

Figure 1 Notes:

Labor force participation data for 1979-97 come from the CPS, Outgoing Rotation Group. "Female heads" (FH) are female heads of household, with other relatives present in the household, who are also ages 16-44 and have less than 16 years of education. This is the closest to the group "less-educated single mothers" that can be defined consistently from 1979-97 for the CPS-ORG. "Less educated females" (LEF) is all females, ages 16-64, with less than 16 years of education, except for female heads. The calculated means use CPS-ORG weights. The welfare reciprocity rate is the number of welfare recipients for that fiscal year as a percent of the U.S. population for that calendar year. These figures come from the U.S. Department of Health and Human Services. 1998 figures for the welfare reciprocity rate are based on June 1998 welfare recipient numbers and population. Labor force participation rate scale is on the left axis, the welfare reciprocity rate scale on the right hand axis.

Figure 3: Percentage Impacts of Welfare Reform on Average Wage Rate and Unemployment Rate for Entire Labor Force

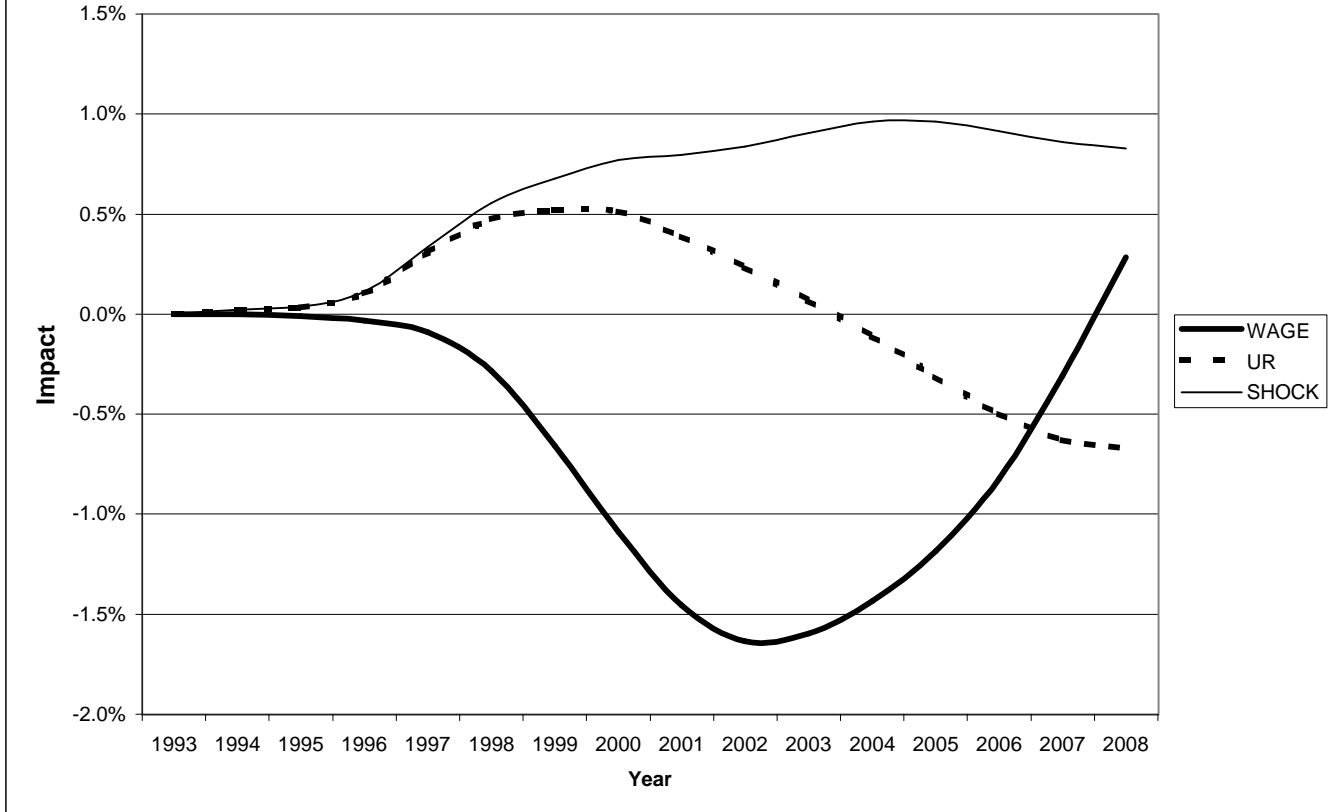


Figure 3 Notes:

Figure shows effects, in percentage terms, of welfare reform shock from “best forecast” of Table 2, on average overall $\ln(\text{wage})$ (multiplied by 100) and unemployment using wage curve model. (Unemployment rate is actually defined in model as $\ln(\text{labor force}) - \ln(\text{employment})$, so effects on unemployment are also multiplied by 100 to get percentage effects.) For comparison, welfare reform shock is shown as percent of overall labor force. Model shock assumes labor force without welfare reform will follow 1989-97 trends after subtracting out welfare reform shock. Overall unemployment rates are assumed to follow, after welfare reform, the same scenario as is assumed in deriving “best forecast” described in Table 2. Preliminary simulations enabled baseline unemployment rates without welfare reform to be derived. Baseline unemployment rates for each of 5 groups are derived by regressions of each group’s unemployment rate on national unemployment, with estimates adjusted to ensure that labor-force weighted unemployment rates sum up to overall unemployment rate.

