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## ARE THERE ENOUGH JOBS FOR ALL THOSE WHO MUST WORK?

### INTRODUCTION

The new federal welfare law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, imposes a 60-month lifetime limit on assistance and requires recipients to work or participate in work activities within two years of receiving aid. In addition, states are required to ensure that a growing percentage of their caseload works or participates in work activities. In 1997, adults in at least 25 percent of cases must work or participate in work activities for 20 hours per week. By 2002, adults in 50 percent of cases must work or participate in work activities for 30 hours per week. States that fail to meet the work participation requirements risk losing a share of their federal funds for Temporary Assistance for Needy Families (TANF).<sup>1</sup> The new federal rules governing work requirements are complex. While on-the-job training, volunteer work, and subsidized employment may count as work activities, time limits and new restrictions on federal funds emphasize unsubsidized employment.

Changes made to the nation's welfare laws implicitly assume there are sufficient jobs available for anyone who wants to work. The debate over the new law, however, paid little attention to the availability of jobs or the structure of the labor market when reformulating the nation's safety net for poor families. Yet, the ability of welfare reform to move families out of poverty and toward self-sufficiency depends on the opportunities available in the labor market and the policies adopted to help families make the transition from welfare to work. In order to help inform the debate around welfare reform at the state level, this *Budget Brief* attempts to answer three basic questions:

- Are there enough jobs for those who seek to work?
- Do the characteristics of available jobs match those of the individuals who are entering the labor market?
- Do the available jobs provide sufficient income to support a family?

At the outset, it is important to note that any comparison of the number of job seekers to available jobs requires a number of assumptions. This report examines the ability of the labor market to provide jobs for those who will be required to leave welfare for work. It presents a snapshot based on the number of individuals receiving public assistance and the number of unemployed persons in 1996 as compared to projected annual job growth. In reality, the situation is more fluid: families regularly enter and leave public assistance, individuals lose and find jobs, and workers enter and leave the labor force. The analysis presented below represents the initial findings of a research project in progress. The California Budget Project plans to expand on this analysis in greater detail in reports to be released later this year.

## WHO ARE CALIFORNIA'S JOB SEEKERS?

Those seeking to leave welfare for work face competition for available jobs from a number of other individuals. California's job seekers include not only those leaving welfare for work, but also young people entering the labor force for the first time; the currently unemployed; individuals moving to California from other states or countries; part-time workers seeking additional hours; and discouraged workers who have grown frustrated in their attempts to locate employment and have dropped out of the labor force (Table 1). Several important considerations must be taken into account when analyzing labor market conditions in the context of welfare reform. Not every new employment opportunity will be available or suitable for individuals leaving welfare for work. Job growth is not distributed evenly throughout the state and many areas with the strongest growth also have a high cost of living. Finally, strategies that encourage employers to hire welfare recipients over other categories of job seekers run the risk of increasing unemployment among other job seekers.

AFDC households with adults likely to face time limits	656,126
Unemployed persons, not receiving public assistance	1,002,318
Employable General Assistance recipients	89,101
College Graduates (bachelors, masters, doctorate, and professional degrees, UC & CSU, does not include private higher education institutions)	105,226
Public High School graduates	272,854
Underemployed, but not unemployed, individuals	1,009,329

## ARE THERE ENOUGH JOBS?

California is currently experiencing strong economic growth. Unemployment dropped to 6.5 percent in March of this year. While still above the national average, this figure is down a full point from just a year earlier. Most sectors of the economy added jobs in the first few months of the year, with services leading other industries. Home sales, which lagged behind the rest of the economic recovery, rose to their highest level in eight years in February of this year.<sup>3</sup>

The recent boom comes on the heels of the state's deepest recession since the 1930s. Over a million jobs disappeared in the early years of the decade, largely attributable to reductions in federal defense and aerospace spending. The state has regained jobs lost during the recession. However, the recovery is distinguished by sharp regional differences and a permanent downsizing in what was once the heart of the state's manufacturing base. Many Californians have not shared in the gains of the recent expansion. Over a million Californians remain officially unemployed. Poverty rates are above the national average and the lowest earning half of California families saw their purchasing power decline between 1976 and 1994.<sup>4</sup>

