a substantial effect on the likelihood of employment for both sample groups.** The High School diploma has a greater impact on employment than the GED, but less than post-secondary training. Our measures of educational attainment consistently had a positive effect on the likelihood of employment.

We discovered other variables that had a measurable effect on employment. Among women on public assistance, the respondent's race had an effect on the likelihood of employment. Compared to white women, black women were more likely to be employed and other (than black) nonwhite women were less likely to be employed. These results are consistent with the results from national studies on labor force participation.[2]

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[2] See, for example, Susan E. Shank, "Women and the Labor Market: The Link Grows Stronger," *Monthly Labor Review*, Vol. 111, no. 3 (March 1988), pp. 3-8; and T. Paul Schultz, "Estimating the Labor Supply Functions for Married Women," in James P. Smith, ed., *Female Labor Supply: Theory and Estimation*, (Princeton, NJ: Princeton University Press, 1980), page 49.

Figure 3: Labor Market Stability: Women on Public Assistance Who Were in the Same Status For All 24 Months

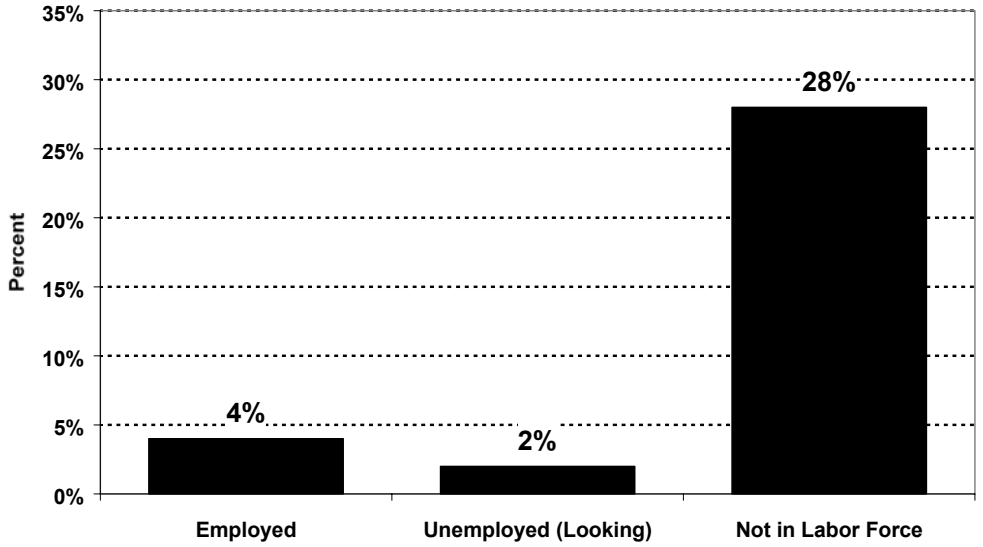

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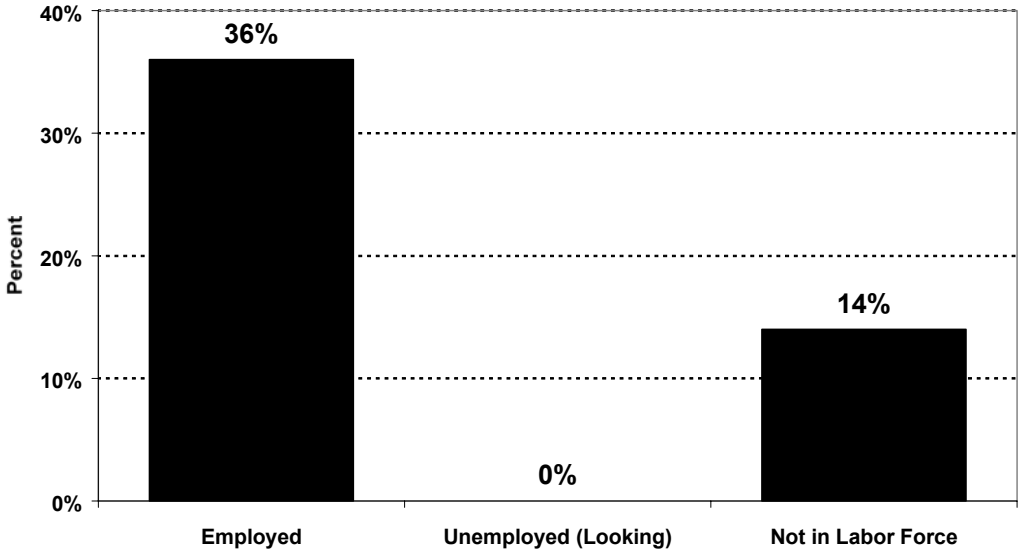
Figure 4: Labor Market Stability: Women At Risk of Assistance Who Were in the Same Status For All 24 Months



