

This chapter is from the 2009 LERA Research Volume, *The Gloves-off Economy: Workplace Standards at the Bottom of America's Labor Market*, A. Bernhardt, H. Boushey, L. Dresser, and C. Tilly, eds., Champaign IL: Labor and Employment Relations Association, pp. 163–190.

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Single Mothers in the Era of Welfare Reform

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In the 1990s, the United States' welfare system went through a dramatic transformation from a program that provided ongoing, if meager, support to unemployed and very-low-income parents to a far more restrictive program, providing only temporary assistance and emphasizing rapid employment. Several million low-income parents, principally single mothers, were encouraged and pressured to take any available job, and they often faced loss of welfare assistance for failure to do so. In most states, neither participating in education and training activities nor caring for even very young children was an acceptable alternative to work.

While the welfare changes were pushing single mothers toward low-wage employment, two other developments were affecting the conditions for low-wage work and workers. First, during the late 1990s, there was a near-full-employment economy with high demand for low-wage labor. Second, a set of federal and state policy initiatives—including a large expansion of the earned income tax credit, a tripling of childcare funding, broadened health care coverage for low-income families, and an increased minimum wage—worked together to increase the financial rewards of even low-wage jobs.

Taken together, the effects of these changes on single mothers' employment patterns were dramatic. Employment among single mothers overall grew from 55% in 1993 to 73% in 2000. Employment among never-married mothers—the group most affected by the changes—climbed from 43% in 1992 to 66% in 2000 (Department of Health and Human Services 2007). However, claims that low-income parents would make steady progress into better jobs and careers turned out to be

largely incorrect. Over time, most families leaving assistance remained mired in low-wage or unstable employment or fell out of the labor market altogether. And those who were unemployed, or remained poor despite employment, were less likely to receive income support through the welfare system. Moreover, the gains in employment reached their peak in 2000: Since that time, employment among single mothers has fallen and poverty has grown, although neither has returned to its previous level. Meanwhile, welfare caseloads continue to decline.

Low-wage workers who receive the full set of work supports clearly have higher incomes than their counterparts of a decade ago. However, many eligible workers do not receive these supports, and many struggle to make ends meet even with the aid of public benefits (Albelda and Boushey 2007). In addition, as more public benefits are conditioned on paid work, the safety net for those who are unable to obtain or sustain employment has become significantly frayed.

This chapter examines the policy changes of the 1990s and since along with the subsequent employment and earnings outcomes for single mothers. It considers how the policy changes affected both employment levels and job quality and discusses implications for next steps for federal and state policies. These policy changes triggered an increase in the supply of low-skilled workers, but they did little, if anything, to improve the quality of the jobs that the workers eventually found. Less-educated single mothers remain part of a low-wage labor market that is prone to the kinds of “gloves-off” strategies described in the other chapters of this volume.

Employment of Single Mothers Before the Mid-1990s

In 1995, prime-age single mothers were nearly as likely to be employed as were married mothers. The employment rate for mothers aged 25 to 44 was 65% for married mothers and 63% for single mothers. When single mothers worked, they worked on average more hours than married mothers (National Research Council and Institute of Medicine of the National Academies 2003). However, single mothers' earnings for full-time work were only about 80% of the earnings of married mothers (Bureau of Labor Statistics 1999). Moreover, the aggregate employment rate for single-mother families actually reflected differing stories for different groups. The employment rate for divorced mothers was higher than that for married mothers, while the employment rate for never-married mothers was lower (Department of Health and Human Services 2007). Divorced mothers tend to be older and better-educated and to have older children than never-married mothers; each of these factors is associated with higher rates of employment.

A range of factors contributed to the lower employment rates of the least-skilled single mothers. The jobs most available to individuals with limited education paid the least, and lower-wage jobs were also least likely to provide employer-based health care, paid sick or vacation days, employer-provided education assistance, or other employer-based benefits (Center for American Progress 2007). Subsidized childcare was available to only a small share of working families, and health care coverage was often unavailable for low-income families not receiving welfare. When work expenses and benefit reductions were combined, less-skilled single mothers often could not earn enough to leave them financially better off than they were on welfare (Edin and Lein 1997).

Moreover, poor unemployed single mothers were more likely to face a range of additional challenges and barriers: physical and mental health difficulties, illness, and disabilities—for themselves, their children, and other family members; lack of transportation alternatives and physical isolation; current and past domestic violence and sexual abuse; drug and alcohol difficulties; extremely poor basic skills; and others (Olson and Pavetti 1996). Over the next decade, welfare and work support policies would address some of these barriers to employment, while at the same time reducing the availability of ongoing assistance to families with non-employed single parents.

Employment Strategies for Single Parents: Welfare and Welfare Reform

Until 1996, Aid to Families with Dependent Children (AFDC) provided cash assistance for very-low-income families with children. Two-parent families were eligible for benefits under limited circumstances, but the vast majority of participating families were headed by single mothers. While AFDC had included for years some features designed to encourage and support employment, promoting work became a major focus of welfare policy in the 1990s.

When AFDC was created in 1935, there was little expectation of mothers being employed outside the home. But between 1950 and 1995, labor force participation among women with children under 18 increased from 22% to 70% (Committee on Ways and Means 2004). Over time, the basic idea of providing income support to enable single mothers to stay out of the workforce came to be seen by many as anachronistic and unfair. In the decades before the 1996 welfare law, policy makers repeatedly enacted requirements and provided for services intended to strengthen the focus on work for families receiving assistance.

Over time, the AFDC program became increasingly controversial. The program's political support was fragile, both because it was perceived by many as a program for minorities and because the share of recipient parents that were widowed, divorced, and separated declined as the share of never-married mothers increased. The share of families working while receiving assistance declined during the 1980s—in part because federal law was changed to make it harder for working families to receive assistance. A large caseload increase between 1988 and 1994, during which the number of families receiving assistance grew from 3.8 million to 5 million, added to concerns that the program was “out of control.”