Unemployment rates for segments of the population most likely to be affected by welfare reform are much higher than for the state as a whole. In 1996, the unemployment rate for women with less than a high school degree was 18.2 percent. Black and Hispanic women also had high unemployment rates, 10.7 percent and 12.3 percent respectively. Younger women were also more likely to lack a job, with a 13.6 percent unemployment rate for those between the ages of 16 and 25. Even more striking are the rates of *underemployment* -- defined as the unemployed plus discouraged and involuntary part-time workers -- for young women (24.0 percent), Black women (18.9 percent), Hispanic women (22.0 percent), and women with less than a high school degree (30.9 percent).<sup>5</sup>

## **Measuring The Demand For Labor And Estimating Occupational Replacement Needs**

Demand for workers comes from two sources: growth and separations. Growth reflects an increase in the number of jobs in the economy. Job growth is projected using information about industry employment and occupational patterns. Replacement needs -- turnover in existing jobs -- are calculated using data from the monthly Current Population Survey conducted by the Bureau of the Census and the Occupational Employment Statistics survey. Estimates of the number of new jobs plus job opportunities due to separations are typically used to forecast training needs.<sup>8</sup>

- **Growth** measures the absolute change in the number of jobs in a region. It occurs when a new firm starts a business or an existing firm expands and hires additional employees. Growth subtracts out jobs that are lost due to downsizing or firms going out-of-business.
- **Total separations** measure the flow of individuals leaving an occupation for any reason, but does not examine individuals entering an occupation. Separations are calculated by comparing the persons employed in a given occupation at different points in time. An individual's movement out of the occupation may be for any number of reasons including: promotion, transfer to a different occupation, loss of a job, attending school, leaving work to care for a family member, retirement, an extended vacation, moving out of the area, illness, or death. Individuals who change employers without changing occupations are not counted as a separation, yet individuals who leave one occupation for another within the same firm are included. Total separations measures all individuals who leave their occupation and is the largest measure of separations.
- **Net separations** estimate the number of people who leave and are not expected to return to an occupation. Net separations create replacement needs (i.e., job openings) if employment in an occupation is not declining.

In order to simplify this analysis, this *Budget Brief* focuses on job growth and competition for jobs among those currently without work. Doing so slightly understates the competition for jobs, since the estimated increase in the size of the labor market exceeds the number of available replacement jobs. It also somewhat understates the number of lower skilled jobs potentially available, since replacement job openings are, in part, created by individuals moving up to higher skilled, higher paid positions.

The number of employed Californians grew by 253,200 in 1996. Recent growth is even stronger, with average monthly employment up by 148,400 during the first four months of this year.<sup>6</sup> While all signs point to continued growth, it is unlikely that the state will continue to add jobs at the current pace indefinitely. The Employment Development Department estimates that jobs will increase, on average, by 268,850 per year through the year 2005, somewhat lower than current growth, but still representing strong economic performance.<sup>7</sup>

In addition to growth in the absolute number of jobs in the economy, employment opportunities occur when individuals move from one job to another, retire, or otherwise depart from the labor force. Net separations create an estimated 303,000 additional openings per year. However, the increase in job availability due to replacement needs will be more than offset in the short term by an estimated 310,000 person increase in the size of the labor force.<sup>9</sup>

