

How Did the 2001 Recession Affect Single Mothers?

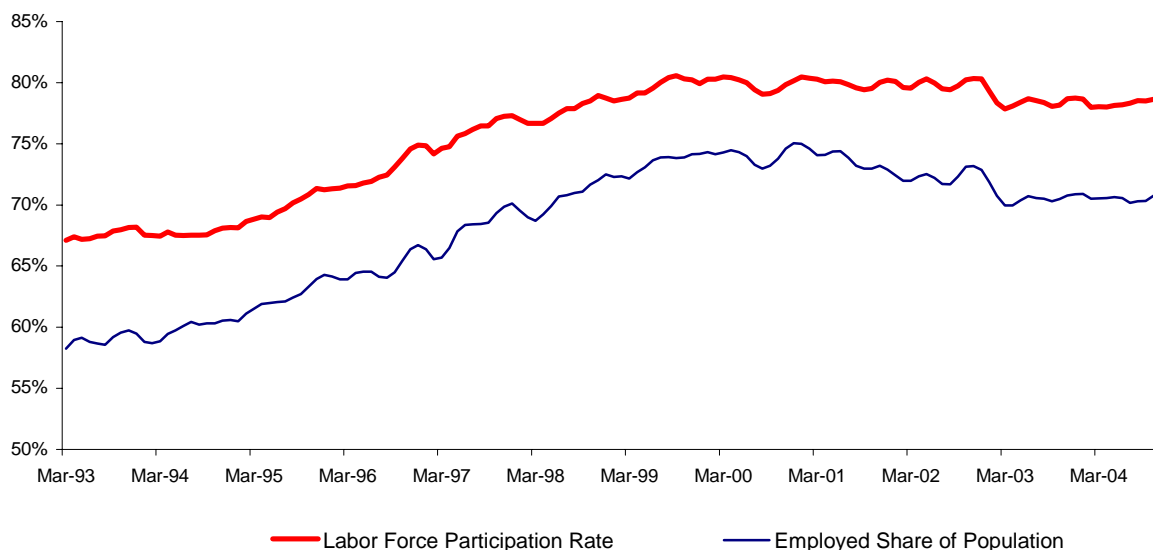
When Congress passed welfare reform legislation in August 1996 that imposed tough work requirements and time limits on recipients, the bill's advocates and opponents debated whether current and potential welfare recipients would be able to find and keep jobs. Many worried that the millions of relatively unskilled single parents entering the workforce would simply add to unemployment among low-skilled workers and leave single parents with no income source. Fortunately, the new law coincided with an economic boom that depressed unemployment rates to their lowest levels in three decades. Together, welfare legislation and rapid job growth from 1996 through 2000 boosted the number of single mothers in the labor force by 830,000 and the number of single parents holding jobs by 1.1 million. In short, enough jobs materialized to absorb not only all the added single mothers who entered the job market but also 300,000 single mothers who had been in the job market but were unemployed.

Surprisingly, the dramatic growth in single-mother employment did not drive down wages. In fact, over the 1996–2000 period, real hourly wages of single mothers increased by 10 percent at the median level (from \$9.64 to \$11.22 in 2004 dollars) and by 14 percent for single mothers at the 25th percentile (from \$7.01 to \$8.00).

The weakening economy and job losses after late 2000 posed a tough challenge for welfare reform's employment strategy. Would single mothers' employment gains evaporate or not? Would wages erode as labor demand declined? Have the recent increases in total employment translated into added jobs for single parents? To answer these questions, the Urban Institute tabulated labor force and wage trends among single mothers based on the monthly Current Population Surveys (CPS) collected by the U.S. Census Bureau.

The results show a mixture of good news and bad. As Figure 1 shows, the employed share of

Figure 1: Single Mothers See Job Losses during Recession but Retain Most Gains since 1993 in Employment and Labor Force Participation



Source: Urban Institute tabulations of Census Bureau data, 2005.

single mothers dropped by almost 5 percentage points from its peak of nearly 75 percent in November and December 2000 to about 70 percent in March and April 2003. However, single mothers did retain most of their post-welfare reform gains in employment. Even though the national unemployment rate was much higher in June 2003 (6.5 percent) than when the new welfare legislation passed in August 1996 (5.1 percent), the proportion of single mothers holding jobs was 70 percent in June 2003, but only 64 percent in August 1996.