In 1992, Bill Clinton made welfare reform a major campaign theme with his proposal to “end welfare as we know it.” The original Clinton pledge spoke of requiring participation in a work program after a time limit, and it tied welfare reform to an expanded minimum wage, health care coverage, and increased funding for childcare. In the 1994 elections, Republicans took majorities of both houses of Congress, and the political climate around welfare reform changed sharply. Republican leadership proposed to repeal AFDC and provide states instead with block grants to develop programs of time-limited assistance. President Clinton vetoed two versions of the proposal before Congress passed and Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in August 1996.

PRWORA eliminated the requirement that states assist eligible families and replaced AFDC with Temporary Assistance for Needy Families (TANF) block grants to states. Where before the federal government had matched state spending for cash assistance, under the new block grants, states received a fixed amount of federal money whether their caseloads increased or decreased, with wide discretion given in the use of funds. States were permitted to reduce their own spending on cash assistance and related programs serving needing families by 20% to 25% below spending levels of the 1994 to 1995 period. This meant that as caseloads declined, sums that had previously been spent on cash assistance could be used for other activities.

States were given broad flexibility to determine many parameters of their cash assistance programs, such as work requirements, time limits, and sanction policies. However, the law established a five-year lifetime limit on the use of federal funds to provide assistance, restricted use of federal funds for immigrants in their first five years in the United States, and imposed additional restrictions on when assistance could be provided. To avoid a federal penalty, states were required to achieve an

annual “work participation rate.” The participation rate rules did the following:

- Sharply restricted the conditions under which education and training could count toward work participation requirements;
- Counted families in the base from which participation rates were calculated even if states determined they should be exempt; and
- Provided for required rates that would eventually reach 50% for all families and 90% for two-parent families for states with no caseload declines, but allowed states a “caseload reduction credit” (i.e., a downward adjustment in the required participation rate) if a state’s caseload fell for reasons other than just changing eligibility rules.

The combination of the block grant structure and the caseload reduction credit provided strong incentives for states to take steps to reduce their caseloads whether or not families entered employment.

While there was substantial variation among states in their policy responses to PRWORA, some general patterns emerged. All states reduced or eliminated exemptions from work-related requirements, including those applicable to parents of very young children. Most states made greater attempts to identify individuals with “barriers to employment” such as substance abuse habits or mental health problems, although states have struggled with providing effective services and in engaging all families (Loprest et al. 2007). Virtually all states liberalized earnings rules so as to provide for continued assistance when families entered low-wage employment. Most states limited the degree to which recipients could count participation in education or training activities toward their work requirements, and states encouraged recipients to seek paid employment as soon as possible. States strengthened the penalties for nonparticipation, with many states terminating all cash assistance for failure to comply with program rules. Almost all states adopted the federal five-year lifetime limit on welfare receipt or shorter state limits (Rowe 2006).

Most states also adopted strategies designed to change the “culture of welfare offices” to emphasize work. Most states required applicants to begin searching for work as a condition of application. Some states offered formal diversion programs where applicants were offered lump sum payments to address immediate needs in lieu of ongoing assistance. Some states informally discouraged potential applicants from receiving TANF benefits. Potential recipients may have been dissuaded from applying for welfare because of the complex and burdensome requirements or in order to “bank” limited periods of eligibility for a time of

greater need, or they may have not needed to turn to welfare because they were better able to sustain employment because of work supports.

Building a Structure of Work Supports: Preliminary Steps in the 1990s

While the replacement of AFDC with TANF was the most dramatic social policy shift in the 1990s, other policy changes during the decade significantly changed the landscape and broadened the supports available for low-earning families. While the resulting structure was uneven in many key respects, the net result was to substantially strengthen the supports available to low-income working families outside welfare and to increase the rewards of even low-wage work.

Earned Income Tax Credit. During the 1990s, the Earned Income Tax Credit was transformed from a modest refundable tax credit into the largest federal source of income support and asset-building assistance for low-income working families. The EITC provides low-income working families with a tax credit representing a portion of their earnings. If the amount of the credit exceeds the family's tax liability, the excess amount is paid to the family, typically in an annual lump sum. In 1990, the maximum value of the EITC was \$953, with the credit fully phased out once earnings passed \$20,264. By 1996, the maximum value of the tax had risen to \$2,152 for families with one child and \$3,556 for families with two or more children. A family with two or more children could continue to receive benefits until its earnings exceeded \$28,495. Before the expansions, the EITC provided a credit of 14% of initial earnings for families with children. After the 1990 and 1993 expansions, a low-earning parent with one child received a credit equal to 34% of initial wages, and a low-earning parent with more than one child received a credit equal to 40% of initial wages. These expansions effectively ensured that parents who worked steadily, even in very low-wage jobs, would have higher incomes than they had on welfare.

Childcare. Single parents who work outside the home need childcare. Quality childcare is expensive and usually far out of reach for low-income families without subsidies. Before 1988, dedicated federal funding for childcare had been minimal. The 1988 Family Support Act provided funding for childcare for families receiving welfare and leaving welfare due to employment, and the 1990 Child and Development Block Grant and At-Risk Child Care programs provided childcare funding for other low-income families, but funding was capped and limited for families not receiving or leaving welfare.

The 1996 law increased federal funding for childcare and consolidated the separate programs. While families on and leaving welfare

generally continued to receive priority for services, the consolidation simplified access, and the new resources expanded the availability of childcare to nonwelfare families. In addition, as welfare caseloads declined and the share of the TANF block grant used for basic assistance fell, states increasingly devoted TANF funds to childcare in the initial years of TANF implementation. Between 1996 and 2000, combined federal and state spending for childcare tripled, the number of children receiving childcare subsidies nearly doubled, and states were able to initiate a set of new initiatives to promote childcare quality. Approximately 1 million additional children received childcare assistance as a result of the initial expansions. However, even with these expansions, childcare subsidies only reached about one in seven children eligible under federal law (Mezey, Greenberg, and Schumacher 2002).