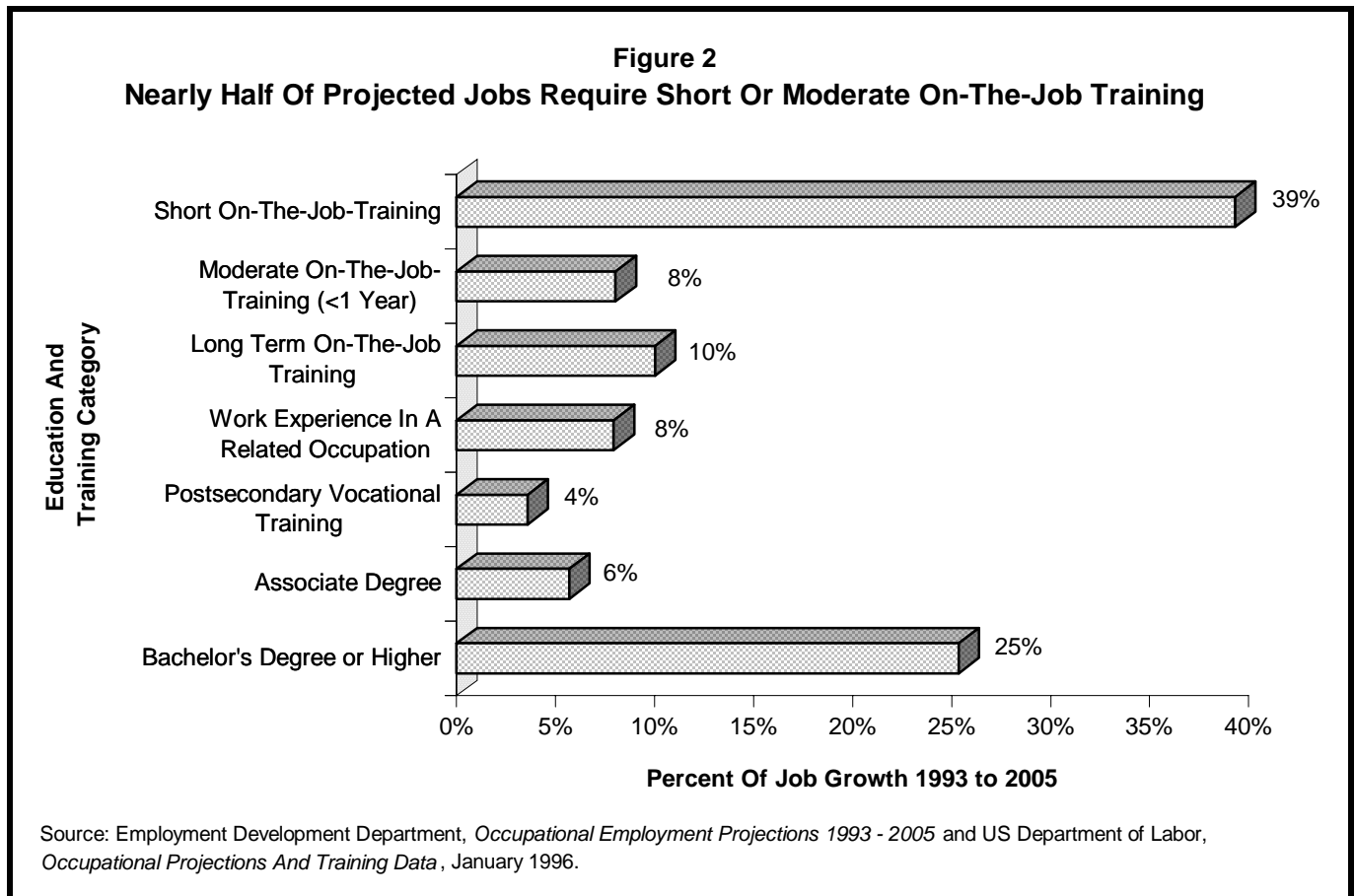
This analysis suggests that despite the vibrancy of California's recent recovery, the number of job seekers significantly outstrips the number of new jobs. Statewide, job seekers exceed the number of projected new jobs on an annual basis. While not all welfare recipients will immediately move into the

labor force, the time limits and work requirements contained in federal law and state welfare reform proposals require families to transition off assistance over a relatively short time period. Moreover, this analysis does not reflect new families that might be added to the welfare rolls due to family and economic circumstances.

Job seekers exceed available jobs in every California county except Alpine County. Competition will be particularly keen in those California communities where unemployment rates remain higher than the state average and welfare rolls also are high. In 24 California counties, ten or more job seekers compete for every projected new job in the next year, not counting high school and college graduates and new arrivals to the state. In an additional 23 counties, between five and nine job seekers will compete for every new job. A number of these counties have high seasonal unemployment rates, declining employment in the most recent year, or higher than average rates of welfare reciprocity (Figure 1).