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An increase in the number of adults living in a household increases the chances of employment for at-risk women. For women receiving public assistance, an increase in the number of adults only slightly improved the chance of employment. Older women are less likely to work in both groups, but the effect is more pronounced for the at-risk women. For a woman on public assistance, if her parents received welfare, her chances of working are reduced. If a woman is at risk of receiving assistance, her parents' welfare receipt has no effect on her likelihood of employment. In the future, as we have more months of data, we will be able to add a finer focus to the analysis and explore factors associated with the duration of employment as well as with its appearance.

Who Will Work?

Another way to analyze these data is to estimate the chances of working for women with a given set of characteristics.[3] We give hypothetical examples of this technique of estimation:

> Melissa is a high school dropout. She has one child and has never been married. She is 29 years of age and is currently receiving AFDC benefits. She is white and lives in metropolitan Western Washington. Her mother received welfare while Melissa was growing up. Melissa lives alone. **There was about one chance in five (19 percent) that Melissa was working in May 1989.**

> Sarah is a young woman with the same characteristics as Melissa, except she is black. **The chances that Sarah was employed in May 1989 were one in three (33 percent). If Sarah were a high school graduate, her chances of being employed in May 1989 would increase to nearly one in two (45 percent).**
>
> Katherine is also a single parent, aged 29, living in Western Washington. Like Melissa and Sarah, she also is an AFDC recipient and lives alone. Katherine is non-white (and not black). **Katherine's chances of having been employed in May 1989 are less than one in seven (15 percent). If Katherine were a high school graduate, her chances of having been employed in May 1989 would increases to over one in five (21 percent).**

[3] See Appendix Table 1A for a tabular presentation of these results.

Melissa's chances of working depend, to a considerable extent, upon her personal characteristics. For example, if Melissa were not a high school dropout, but instead had her diploma, **her chances of having worked in May 1989 would rise by more than 10 percent to nearly one in three (31 percent). If Melissa lived with another adult, here chances of having worked in May 1989 would increase to about the same level (34 percent) as it would if she had completed high school.** If she completed high school *and* lived with another adult, **the chances of her having worked in May 1989 would increase to 89 percent.**

This analysis demonstrates the extent to which high school completion increases the chance of employment for women with a variety of backgrounds. When the number of adults in the household increases, the chance of working also increases.

The chance of employment for women on public assistance is lower than those of at-risk women independent of other characteristics. This may be due to any of several reasons. Eligibility rules for public assistance may reduce work incentives. When earnings increase, welfare benefits fall. As a recipient works for wages, she finds her net income (assistance benefits plus earnings) rising more slowly than her gross earnings. In fact, depending upon the amounts of her earnings and assistance benefits, she may experience a *reduction* in net income as she works. A second reason for not working may be than the assistance recipient may have a medical, emotional, or mental health condition which prevents or limits the type or amount of work she can do.

Information from the second year of the Family Income Study indicates that approximately **30 percent** of the state's assistance-receiving population reported their ability to work was restricted to some degree by their health. Another 10 percent reported the birth of a child within the past year. Thus, **among women on public assistance, who are not working, a substantial proportion may be unavailable for labor market participation for health or other reasons.**

Policy Implications

In a time of scarce resources, an effective targeting strategy for welfare-to-work programs should channel education, training ,and support services to those recipients who will benefit most from these types of help. Educational services could go first to those without high school diplomas, since we find the largest benefit for that educational credential. Training services could go to those most likely to take advantage of new skills, and support services could be allocated disproportionately toward single parents living alone with their children. Assistance recipients with health limitations or new children need other types of aid, but care should be taken to allocate services to appropriate recipients. Effective targeting suggests focusing specific resources on specifically-identified participants.

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