Health insurance. Congress took action before, during, and after 1996 to broaden health care coverage for families and children outside of welfare. Originally, with limited exceptions, Medicaid coverage for families was limited to those receiving AFDC, so loss of AFDC meant a risk of lost medical coverage for parents and children. Less than a third of low-income children receive health insurance through their parents' jobs, because their employers do not offer insurance coverage; because they are not employed for a long enough period, or for enough hours, to qualify for benefits; or because they can not afford the employee share of the premium even when they are eligible for coverage (Ku, Lin, and Broadus 2007).

Between 1986 and 1991, Congress extended Medicaid eligibility to more low-income children, regardless of their families' welfare status. While these provisions were gradually phased in over time, by 2002 states were required to cover all children in families with incomes below the federal poverty level, and all children under 6 and pregnant women in families with incomes below 133% of the poverty line. States are allowed, but not required, to use Medicaid to cover children in families with incomes up to 185% of the poverty line (Committee on Ways and Means 2004).

Policy makers widely recognized that the risk of losing health insurance coverage was a significant obstacle preventing low-income families from leaving welfare. This was one reason that Clinton chose to try to enact health care reform before turning to welfare. In the absence of comprehensive health care reform, the 1996 welfare law "delinked" Medicaid eligibility from receipt of cash assistance, basing it on low-income status instead. Moreover, federal law now gave states options to further broaden coverage for low-income families by allowing flexibility in how income and resources were defined. However, in spite of these

policy changes, studies found that large numbers of families leaving welfare were not receiving Medicaid (Dion and Pavetti 2000). After these findings were widely disseminated and the federal government applied a combination of pressure and technical assistance, most states revised their processes to reduce the number of families losing coverage due to administrative obstacles.

Meanwhile, the 1997 creation of the State Children's Health Insurance Program (SCHIP) provided states with funding to cover additional low-income children above Medicaid eligibility levels at an enhanced matching rate (Committee on Ways and Means 2004). Between 1997 and 2005, the fraction of low-income children (below 200% of poverty) who were uninsured fell from 23% to 14%, even as the fraction of low-income children covered by employer-sponsored insurance also declined. The increased coverage was due both to SCHIP and increased enrollment in Medicaid as a result of enhanced outreach activities under SCHIP (Ku, Lin, and Broaddus 2007).

Minimum wage. Congress raised the minimum wage from \$4.25 an hour to \$4.75 in 1996 and to \$5.15 in 1997. Among the policy changes, this is the only one that directly attempted to improve the quality of jobs, rather than providing supplemental benefits that improved the well-being of families with children where the adults were employed in low-wage work.

While the minimum wage increase raised the wages of low-earning workers in the short term, it was soon overtaken by the tight labor markets of the late 1990s, which pushed wages for most workers, even those with low skills, above the statutory minimum. By 2006, only 1.5% of workers 16 and older with less than a high school degree earned exactly the minimum wage (Bureau of Labor Statistics 2007).

A partial system of work supports. Thus, in a relatively short period, the policy context for less-educated single parents and other low-income workers had changed dramatically, with AFDC replaced by TANF, while a range of supports—EITC, childcare, health care, minimum wage—were all substantially enhanced. In addition, a set of changes enacted as part of the 1996 law resulted in substantial improvements in the performance of the nation's child support enforcement system. While most states continued to retain child support collected on behalf of families currently receiving welfare, more funds were distributed to families who had left welfare. Child support paid to families provided additional income to single-parent families, and made it more possible for them to make ends meet when in low-wage jobs. Moreover, in the first years after 1996, food stamp participation fell, but in subsequent years, the federal and state governments made a set of changes intended to make

the program more accessible to working households and part of the overall structure of work supports.

However, in a range of ways, the new structure of work supports fell short of being comprehensive. The EITC was typically provided only in a once-a-year lump sum rather than as ongoing income support. Childcare, though expanded, remained unavailable to most of the eligible population. The health care expansions principally benefited children, while substantial numbers of low-income parents went without coverage. Most legal immigrants were denied access to federal public benefits, including TANF and food stamps. Nevertheless, the expansions were significant. Further, the populations affected by the work support expansions are far larger than the universe of welfare recipients and former welfare recipients—by tax year 2004, the EITC reached 22.3 million tax filers, and an estimated 15 million children were considered potentially eligible for childcare subsidies.

What Happened? Employment Growth and Low-Wage Employment

We now turn to the employment experiences of single parents in and after the mid-1990s and to the extent to which their experiences were affected by the changed policy environment. These questions have been most extensively studied with respect to families who received and left welfare. However, the policies also affected the broader universe of single mothers, including those who never received welfare. (While our focus here is single mothers, we note that the broadening of supports also extended to single custodial fathers, and in some cases to two-parent families, though very little of the broadened assistance was provided to adults without children.) We first present descriptive information about trends in employment and job quality for low-income single mothers, and then we consider the impact of the welfare and work support policies of the 1990s.

The Economic Context of the 1990s

The new policies were implemented in a period of strong and widely distributed economic growth, in which there were significant improvements in the employment prospects and wages of lower-wage workers. The nation's unemployment rate fell from 7.5% in 1992 to 4.9% in 1997, and then remained under 5% until August 2001. Between 1993 and 2000, the number of employed Americans grew by 20 million. While growth occurred throughout the economy, demand for low-wage workers was particularly high. Real wages for workers at the 10th percentile grew from \$6.54 in 1994 to \$7.35 in 2000, making up almost the entire

decline in wages that had occurred for such workers between 1979 and 1994. Real wage growth for low-wage workers was so strong that workers at the 10th percentile actually gained ground compared to the median worker and even workers at the 90th wage percentile (Congressional Budget Office 2006). With greater demand for low-wage workers, employers became more willing to hire more disadvantaged workers (Holzer, Raphael, and Stoll 2003).

The Increase in Single Mothers' Labor Force Participation

In these exceptionally favorable labor market conditions, there was a historic increase in employment among single mothers. Between 1993 and 2000, employment among single mothers grew from 57.3% to 72.8%, and the number of employed single mothers grew by 1.5 million. Employment growth for single mothers far exceeded that of married mothers, whose employment increased from 63.9% to 68.4% (Gabe 2007). In fact, the employment rate for single mothers has surpassed that of married mothers since 1999. (See Figure 1.)