### DO THE CHARACTERISTICS OF AVAILABLE JOBS MATCH THOSE OF THE INDIVIDUALS WHO ARE ENTERING THE LABOR MARKET?

Nearly half of the forecast job growth in the next eight years will be in occupations that require relatively low levels of education and training. Approximately 47.3 percent of California’s job growth and 54.5 percent of replacement jobs between 1993 and 2005 will be in occupations requiring short to





moderate on-the-job training (Figure 2). These jobs do not require prior experience or a specific degree. One out of four new jobs and one out of five replacement jobs demand a bachelor's degree or higher. These positions will not be immediately accessible to a majority of individuals currently receiving public assistance.

The growth in relatively low skilled positions bodes well for those hoping to leave welfare for work. Yet many welfare recipients still face significant barriers to employment. Tight labor markets and a surplus of job seekers allow employers to impose tougher standards than jobs may actually require. Among AFDC parents whose level of educational attainment is known, approximately half do not have a high school diploma or GED.<sup>10</sup> In contrast, only 29 percent of those passing through the unemployment insurance system lacked a high school degree, and only 25 percent of California women who are over 24 years of age have less than a high school degree.<sup>11</sup> In addition to relatively low levels of educational attainment, the typical welfare recipient lacks recent work experience, is younger, has more children, and is less likely to have been married compared to the average single mother not receiving welfare.<sup>12</sup> An evaluation of California's GAIN program showed, for example, that between 41 and 84 percent of the adults in the research sample had not worked in the last two years.<sup>13</sup> Finally, 30.8 percent of AFDC mothers in California report some disability that limits work.<sup>14</sup>

## DO THE AVAILABLE JOBS PROVIDE SUFFICIENT INCOME TO SUPPORT A FAMILY?

Five out of the fifteen fastest growing jobs available to individuals leaving welfare for work pay below poverty level wages (Table 2). This is true even for those who succeed at finding full time work. Ten of the fifteen California occupations with the largest projected growth paid the average full-time, entry level worker no more than \$8.00 per hour (\$1,387 per month or \$16,640 per year) in 1995, the most recent

<b>Occupation</b>	<b>Absolute Growth 1993-2005</b>	<b>1995 Median Hourly Pay</b>	<b>Where</b>	<b>Required Training/Education</b>
Waiter/Waitress <sup>a</sup>	109,830	\$4.25	Riverside	Short on-the-job
General Manager <sup>b</sup>	109,540	\$13.62	Merced	Work experience + BA or more
Retail Sales (Non-Vehicle)	104,560	\$5.50	San Francisco	Short on-the-job
Cashier	75,030	\$5.00	San Diego	Short on-the-job
General Office Clerk	64,100	\$6.00	Riverside	Short on-the-job
Instructional Aide	61,380	\$8.00	Santa Clara	Short on-the-job
Secretary	59,290	\$9.00	Sacramento/Yolo	Postsecondary vocational training
Receptionist	57,540	\$8.00	San Francisco	Short on-the-job
Food Prep Worker	55,960	\$5.00	San Mateo	Short on-the-job
Registered Nurse	45,930	\$16.72	Sacramento/Yolo	Associate degree
Janitor	45,260	\$6.63	Alameda	Short on-the-job
Systems Analyst	43,170	\$19.20	Los Angeles	Bachelor's degree
Light Truck Driver	41,830	\$7.00	Santa Clara	Short on-the-job
Sales Representative	41,240	\$10.48	Alameda	Moderate on-the-job
Maintenance Repairer	39,670	\$8.00	San Mateo	Long on-the-job

<sup>a</sup> Survey reflects wage level prior to minimum wage increase.

<sup>b</sup> Not entry level, "Experienced."

