
EPI Issue Brief

Issue Brief #116

Economic Policy Institute

March 14, 1997

The Challenge of Moving From Welfare to Work

Depressed Labor Market Awaits Those Leaving the Rolls

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The success of welfare reform is, in large part, predicated on moving welfare recipients from the welfare rolls to the labor market. The segment of the labor market to which most welfare recipients will have to turn, however, is already characterized by high unemployment and steadily falling wages, even though the overall labor market is relatively tight.

The profile of many welfare recipients who will be expected to find work under the new program matches that of current young, minority, non-college educated job seekers. By examining unemployment and underemployment trends for these groups, we are able to assess the labor market conditions likely to confront persons targeted by welfare reform, e.g., young women with a high school degree or less (see **Table 1**).

We find, for example, that while overall female unemployment was 5.5% in 1996, the rate for young, African American women who were high school graduates was 21.0%, a level that would clearly be considered recessionary, if not depression-level. This statistic reveals the daunting challenge of welfare reform.

Unemployment rates higher than average for young, minority, and non-college educated persons

Nationally, unemployment was about 5.5% for men and women in 1996 (see **Table 2**). But behind this overall average are rates for various groups of people that are three and four times higher. These people are likely to be minorities, to be younger than 35, and to have at most a high school education. Many women coming off the welfare rolls have various combinations of these characteristics, and, as we show in **Table 3**, persons with such combinations typically have the highest unemployment rates of all groups.

As is usually the case, unemployment rates for minorities were twice the national level—11.2% for black males and 10.0% for black females—in 1996. Persons seeking work were much less likely to be successful if they were non-college educated, especially if they were of minority status. For example, 4.3% of high-school-educated white women were unemployed in 1996, compared with 9.4% of Hispanic

TABLE 1
Characteristics of Single Mothers on Welfare

	Percent
Age	
Teenager	11%
20-24	23
25-34	42
35+	25
Education	
Less Than High School	48
High School Graduate	36
Some College	14
College Graduate	1
Race	
White	39
African American	45
Hispanic	14
Other	2

Source: Spalter-Roth et al., 1995. Data are derived from the Survey of Income and Program Participation, 1984 and 1986-88 panels.

women and 11.1% of black women. This pattern persisted among persons with college degrees, but the racial gaps were smaller.

Younger workers also had unemployment rates higher than the national average. For all 16- to 25-year-olds, close to 11% of women and 12% of men were unemployed in 1996. Young blacks once again had rates that were twice that level: the 24.0% rate for young black men was more than four times the national average. Young Hispanics had unemployment rates between those of whites and blacks. Older persons were less likely to be unemployed than younger persons, although the differences were small for Hispanics.

Underemployment also pervasive

While the unemployment rate is considered a reliable measure of general labor market conditions, some analysts view it as overly restrictive. What about persons who have given up actively looking for work because of repeated failure to find it? What about persons who want to work but are constrained by transportation or child care problems? To capture these dimensions of the issue, the Bureau of Labor Statistics has recently introduced a measure of underemployment. Underemployed persons are those who have sought work in the past year but are either unemployed, discouraged, or constrained from seeking work by the types of problems noted above. This group also includes involuntary part timers: persons who have settled for part-time employment because they were unable to find full-time jobs.

Underemployment rates were generally just less than twice the unemployment rate for each group. For example, while 10.3% of Hispanic females were unemployed in 1996, 19.0% were underemployed. Young workers (less than 35 years old) and non-college-educated workers tended to have high underemployment rates, typically greater than 10%. Among young blacks 16-25, about 35% were underemployed in 1996.

TABLE 2
Unemployment and Underemployment* Rates by
Sex, Race/Ethnicity, Age, and Education, 1996**

	Males		Females	
	Unemployment	Underemployment*	Unemployment	Underemployment*
All	5.4%	9.6%	5.5%	10.8%
Race/Ethnicity				
White	4.3	7.7	4.1	8.7
Black	11.2	18.0	10.0	17.7
Hispanic	8.1	14.6	10.3	19.0
Other	5.9	11.0	6.3	11.9
Education (by Race)				
Less than High School				
White	10.4	17.8	10.8	19.9
Black	20.3	31.6	20.9	35.0
Hispanic	10.2	19.3	15.9	28.8
Other	13.7	22.6	12.2	20.4
High School				
White	4.6	8.4	4.3	9.4
Black	11.8	18.6	11.1	19.9
Hispanic	7.8	13.3	9.4	17.9
Other	7.7	14.4	7.8	14.7
Some College				
White	4.0	7.3	3.8	8.1
Black	8.5	14.3	8.2	13.8
Hispanic	6.0	10.3	6.8	12.1
Other	6.0	11.1	5.0	10.4
College+				
White	2.1	3.8	2.4	5.1
Black	3.9	6.7	3.0	5.8
Hispanic	3.8	6.4	4.3	7.0
Other	2.5	5.4	4.3	7.8
Age (by Race)				
16-25				
White	9.5	16.8	7.9	15.7
Black	24.0	35.6	21.3	34.4
Hispanic	13.3	23.1	16.7	28.3
Other	12.6	20.1	11.2	19.1
26-35				
White	3.7	6.6	4.0	8.0
Black	9.5	15.9	10.9	17.8
Hispanic	6.5	11.9	8.5	15.7
Other	4.5	9.1	5.4	10.7
35+				
White	3.1	5.6	3.0	6.7
Black	6.8	11.5	5.2	10.7
Hispanic	6.2	11.6	8.1	16.1
Other	4.4	8.7	5.0	9.9

* Underemployment refers to persons who are either unemployed, discouraged, or involuntarily part time, or who have sought work in the past year but are not currently looking due to various constraints, such as lack of child care or transportation.

** Racial/ethnic groups are exclusive. For that reason, these rates may vary slightly from those provided by BLS.

Source: EPI analysis of the monthly Current Population Survey.

TABLE 3
Rates for High School Graduates by Age and Race

	Males		Females	
	Unemployment	Underemployment*	Unemployment	Underemployment*
16-25				
White	8.9%	16.0%	8.7%	18.5%
Black	22.0	32.4	21 .0	35.1
Hispanic	11.5	20.5	16.6	28.7
26-35				
White	4.2	7.8	4.9	10.0
Black	11.4	18.3	14.1	22.2
Hispanic	7.1	11 .0	7.6	15.0
35+				
White	3.6	6.4	3.1	7.1
Black	7.5	12.5	5.7	12.6
Hispanic	6.0	10.4	6.7	13.9

Underemployment refers to persons who are either unemployed, discouraged, or involuntarily part time, or who have sought work in the past year but are not currently looking due to various constraints, such as lack of child care or transportation.

Source: EPI analysis of the monthly Current Population Survey.

Combining disadvantages: high school graduates by age and race

Welfare recipients tend to be younger women with high school degrees or less (Table 1). To illustrate the labor market conditions facing those persons most likely to leave welfare for work, Table 3 focuses specifically on high school graduates by sex, age, and race. It shows that, despite the overall low unemployment rates in 1996, more than one-fifth of black women age 16-25 were unemployed and more than one-third were underemployed in 1996. The rates are only slightly lower for young Hispanic women. Only older high school graduates had relatively low rates of unemployment and underemployment.

Such high rates of un- and underemployment, which persist in a labor market that has experienced overall unemployment rates below 6% for over two years, suggest that it may be difficult for welfare recipients to meet the work requirements of the new welfare law. When the inevitable economic downturn comes, these indicators are likely to turn even more negative. In this regard, the realities of the low-wage labor market should serve to temper expectations of welfare reform.

Danielle Gao provided research assistance in the preparation of this paper.

References

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