During this period, employment growth was most dramatic for never-married mothers. Between 1993 and 2000, their employment rate increased by 23 percentage points, compared with 12.5 points for divorced, separated, and widowed mothers, and 4 points for married mothers. (See Figure 2.) Similarly, when considering educational status, single mothers with less than a high school diploma experienced the largest gains in employment, from 48.7% in 1995 to 61.4% in 2002 (Blank and Shierholz 2006).

A significant part of the growth in employment among single-parent families occurred among families leaving welfare. Between 1994 and 2000, the number of families receiving AFDC/TANF declined from 5 million to 2.4 million. National data indicate that in the early years of welfare reform, half or more of families leaving welfare were employed in the quarter and year after leaving assistance (Loprest 1999, 2001). State and local studies of families that left welfare tell a similar story. Acs and Loprest (2001) summarized the findings from a set of state and county studies from the early welfare reform period, funded by the Department of Health and Human Services, that used a consistent set of definitions and measures. They reported that between half and two thirds of families were employed in the quarter after exit, a majority were employed in each quarter of the year after exit, and about three fourths worked at some point during the year after exit. However, only about a third were employed during every quarter in the year after exit. These employment rates are not dramatically higher than those achieved by welfare leavers during the years prior to welfare reform (King and

FIGURE 1
Employment Rates of Mothers with Children Under 18, 1988–2006

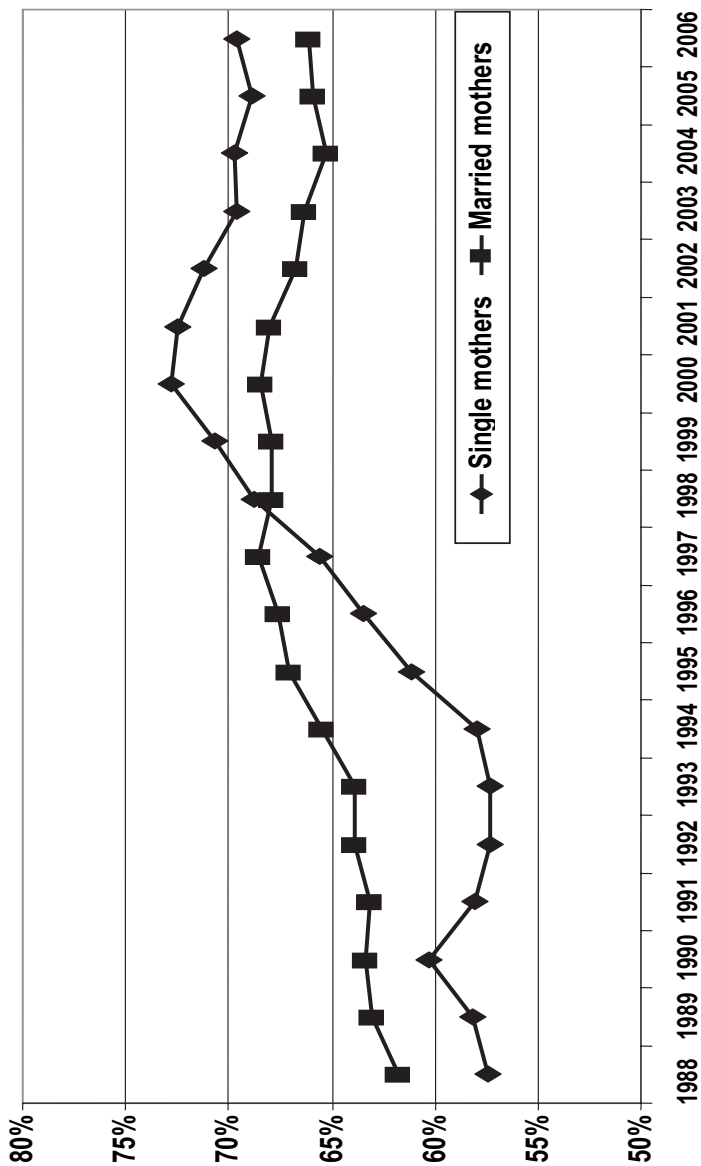
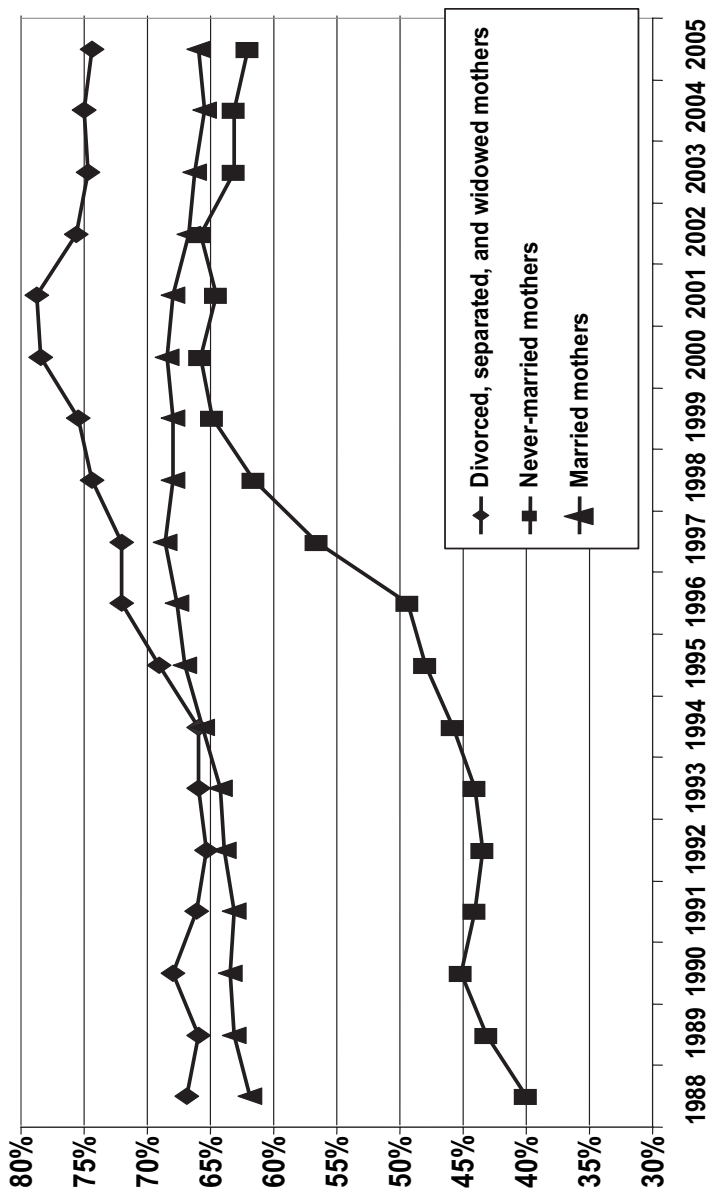