Source: Employment Development Department, *California Occupations With The Largest Projected Numerical Growth 1993-2005 and 1996 Occupational Wages And Supply/Demand*, and Bureau of Labor Statistics, *Occupational Projections And Training Data* (January 1996). Wage data are reported by county, not statewide.

year for which information is available. A general office clerk working full-time in Riverside County, for example, would earn \$1,040 per month, below the projected 1997 federal poverty threshold for a family of three and significantly less than the amount needed to pay for basic necessities (Table 3).<sup>15</sup>

<b>Table 3: WHAT DOES IT TAKE TO LIVE IN CALIFORNIA?</b>				
Family Budget For A Single Parent With Two Children				
<b>Expenditures</b>	<b>Monthly Costs</b>	<b>Annual Costs</b>	<b>**Bare Bones Monthly</b>	<b>**Bare Bones Annual</b>
Housing and Utilities	\$787	\$9,444	\$628	\$7,536
Basic Phone Service	\$17	\$204	\$17	\$204
Food At Home	\$342	\$4,100	\$342	\$4,100
Food Away From Home	\$80	\$960		
Clothing	\$25	\$300	\$15	\$180
Medical	\$177	\$2,129	\$177	\$2,129
Savings, Emergency	\$60	\$720		
Transportation	\$65	\$780	\$65	\$780
Child Care	\$829	\$9,943	\$605	\$7,263
Recreation, Reading	\$20	\$240		
Personal Care	\$25	\$300	\$25	\$300
Miscellaneous	\$70	\$840	\$50	\$600
<b>TOTAL</b>	<b>\$2,497</b>	<b>\$29,960</b>	<b>\$1,924</b>	<b>\$23,092</b>
Hourly wage needed based on full time work		\$14.40		\$11.10
<b>Sample Earnings and Taxes</b>			<b>Monthly</b>	<b>Annual</b>
Earnings for a full-time worker earning \$6.00/hour			\$1,040	\$12,480
Payroll Tax (FICA & SDI) for full-time worker at \$6.00/hour			(\$85)	(\$1,017)
Federal Earned Income Tax Credit for full-time worker earning \$6.00/hour with 2 children			\$281	\$3,373
<b>TOTAL</b>			<b>\$1,236</b>	<b>\$14,836</b>

For many, the wages from full-time work fail to cover basic necessities. A full-time worker earning \$6.00 per hour, for example, could choose between spending 58 percent of her income on child care for two children or 49 percent of the family's income for rent and utilities in a one-bedroom apartment based on costs in the Sacramento area.<sup>16</sup> In many urban areas, both rent and child care costs are even higher, leaving many families unable to make ends meet. Among the four jobs expected to post the largest growth that typically pay more than \$10.00 per hour, three require either a bachelor's degree or associate degree.

Moreover, many of the fastest growing occupations and industries frequently offer part-time or temporary work and often lack basic benefits. Workers in retail trade can expect to work an average of 30.7 hours per week at less than \$10 per hour.<sup>17</sup> Workers in the service sector, California's fastest growing industry, work an average of 32.4 hours per week, nationwide.<sup>18</sup> In addition, low wage workers are more likely to lack health coverage than either higher paid workers or the nonworking poor. Six out of ten working poor families in California lack health coverage.<sup>19</sup> Similarly, participants in Riverside County's GAIN program, frequently cited as a model for future welfare-to-work programs, earned an average of \$5.78 per hour and worked an average of 32 hours per week and only 28 percent found jobs providing health insurance.<sup>20</sup>

## CONCLUSION

California policymakers face the challenge of creating a welfare system that moves poor families from welfare and toward self-sufficiency. If these efforts are to succeed, the realities of the labor market cannot be ignored: an ample number of jobs must be available, job seekers must have the skills and knowledge to qualify for available jobs, and individuals must earn sufficient income to support a family. In order for welfare reform to succeed at moving families not only off assistance, but out of poverty, a comprehensive strategy involving training and education, income support, child care, and other services will be needed.

Although the California economy has finally emerged from a long and deep recession, the number of job seekers exceeds available jobs. As a result, some number of those on welfare are unlikely to find work no matter how hard they try and others will be unable to make ends meet on their earnings from work. The uncertainties of the job market suggest the need for policymakers to consider a range of options when implementing the time limits and work requirements contained in the new federal welfare law.