Still, the decline in employment led to a sharp increase in the unemployment rate of single mothers. Unemployment rates rose from a low of about 6.5 percent in mid-2000 to a high of about 10 percent in mid-2003. Most mothers no longer holding jobs continued to look actively for work and thus were counted as unemployed instead of outside the labor force. Put another way, the labor force participation rates of single mothers remained relatively constant over the 2001–2002

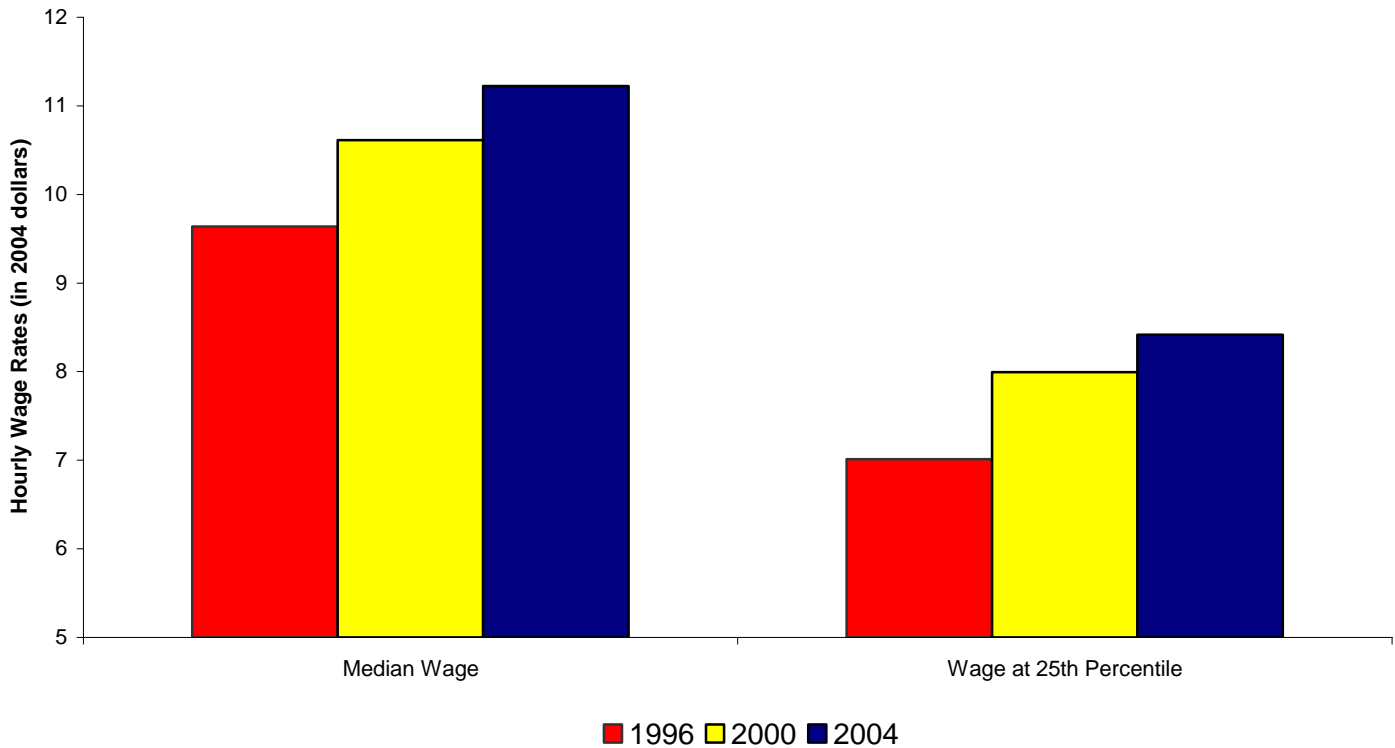
recession.

Recent figures indicate only a modest improvement in single-parent employment. As of fall 2004, 71 percent of single mothers held jobs, 3 points below the 74 percent figure for fall 2000 and only slightly higher than the 70 percent figure for fall 2003.

The record on wage rates makes for somewhat better news. Single mothers' real wages continued to increase during the 2000–2004 period, albeit more slowly than during the 1996–2000 period (Figure 2). Single mothers at the 25th percentile of the wage distribution saw their real wages rise by about 5 percent over the past four years, compared with 14 percent from 1996 to 2000.

Overall, though the weak labor market of 2001–2003 retarded some of the economic progress single mothers enjoyed during the preceding years, employment and wage levels of single mothers nevertheless remained well above 1996 levels.

Figure 2: Wage Growth for Single Mothers Continues but at Slower Pace during 2000–2004



Source: Urban Institute tabulations of Census Bureau data, 2005.

For more information about the Monitor or to discuss its findings with its author, Robert Lerman, please call the Urban Institute Office of Public Affairs at (202) 261-5709. The Urban Institute is a nonprofit, nonpartisan policy research and educational organization that examines the social, economic, and governance challenges facing the nation.