FIGURE 2
Employment Rates of Mothers with Children Under 18, 1988-2005, with Single Mothers Subdivided into Two Categories



Mueser 2005), but it is notable that employment rates of leavers increased somewhat while caseloads were falling sharply.

As suggested above, the decline in welfare caseloads was much larger than the number of welfare leavers entering employment. During this period, there was also an increase in the share of low-income single mothers who were not in work and not receiving welfare, a group that now comprises up to one fourth of all low-income single mothers (Blank and Kovak 2007). These single mothers were disproportionately likely to be disabled, and many did not receive disability benefits either (Cohen 2006). The expansion of the “disconnected” population has been one of the troubling consequences of the welfare reform experience.

The dramatic growth in employment among single mothers ended around 2000. The nation entered into recession in 2001, and total employment fell. After 2000, employment rates fell for both single and married mothers. Despite the decline in employment, the TANF caseload continued to fall, albeit at a slower rate, reaching 2.1 million in 2005 (Department of Health and Human Services 2007). Evidence from three national surveys suggests that more recent welfare leavers are less likely to be employed than those who left during 1996 to 2000, with data from the Current Population Survey (CPS) showing a 15 percentage point decline from 2000 to 2005. Both survey and administrative data also show declines in employment following 2000 among current welfare recipients (Acs and Loprest 2007). However, even with the recent declines, the employment rate for single mothers remains well above its level before the growth in the 1990s (Gabe 2007).

What Kinds of Jobs?

In 2005, 20% of all jobs in the United States paid \$9 an hour or less, and 10% paid \$7.44 an hour or less. Low-wage jobs are more likely to be deficient with respect to all aspects of job quality, including earnings, benefits, job security, advancement opportunity, work schedule, health and safety, and fairness and worker voice (Lower-Basch 2007). Low-wage jobs are concentrated in a handful of industries. Of jobs paying less than \$9 an hour, 42% are in just six sectors: food service and drinking places, agriculture, private households, personal and laundry services, accommodation, and retail trade (Congressional Budget Office 2006).

Most of the information about job characteristics for low-income single mothers in the 1990s concerns welfare leavers. Overwhelmingly, leavers entered low-wage jobs, earning above minimum wage but below wages needed to support a family above the poverty line. The average wage rate earned by employed leavers was between \$7 and \$8 an hour. Leavers reported working close to full time, averaging 35 or more hours

a week. Nonetheless, administrative data showed that median earnings of employed welfare leavers were only about \$2,700 per quarter, suggesting that many were not working full-time every week. Most often welfare leavers entered jobs lacking basic benefits such as health coverage, sick leave, pensions, and vacation. In the studies that asked about both the availability of health insurance through an employer and enrollment, only about half of those who were potentially eligible for the benefit were enrolled, presumably due to high costs (Acs and Loprest 2001).

Most of the industries where welfare leavers found jobs have high concentrations of low-wage jobs. Loprest (1999) reported that 70% of early leavers were employed in service (46%) or wholesale/retail trade (24%) industries. In 2000, more than half of jobs in eating and drinking places, childcare, and food stores paid poverty-level wages—less than \$8.40 an hour. Nonfood retail, hotels and lodging places, and nursing and personal care facilities had only slightly smaller shares of poverty-level jobs, between 40% and 43%. Another 25% to 30% of jobs in these industries pay low wages—between \$8.40 and \$12.60 an hour in 2000 (Mitnik and Zeidenberg 2007).

While leavers' jobs were concentrated among low-wage industries and occupations, their experience in this respect seemed similar to that of other low-earning single mothers. Overall, wages are low in the United States for single mothers with less than a high school degree (\$7.20 an hour) or with a high school degree but no college (\$9.17 an hour). Moreover, during 1999 to 2001, 48% of single mothers were employed in services and 18% in retail trade (Levitan and Gluck 2002). Welfare leavers were more likely to be in service occupations than all single mothers (38% versus 23%), slightly less likely to be in administrative/clerical jobs (19% versus 24%), and equally likely to be in sales (12% for both;) (Levitan and Gluck 2002; Loprest 1999).

It comes as little surprise that single mothers who entered employment during the 1990s were at the bottom of the labor market, in jobs with low wages, unsteady hours, and few benefits. However, a key question is the degree to which these workers made progress over time. Some research suggests that irregular work histories are a primary reason why less-skilled workers experience lower wage gains over time, and that when actual work histories are tracked, less-educated workers receive the same percentage returns to experience as more educated workers (Gladden and Taber 1999). However, many low-wage jobs are characterized by inherently unstable schedules and high levels of worker turnover. While some low-wage workers do experience significant increases in earnings, many low-income workers experience modest growth or show no overall upward trend in their earnings. One study

that tracked individuals who combined welfare and work in 1999 and were employed in 2001 found that they were just as likely to experience earnings decreases as earnings gains from 2000 to 2001 (Andersson, Lane, and McEntarfer 2004). Moreover, for workers who are starting from the lowest levels of earnings, even significant increases in earnings (on a percentage basis) are often not enough to allow them and their families to escape low-income status.

