

Appendix A: Program Caseload and Labor Market Change, 1996-2000

Between 1996 and 2000, the combination of economic growth and welfare reform brought significant changes in program participation and employment of individuals from low-income households. We describe the change in program caseload for both the Food Stamp Program (FSP) and Temporary Assistance for Needy Families (TANF), estimate the impact of these changes on labor supply for 1996 through 2000, and put the estimated labor supply impact from the caseload change into context of employment growth during the period. The purpose of this analysis is to calculate a labor supply impact from the change in FSP and TANF caseload for the simulation analysis below.

Food Stamp Program Caseload Change and Labor Supply Impact

From 1996 to September 2000, monthly average persons participating in the FSP fell by 34 percent, while the household caseload fell by 30.5 percent (appendix table 1). Half of the 8.8 million net outflow of persons were children

Appendix table 1—Food Stamp Program data for households and participants, 1996-2000

Households/participants	1996		2000		Change, 1996-2000		Composition of change, 1996-2000
	Thousands	Percent	Thousands	Percent	Thousands	Percent	Percent
All households	10,552		7,335		-3,217	-30.5	
With earnings	2,379	22.5	1,993	27.2	-386	-16.2	12.0
With AFDC/TANF	3,866	36.6	1,891	25.8	-1,975	-51.1	61.4
With children	6,280	59.5	3,955	53.9	-2,325	-37.0	72.3
With disabled or elderly	3,567	33.8	3,301	45.0	-266	-7.5	8.3
Without children, elderly, or disabled	1,567	14.9	837	11.4	-730	-46.6	22.7
With elderly	1,710	16.2	1,542	21.0	-168	-9.8	5.2
With SSI	2,538	24.1	2,324	31.7	-214	-8.4	6.7
With noncitizen	1,108	10.5	469	6.4	-639	-57.6	19.8
All participants	25,926		17,091		-8,835	-34.1	
Children	13,214	51.0	8,765	51.3	-4,449	-33.7	50.4
Elderly	1,895	7.3	1,702	10.0	-193	-10.2	2.2
Nonelderly adults	10,783	41.6	6,623	38.8	-4,160	-38.6	47.1
Employment status, nonelderly adult:	10,783		6,623		-4,160	-38.6	47.1
Employed	2,188	20.3	1,801	27.2	-387	-17.7	9.3
Full-time	1,326	12.3	893	13.5	-433	-32.7	10.4
Part-time	527	4.9	729	11.0	202	38.3	-4.9
Other	335	3.1	179	2.7	-156	-46.6	3.8
Unemployed	1,034	9.6	463	7.0	-571	-55.2	13.7
Not-in-labor-force, nilf	7,320	67.9	4,031	60.9	-3,289	-44.9	79.1
Unknown	241	2.2	328	5.0	87	36.1	-2.1
Exempt from work, nonelderly adults nilf:	4,706	64.3	3,486	86.5	-1,220	-25.9	37.1
Disabled	2,186	29.9	2,110	52.3	-76	-3.5	2.3
Caretaker, ill or child	2,269	31.0	1,278	31.7	-991	-43.7	30.1
Student	251	3.4	98	2.4	-153	-61.0	4.7

Source: U.S. Department of Agriculture, Food and Nutrition Service, *Characteristics of Food Stamp Households: Fiscal Years 1996 and 2000*.

(4.4 million), 2 percent were elderly persons aged 65 and over (0.2 million), and 47 percent were nonelderly adults (4.2 million).²⁰ It is among the net outflow of nonelderly adults that the labor supply may increase. About 3.9 million of the FSP leavers from 1996 through 2000 were unemployed or not in the labor force while participating in the FSP, and hence are potential new workers.

Not all FSP leavers take a job, so we adjust the 3.9 million potential new workers for an employment rate. A study in Illinois finds that 50 percent of all food stamp leavers reported employment or earnings increases as their main reason for leaving the FSP, and that 61 percent of family leavers report an employment or earnings increase (Rangarajan et al., 2001). Using these figures, we adjust the number of potential new workers from the net outflow of FSP recipients for the percent of those who take a job when they leave the program. This results in 2.3 million new workers from the reduction in FSP caseload from 1996 through 2000.²¹ On an annual average basis, this amounts to 575,000 per year.

TANF Caseload Change and Labor Supply Impact

The number of adults in TANF fell by 2.365 million from the end of 1996 to the end of 2000 (appendix table 2). Adjusting for the number of participating adults who leave the program that already have a job and for the adults who leave the program but do not take a job, we estimate 1.50 million new workers from end-1996 to end-2000, or 375,000 a year over 4 years. For this estimate, we assume that 70 percent of leavers take a job, 11 percent of leavers were already working while participating in the program, and an additional 100,000 started working while participating in the program. The 70 percent of leavers taking a job is a high-end estimate from a survey of TANF leavers studies by Brauner and Loprest (1999) (see box). Brauner and Loprest estimated a range of 50 percent to 70 percent of leavers take a job. If we assume that only 50 percent of leavers take a job, then the increase in new workers would be 250,000 a year. An estimate of 50 percent to 70 percent of leavers taking a job approximates the complex dynamic movements into and out of welfare programs and into and out of employment.