Welfare reform offers policymakers considerable flexibility to design programs that encourage work while insuring that those who attempt to find work, but fail, are not left without an income. State policies should strive to promote work, while ensuring that families are able to provide for basic needs. Options available for consideration include:

- Enhancing earnings disregards to provide an incentive for families to combine welfare and work and help offset costs that accompany employment, such as transportation, child care, and clothing. States can use their own funds to provide assistance for families that receive a reduced grant in addition to earnings from work. By doing so, months where families mix work and aid don't count toward federal time limits. The state can, however, count amounts spent on assistance toward the federal maintenance-of-effort requirement.
- Providing extensions for families that obtain work but who later become unemployed for good cause and reach their time limits. Research suggests that many individuals leaving welfare for work will cycle on and off assistance and that many jobs available to entry level workers are less stable, seasonal, or temporary positions. Instability is likely to be particularly acute in the event of an economic downturn.
- Taking the diversity of local job markets into account when devising policies to implement time limits and work requirements. Jobs will be harder to find in areas with persistent unemployment

### **Does The Poverty Threshold Accurately Reflect The Cost of Living?**

How much does it cost for a family to meet basic needs? The federal poverty threshold is based on family size and is indexed annually for inflation. It attempts to measure the level of family resources necessary to achieve a minimally adequate standard of living.<sup>21</sup> However, analysts raise a number of concerns with the current definition of poverty, which has not changed substantially since 1965. Among their concerns is the fact that the poverty threshold fails to adjust for regional variations in the cost of living and changes in work and family patterns. A more relevant measure of a family's basic standard of living would consider actual median rent prices, child care, and other costs specific to a region.

The California Budget Project (CBP) developed a measure designed to estimate what a working single parent family with two children must earn to achieve a "bare bones" standard of living. CBP's budget is based on the actual cost of essentials such as rent, food, child care, and transportation. Based on this standard, a family of three requires an income of at least \$1,924 per month to achieve a minimal standard of living.

and slower job growth. Encouraging families to move to areas with greater opportunities may work for some, but housing and child care costs are highest in areas where jobs are most plentiful.

Finally, the need for a safety net to protect those families who fail to find employment remains. These protections will be particularly important during future downturns in the economy when unemployment rises and job opportunities decline.

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## Endnotes

<sup>1</sup> For a more detailed review of the new federal welfare law, please refer to the California Budget Project's *Budget Brief "Federal Welfare Reform: What Does It Mean For California?"* (January 1997).

<sup>2</sup> Not all of the individuals listed will immediately seek employment. The reported figures exclude graduates from private high schools and colleges, which increases the number of potential job seekers. The definition of underemployed used in Table 1 includes discouraged workers, involuntary part-time workers, and persons not working due to lack of child care, transportation, or other factors. The numbers of AFDC households and General Assistance caseloads are based on the 1996 annual average, calculated by the California Budget Project from California Department of Social Services, *Public Welfare in California* (1996); *Aid to Families with Dependent Children (FG/U) Cash Grant Caseload Movement and Expenditures Report*; and *General Relief and Interim Assistance to Applicants for SSI/SSP Monthly Caseload and Expenditures Statistical Reports*. The number of AFDC adults who will need to work excludes child-only and cases with a disabled parent or child (9.6 percent of all cases). States can exempt up to 20 percent of their caseload from the federal time limit. This analysis does not assume that the state exempts 20 percent of its caseload from time limits as allowed by federal law. Unemployment is the annual average unemployment for 1996 (1,126,200) minus individuals receiving public assistance. The estimate of the double count of public assistance recipients and the unemployed comes from an Employment Development Department (EDD), Labor Market Information Division presentation to Workgroup 2A of the Joint Welfare Reform Committee, March 17, 1997. EDD estimates that 11 percent of the individuals counted as unemployed are receiving either AFDC or General Assistance. The number of employable General Assistance recipients is based on an estimate of 58 percent for Los Angeles County reported in the Legislative Analyst's Office, *A Look at General Assistance in the Context of Welfare Reform* (October 10, 1996). Los Angeles County accounts for approximately 60 percent of the statewide General Assistance caseload. The number of college degrees awarded is for 1995-96 from California Postsecondary Education Commission, *Student Profiles 1997* (January 1997). The number of high school graduates is a projection for 1997-98 from the Department of Finance, Demographic Research Unit, *California Public K - 12 Enrollment And High School Graduate Projections By County* (October 1996). The number of underemployed persons comes from an unpublished analysis of Current Population Survey data provided by the Economic Policy Institute.