Longitudinal tracking of former welfare recipients finds that some former recipients did move into better jobs over time, but many did not. In one of the few studies that tracked welfare recipients over multiple years, 19% of a sample of Wisconsin women who began receiving TANF the first year it was implemented (1997–98) were earning at least \$15,000 a year six years later (Wu, Cancian, and Meyer 2006). In another study that followed a group of women who received welfare in an urban county in Michigan in 1997, the share of respondents who were working in “good jobs” (defined by a combination of wages, hours, and health benefits) increased from 8.3% in 1997 to 29% in 2001. As would be expected, the probability of holding a good job is higher for former recipients who worked steadily. However, even exceptionally regular employment did not guarantee progression to a good job; of the small fraction of respondents who had worked in every month of the past five years, only 55% were employed in good jobs in 2001 (Johnson and Corcoran 2003).

For both welfare leavers and other low-earning single mothers, one explanation for their limited progression over time is their heavy concentration in low-wage firms and industries. One recent study looked at factors affecting whether single mothers who left poverty in 2001 stayed out of poverty over time. Among those who left poverty due to an employment or earnings increase, those who were able to stay out of poverty were more likely to have held professional/technical jobs or administrative/clerical jobs at the time of poverty exit, and less likely to have held a service job, compared to those who temporarily or permanently returned to poverty. Those who cycled in and out of poverty were more likely to have sales/retail jobs, perhaps reflecting the inherently unstable nature of many retail jobs (Moore, Rangarajan, and Schochet 2007).

Employer characteristics are an important factor in affecting workers’ wage progression over time. For example, food stores pay their workers less than comparable workers make elsewhere, while electric, gas, and sanitation services pay their workers more than such workers make elsewhere. Similar variations exist across employers within industries. Where a standard regression involving only worker characteristics can account for only about 30% of the variation in wages across workers,

researchers using Longitudinal Employer-Household Dynamics (LEHD), a data set that tracks both workers and employers over time, have been able to explain about 90% of wage variation (Andersson, Holzer, and Lane 2006).

The best predictor of a low-skilled worker's ability to escape low earnings is employment in a high-wage firm or industry. Large firms and low-turnover firms are also associated with earnings gains (Andersson, Holzer, and Lane 2006). The LEHD data confirm that in many cases the types of jobs that characterize the employment experiences of welfare leavers and other low-earning single mothers are "bad jobs" in the sense that they pay less than average even after controlling for the characteristics of the workers. For example, only 6% of welfare recipients who began working in an eating and drinking place in 1999 earned more than \$15,000 in both 2000 and 2001, compared with 24% of those who began working in health services in 1999 (Andersson, Lane, and McEntarfer 2004).

Explaining the Results: The Role of Welfare Reform and Work Supports in Promoting Employment, Job Quality, and Advancement

Over the last 10 years, research has sought to explore the role of the TANF and other policy changes in affecting the growth of employment among single mothers in the 1990s. An extensive literature attempts to divide responsibility among welfare reform (both in general and specific policies), the EITC expansion, the economy, and other factors. The research does not answer these questions with a high level of certainty. The fact that employment grew far more for single mothers than married mothers, and that employment growth was greatest for never-married and least-educated single mothers, strongly suggests that the economy was not the only factor affecting the results. In a careful survey of the literature, Blank (2005, 2007) concludes that welfare reform had a significant effect on caseloads and employment but did not explain the majority of these changes. Blank emphasizes that the fact that a set of policies was implemented essentially simultaneously and in an interactive manner makes it virtually impossible to precisely specify the respective role of each component.

Researchers who have attempted to sort out the effects using econometric methods have generally attributed a larger share of the increased employment among single mothers to the EITC than to welfare reform, narrowly defined (Grogger 2003; Meyer and Rosenbaum 1999). By contrast, most studies suggest that welfare reform was the largest contributor to the sharp decline in welfare caseloads. A number of studies suggest that increased availability of childcare subsidies contributed to

increased employment among low-income single mothers (Lawrence and Kreader 2006). One study using instrumental variables and a nationally representative sample found that receipt of a childcare subsidy increased the probability of maternal employment by about 15% (Tekin 2005). By contrast, researchers have generally failed to find any impact of the Medicaid and SCHIP expansions on single mothers' employment (Ham and Shore-Sheppard 2005; Meyer and Rosenbaum 1999). This may be because the parents who most valued health insurance coverage, due to having children with chronic conditions, still had difficulty maintaining employment because of their caregiving responsibilities.

Any explanation of the changing employment patterns must also account for the fact that the growth in employment ended around 2000 and appears to have leveled off below its peak but above pre-1993 levels. Considerably less research has been devoted to explaining this plateau. The 2001 recession and subsequent weak recovery likely played an important role. This explanation is supported by the fact that employment rates for married mothers, who were less affected by the policy changes, have also declined modestly from their prerecession peaks.

It is also possible that the impacts of the mid-1990s policies have run their course and that new initiatives will be needed to generate new policy impacts. TANF allocations have remained essentially flat since the program began, and the TANF block grant in 2006 represents less than 80% of its 1997 value. Many observers believe that the families receiving assistance after the large caseload decline have more barriers to employment and will require more intensive services in order to obtain and retain employment, although a set of studies finds no significant changes in a number of recipient characteristics. The share of single mothers who are not working and not receiving welfare has grown, and presumably such families will be less affected by changes in welfare policies. Stagnation in other policies may have played a role as well. The federal minimum wage remained unchanged between 1996 and 2007. Spending on childcare subsidies ceased growing rapidly around 2001, and it fell from \$12.3 billion in FY 2003 to \$11.7 billion in FY 2005 (Matthews and Ewen 2006). The reauthorization of TANF enacted in early 2006 ultimately focused principally on the mechanics of the participation rate calculations for families receiving TANF assistance, rather than expanding services or supports for low-wage workers or placing a stronger emphasis on job quality for families entering employment.

