



Find the full report at
[www.ers.usda.gov/
publications/fanrr40](http://www.ers.usda.gov/publications/fanrr40)

Moving Public Assistance Recipients Into the Labor Force, 1996-2000

Kenneth Hanson and Karen S. Hamrick

Moving public assistance recipients into jobs is one goal of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Because public assistance recipients tend to find jobs in low-skill occupations, the success of PRWORA relies heavily on the labor market conditions for low-skill workers.

What Is the Issue?

The growing U.S. economy of the late 1990s generated many new jobs and, in particular, jobs in low-skill occupations. The influx of public assistance recipients into the labor force affected economic growth and also the wages and employment opportunities of other low-skill workers. These "spillover effects" are important indirect results of a welfare-to-work policy and are important to understand. It is also important to determine how a recession versus economic growth may affect low-skill labor market conditions and public assistance.

What Did the Study Find?

Unintended consequences occur. The influx of public assistance recipients into the labor force between 1996 and 2000 resulted in about 2.4 million new workers. This influx accounted for 18 percent of employment growth and 1 percentage point of real gross domestic product (GDP) growth during that time. It also put downward pressure on wages for low-skill occupations. Wage growth was reduced by 2.5 percentage points to 4.4 percent, versus 6.9 percent that the authors estimate would have occurred without the influx.

The influx adds to overall economic expansion. When the increase in labor supply from the movement of public assistance recipients into the workforce occurs during a period of economic expansion, the increase contributes to the economic growth.

How Was the Study Conducted?

The authors focused on participants in the Food Stamp Program (FSP) and Aid for Families with Dependent Children (AFDC) or Temporary Assistance for Needy Families (TANF), and on low-skill jobs. AFDC is the welfare program that was in place before 1996. PRWORA replaced AFDC's entitlement program with TANF, which has a "work first" focus. The FSP and AFDC/TANF are the two assistance programs whose caseloads are most influenced by labor market conditions and both have been affected by the PRWORA welfare-to-work component. Only a small share of the FSP caseload has been

ERS is the main source of research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

directly affected by work requirements, but indirectly much of the caseload is affected because TANF participants who leave that program to work either leave the FSP as well or change their work status while continuing to participate in the FSP.

A computable general equilibrium (CGE) model focusing on low-skill jobs and workers was used to analyze the labor market impact of public assistance recipients moving into the workforce. A CGE model is an economywide computer simulation model that captures the economic interactions among households, producers, and government. One major contribution of a CGE model is its comprehensive look at the impact of policy change on the economy, as it works through the various linkages among the economic entities. Three types of scenarios were analyzed through the CGE model: (1) increase in labor supply from recipients of public assistance joining the labor force; (2) recession; and (3) economic growth. Each scenario focused on the low-skill labor markets, and various sets of scenarios were developed for sensitivity analysis.