²⁰The data are from USDA-FNS website (4-27-01): www.fns.usda.gov/pd/fssummar.htm, and publications on *Characteristics of Food Stamp Households for 1996 and 2000* (USDA-FNS, 1998 and 2001). The disabled are a negligible share of leavers.

²¹The calculation is: 2.3 million = (61 percent of 72.3 percent of 3.900 million) + (50 percent of 27.7 percent of 3.900 million), given that 72.3 percent of the net outflow of households are families with children and the remainder are adults without children.

Appendix table 2—TANF caseload data, 1996-2000

Participants	1996		1998		September	Change,	Composition
	Thousands	Percent	Thousands	Percent	2000	1996-2000	of change, 1996-2000
Families	4,552		3,179		2,187	-2,365	-52.0
Recipients	12,644		8,770		5,760	-6,884	-54.4
Children	8,671	68.6	6,330	72.2	4,099	-4,572	-52.7
Adults	3,973	31.4	2,440	27.8	1,662	-2,311	-58.2
Adults:							
Employed	448	11.3	556	22.8			
Full-time work	203	5.1					
Part-time work	246	6.2					
Unemployed	436	11.0	1,098	45.0			

Source: U.S. Department of Health and Human Services, Administration for Children and Families.

TANF Leavers' Employment Rate

The assumption that 70 percent of welfare leavers take a job is optimistic. However, several studies have found that welfare leavers take jobs at the rate of 60 percent to 75 percent. The main source of information on the employment of those leaving TANF and the FSP are a series of leaver studies. In a review of TANF leaver studies, Brauner and Loprest (1999) qualify their findings by pointing out that the employment rate among leavers depends on how employment is measured. Estimates depend on whether all leavers are counted or just those who remained off welfare (continuous leavers), and whether the survey question is for a point in time, or whether they worked at any time during a given period (durational estimates). They find that the majority of the point-in-time employment rates are between 65 percent and 75 percent. The employment rate for continuous leavers is at the upper end of the estimates, while it is at the lower end of the range for all leavers. The majority of the durational estimates of employment rate are around 82 percent to 88 percent, with one low estimate at 68 percent.

Other reports summarize the TANF leaver studies. Haskins, Sawhill, and Weaver (2001) report that they find about 60 percent of mothers are employed at the time of the interview and about 75 percent have been employed at some time since leaving welfare. The U.S. General Accounting Office (1999) reports that the employment rate ranges from 61 percent to 71 percent for all recipients including those who return to welfare, when measuring employment at the time of the survey. The employment rate ranged from 63 percent to 87 percent, when employment is measured as occurring at any time since leaving welfare. A U.S. Department of Health and Human Services (2001) study summarizing the leavers studies states that slightly over half of all leavers work in any given post-exit quarter, while 70 percent of leavers worked in at least one quarter.

Using data from the National Survey of America's Families for 1997, Loprest (1999) finds that 69 percent reported leaving welfare because of increased earnings. Sixty one percent of leavers were working at the time of the survey. On average they received wages equal to those earned by other low-income mothers. More than two-thirds of the employed former recipients work a full-time schedule (35 hours per week or more). The annualized median monthly earnings of former recipients are roughly equal to the 1997 poverty level for a family of three. To the extent that the former recipients do not work full-time full-year, earnings will fall short of the poverty level of family income and other sources of income will be important. In a follow up study, Loprest (2000) reports that the employment rate for single parent leavers is 71 percent for those leaving between 1997 and 1999, compared to 65.6 percent for those leaving between 1995 and 1997.

Looking at food stamp recipients, a study in Illinois found that 50 percent of all food stamp leavers reported employment or earnings increases as their main reason for leaving the FSP, and that 61 percent of family leavers report an employment or earnings increase (Rangarajan, et al., 2001).

Combined Labor Supply Impact from FSP and TANF Caseload Change

In designing a simulation experiment with an increase in labor supply from the net outflow of both TANF and FSP recipients, it is necessary to adjust the number of potential new workers from one program or the other to avoid double counting. About 60 percent of the 2.3 million potential new workers leaving the FSP from 1996 to 2000 are also leavers from TANF (appendix table 1). We make the adjustment by subtracting 60 percent of the new workers leaving the FSP. The result is 2.4 million new workers as a net outflow from the FSP and TANF during 1996 through 2000, an annual average of 600,000 per year. Consequently, we assume 2.4 million new workers in the simulation analysis.

Labor Market Changes and Their Relation to Program Caseload Change

From 1996-2000, total employment grew from 132 million to 145 million workers. Average annual employment growth between 1996 and 2000 was 2 million, 3 million, or 3.3 million per year depending on the employment measure used. The 2-million figure is from household survey data, the 3-million figure is from establishment survey data, and the 3.3-million figure is from the employment projections data which synthesize household and establishment data into a comprehensive labor market employment value.²² The movement of 600,000 recipients per year from TANF and FSP into jobs accounts for 18.2 percent of the larger employment growth figure, from 1996 through 2000.

²²For household and establishment employment see Employment and Earnings (U.S. Department of Labor, Bureau of Labor Statistics, 2001). For employment projections, see Hecker (2001).