Having concluded that it is likely that welfare reform and expanded work supports contributed to higher employment levels, it is appropriate also to ask whether they affected job quality for welfare leavers or single-parent families. Just as it is impossible to fully disentangle the effects of

individual policies in accounting for employment growth, it is also impossible to disentangle the factors that may have contributed to the generally low job quality for welfare leavers and other low-earning single mothers. Certainly, their background education, work experience, and other characteristics played a crucial role. But did policy also lead to either better or worse jobs than might have been expected by these women's background characteristics? Unfortunately, little of the research of the past decade has addressed this question. This section presents the theoretical reasons why welfare reform and the work supports expansion might have affected the quality of the jobs welfare recipients obtained, and we consider the limited evidence available on the subject. We conclude by examining whether a different set of policies might have had more positive effects on job quality.

First, before the 1996 law was enacted, a number of people suggested that the addition of a large number of welfare recipients to the low-wage labor market would, in itself, reduce job quality by pushing down wages. As noted above, however, the growth in supply occurred at the same time that there was a very strong growth in demand. Ultimately, the growth in demand was so strong that real wages for low-wage workers grew despite the increase in workers. One simulation estimates that over the 1996 to 2000 period, real wages for entry-level workers grew by 8% but would have grown even more, by 10.3%, but for the growth in employment among TANF and food stamp recipients (Hanson and Hamrick 2004).

As noted previously, many states adopted "work first" strategies under welfare reform, in which most recipients were assigned to job search as their primary work-related activity. Some recipients searched for jobs on their own, but many states assigned large numbers of recipients to participate in organized job search activities, often called "job clubs," run by welfare agencies, workforce one-stops, or private contractors. To the extent that these organizations helped link recipients to jobs that were better than the ones they could have found on their own, they might have improved the quality of job matches, even in the absence of allowing recipients to participate in education, training, or other skill-building activities. Given the evidence already presented on the key role of employer characteristics in determining both initial wages and long-term advancement, such improved matches can have significant impacts on workers' well-being (Andersson, Holzer, and Lane 2006). And the argument has been made that simply expediting labor force entry will result in improved job quality in the long run. This could particularly be the case if rapid job entry was combined with work supports that promoted retention and stable employment.

Other aspects of state strategies may have resulted in reductions in job quality. Most states required recipients to accept the first job that was offered to them; turning down a job offer was grounds for termination of benefits. Time limits also put pressure on recipients to leave welfare as soon as possible in order to reserve months of welfare eligibility for future need. Because low-quality jobs often have very high turnover rates and are relatively nonselective in hiring, the first available job is often not the best job that a given individual could obtain. Thus recipients may have accepted jobs that were worse than the jobs they could have found if given more time to search. Moreover, the existence of the EITC and other work supports may have lowered "reservation wages," that is, may have increased the willingness of workers to take jobs that paid less than the jobs workers might have found with more careful searching or after investment in upgrading skills. The net effect of policies depends on the balance between these factors.

In order for job clubs and other job search activities to have increased the quality of recipients' jobs, the agencies must have been involved in actually placing recipients in jobs. There appears to have been significant variation across states and localities in the degree to which this occurred. For example, when welfare leavers in Cleveland were asked to describe the primary way that they found their current or most recent job, only 15% reported being placed in a job or told of a specific job by an employment or welfare agency. Some 78% reported that they had found their job through their own efforts or a referral from a personal contact (Coulton et al. 2004). By contrast, in Detroit, half of Work First contractors indicated that they were directly involved in three quarters or more of all job placements, and 85% of the contractors took credit for more than half of the job placements. These reports were correlated with participant outcomes, supporting the contractors' claims that they were substantially involved in the job placements (Autor and Houseman 2007).

Even where welfare agencies and their contractors were substantially involved in placing recipients in jobs, there is little evidence that these were better jobs than the recipients could have gotten on their own. During the 1990s, welfare agencies increasingly moved toward performance-based contracts with private job placement organizations, both nonprofit and for-profit. In these contracts, the majority of the payments were provided at job placement, typically with additional payments for 30- or 90-day retention targets. Payments were often not tied to wage levels or long-term earnings gains, so many placement agencies had incentives to get recipients into jobs as fast as possible, not necessarily to match them with good jobs. By contrast, one of the few

welfare-to-work programs that has been shown to connect recipients to better jobs without upgrading their skills—the Portland, Oregon, site in the National Evaluation of Welfare to Work Strategies (NEWWS)—did so by encouraging participants to be selective about jobs and to seek ones that were full-time, paid well above the minimum wage, and included benefits and potential for advancement (Scrivener et al. 1998). In the absence of such strategies, it appears unlikely that welfare agencies significantly improved the quality of the jobs that most recipients obtained.

Is there evidence that work requirements, time limits, and financial incentives affected the quality of the jobs that welfare recipients obtained? One study of a voluntary earnings supplement program in Canada that increased employment among experimental group members found that they were taking jobs that looked very similar to the jobs found by control group members. This suggests that the supplement increased employment without causing people who would have worked anyway to accept less desirable jobs (Foley and Schwartz 2003). Note, however, that this program provided only “carrots”—financial incentives for recipients who stopped receiving assistance and started work within 12 months. Most welfare programs in the United States included far more “sticks,” such as sanctions and time limits. Such policies could be expected to increase the likelihood that participants might be induced to accept less desirable jobs.

Some indirect evidence of an adverse effect of welfare time limits on job quality is offered by Grogger (2003). Based on CPS data from 1979 to 2000, he finds that for single mothers with children under age 12, welfare time limits significantly increased the probability of employment but not the number of weeks worked or the total annual earnings. Grogger suggests that this pattern could be explained if, under the pressure of time limits, single mothers accepted less stable jobs and jobs at lower wage rates than they would have taken otherwise.