<sup>3</sup> State of California, Department of Finance, *California Economic Indicators March - April 1997* (<http://www.dof.ca.gov>).

<sup>4</sup> Personal communication from Deborah Reed, based on the analyses presented in Deborah Reed, Melissa Glenn Haber, and Laura Mameesh, *The Distribution Of Income In California*, Public Policy Institute of California (July 1996).

<sup>5</sup> Economic Policy Institute (EPI) analysis of the Current Population Survey for California, 1996. Underemployment includes the unemployed plus discouraged workers (those who looked for work during the past year, but stopped due to lack of job prospects), involuntary part-time workers, and those who lack work due to child care, transportation or other constraints. Average unemployment for 1996, as reported by EPI, was 7.3 percent.

<sup>6</sup> Employment Development Department, *Civilian Labor Force, Employment, and Unemployment -- Updated May 16, 1997 seasonally adjusted data*.

<sup>7</sup> Employment Development Department, Labor Market Information Division presentation to Workgroup 2A of the Joint Welfare Reform Committee, March 17, 1997.

<sup>8</sup> US Department of Labor, Bureau of Labor Statistics, *Occupational Projections and Training Data, Chapter IV. Estimating Occupational Replacement Needs*, Bulletin 2471 (January 1996).

<sup>9</sup> Legislative Analyst's Office, *Comparison Between Growth in Labor Force And Growth in Jobs* (April 14, 1997). The LAO estimates that 613,000 individuals will enter the labor force and 303,000 will leave due to separations, leaving a net increase in the size of the labor force of 310,000. Over the same period, the LAO forecasts job growth due to economic factors of 350,000 per year.

<sup>10</sup> Department of Social Services, *AFDC Characteristics Survey* (April 1994).

<sup>11</sup> Educational attainment of persons passing through unemployment insurance system from unpublished Employment Development Department figures on educational attainment of unemployment insurance beneficiaries. Educational attainment of California women is from Institute for Women's Policy Research, *The Status Of Women In California* (1996).

<sup>12</sup> Sheldon Danziger and Jeffrey Lehman, "How Will Welfare Recipients Fare In The Labor Market?", *Challenge* (March-April 1996).

<sup>13</sup> James Riccio, Daniel Friedlander, Stephen Freedman, *GAIN: Benefits, Costs, And Three-Year Impacts Of A Welfare-To-Work Program*, Manpower Demonstration Research Corporation, Table 1.1, (September 1994) p. 18. The sample included adult AFDC-FG recipients.

<sup>14</sup> Marcia K. Meyers, UC DATA, University of California at Berkeley, *Characteristics, Welfare Use, and Material Hardship Among California AFDC Households with Disabled and Chronically Ill Family Members* (March 10, 1996).

<sup>15</sup> Employment Development Department, *1996 Occupational Wages And Supply/Demand*. Wage survey data by occupation and county. Example cited is for a general office clerk in Riverside County.

<sup>16</sup> Assumes full-time care for a child under two and after-school care for a child between the age of six and eight.

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<sup>17</sup> Employment Development Department, *Average Hourly Earnings In Non Agricultural Industries and Average Weekly Hours In Non Agricultural Industries*, data for December 1996.

<sup>18</sup> Bureau of Labor Statistics, *Average Weekly Hours Of Production Or Nonsupervisory Workers On Private Nonfarm Payrolls By Industry*, data for January 1997 (April 3, 1997). Seasonally adjusted.

<sup>19</sup> California Budget Project, *Working, But Poor, In California* (September 1996), p. 21.

<sup>20</sup> James Riccio, Daniel Friedlander, Stephen Freedman, *GAIN: Benefits, Costs, And Three-Year Impacts Of A Welfare-To-Work Program*, Manpower Demonstration Research Corporation (September 1994), p.168-170.

<sup>21</sup> Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, DC: National Academy Press, 1995).