For proponents of “work first” strategies, a principal argument was not that initial jobs would be good, but rather that work experience and advancement strategies could help low-wage workers once they were established in the labor market. Recognizing that large numbers of families had entered employment but often in unstable, low-wage jobs, and that they did not seem to be advancing out of poverty on their own, a number of states and localities initiated explicit efforts to promote retention and advancement (National Governors’ Association 1998). A mid-1990s study of postemployment services found that case management services offered after individuals left welfare with jobs had had little impact on improving employment retention or earnings (Rangarajan and Novak 1999). Seeking to go further, a multisite demonstration of various employment retention and advancement strategies for families receiving

or leaving welfare sought to test a range of approaches. To date, only four of the 11 sites have shown statistically significant impacts on employment or earnings, and the impacts have been quite modest. These findings suggest that retention bonuses may have a positive impact on employment, and they reinforce the importance of close provider connections with employers but do not provide detailed guidance as to a model that should be replicated. Most of the sites found it far more difficult than they expected to engage former welfare recipients in postemployment services (Hamilton 2007).

As noted previously, the 1996 law discouraged states from allowing participation in skill-building activities. In part, this simply reflected a political interest in reducing caseloads rapidly. However, it was also based, at least in part, on findings from NEWWS and earlier experimental research that found that welfare recipients who were assigned to education and training activities did not experience earnings gains large enough to offset their lower earnings in the early years. Education and training were also more expensive than a job search. Researchers from MDRC, the policy organization that conducted the NEWWS evaluation, concluded that few recipients in education- and training-focused programs received enough instruction to gain either literacy skills or a GED. They also noted that a mixed strategy that focused on employment *and* a range of services—including education and training—specifically designed to address recipients' barriers to employment was more successful than either human capital development or labor force attachment in helping parents work more consistently and increasing earnings over the long run (Ganzglass 2006). However, in the heat of welfare reform, this nuanced message was drowned out by those who said that "education and training don't work."

While the 1996 law did allow some recipients to be counted toward the participation rate based on education and training, it placed strict limits on such counting. In practice, almost no states were constrained by the precise definitions of which activities counted toward participation rate requirements, because most states fully met participation rate requirements through caseload reduction and the numbers of low-earning workers receiving assistance. Nevertheless, the federal restrictions on counting education and training sent a strong message that many states were quite willing to receive and implement. As a result, participation in education and training activities among families receiving assistance plummeted when the 1996 law was implemented. The resetting of the caseload reduction credit in the reauthorization of TANF as part of the 2005 Deficit Reduction Act, and the subsequent regulations defining the work activities, have posed additional challenges

to states that wish to permit recipients to engage in education and training (Parrott et al. 2007).

This reduced support for skill-building activities may have affected the quality of both initial job entries and progress over time. In a Michigan study, having some postsecondary schooling (relative to being a high school dropout) was estimated to increase the likelihood of transitioning into a good job by 40%. Employers report that they provide more on-the-job training to workers in positions that require reading, writing and computer skills and that these jobs have more potential for wage growth (Johnson and Corcoran 2003).

Would higher participation in education and training have made a difference? Ultimately, that would have depended on how the programs were designed and implemented. Some states have designed innovative education and training programs that learn from the weaknesses of the human capital development programs evaluated under NEWWS. These programs are designed to help participants to obtain career-focused credentials, not just to improve basic skills. They do this by connecting basic skills classes more closely to vocational education, in some cases bringing them into the same classroom. A study by Kentucky's Legislative Research Committee found that welfare recipients who participated in a second year of vocational education had the most successful employment outcomes, with four out of five entering employment, and 30% of participants remaining employed for four consecutive quarters. This group also had the highest earnings for steady workers, about \$3,500 more than any other component (Hager et al. 2004).

Conclusion

This volume outlines how employers have been able to lower labor standards by using a wide array of strategies and practices that involve breaking or evading laws and standards. Welfare reform did not cause this trend, but it is clear that single mothers newly entering into low-wage jobs were vulnerable to these kinds of employer practices. While the EITC and other work supports that were expanded during the 1990s increased the effective wages of single parents, they did not protect them from the nonmonetary aspects of weakened labor standards.

The combination of work mandates through the welfare system, expanded work supports within and outside of TANF, and the strong economy clearly resulted in a large movement of single mothers, especially less-educated, never-married mothers, into the labor force. Most typically, these new workers entered into low-wage, unstable jobs with limited opportunity for advancement. There is little evidence that these jobs are worse than those obtained by other similar women, but there is

also little evidence that welfare offices helped many recipients find jobs that they could not have found on their own.

In particular, the claim by supporters of welfare reform that taking any job would lead to better job and a career was largely unfulfilled. Less-educated women rarely experience such advancement in the ordinary operation of the labor market, and public policy interventions to help those in low-wage jobs move up were small and largely ineffective. This is a story of missed opportunities. There is evidence that low-wage workers can be helped both through education and training programs that lead toward employment-focused credentials and through programs that provide specific job leads with higher-quality employers. But such programs were the exception rather than the rule in the years following welfare reform.

While restoring skill development activities as a component of TANF programs would be a valuable first step, far more is needed to support skill acquisition by low-wage workers. As TANF now serves only a fraction of low-income single mothers, any programs restricted to welfare recipients would have limited impact on the broader population. A range of policies is needed to expand access to adult education and training, to improve the connections between noncredit and for-credit workforce education at community colleges and other providers, and to make college more affordable and accessible for working adults (Strawn 2007).

The expansion of work supports during the 1990s was not designed to increase the quality of jobs that single-mothers could obtain, but to make it possible for them to obtain the necessities of life in spite of working at low-wage, low-benefit, often irregular jobs. A new set of tools would be needed if the United States were to make a commitment as a society to improving the quality of jobs for low-wage workers. These tools include a level playing field for union organizing; strengthened regulatory mechanisms, such as minimum wages, mandated paid leave, and improved enforcement of health and safety requirements; leveraging of government spending through contracts and economic development activities; and support and technical assistance to sectoral initiatives (Lower-Basch 2007).

In short, a set of policies designed to raise workforce participation can be effective, at least in strong economic conditions, in raising such participation. However, if the goal is also to affect the quality of jobs in the low-wage labor market, a new set of efforts with a range of additional policies must be brought into the mix.

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