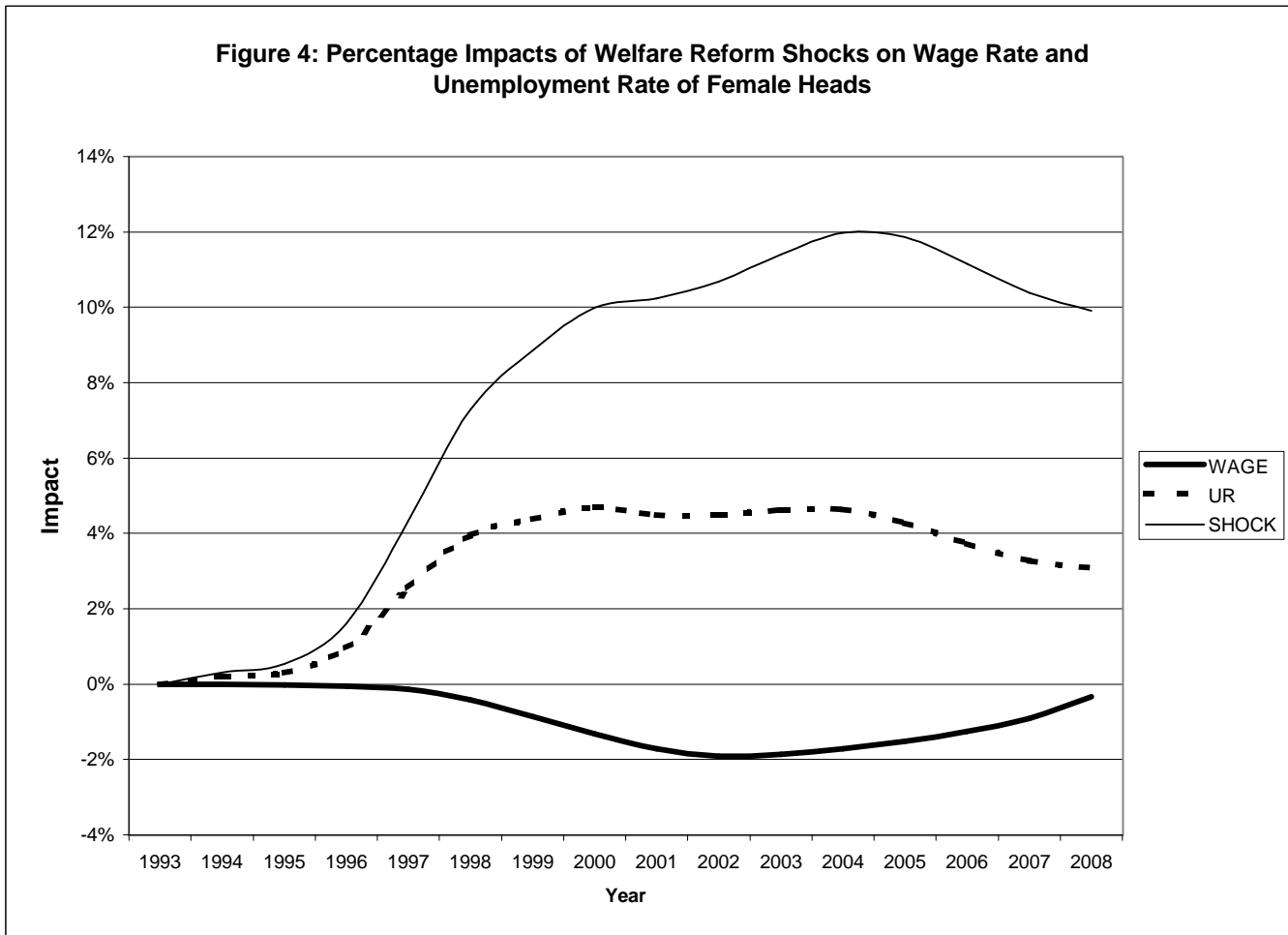


Figure 4 Notes:

Derived from same wage curve model as figure 3, except focuses on labor market effects for female heads. Effects on logarithmic variables are multiplied by 100 to get effects in “percentage” terms. For comparison, figure also reports labor supply shock on female heads as percentage of baseline labor force of female heads.

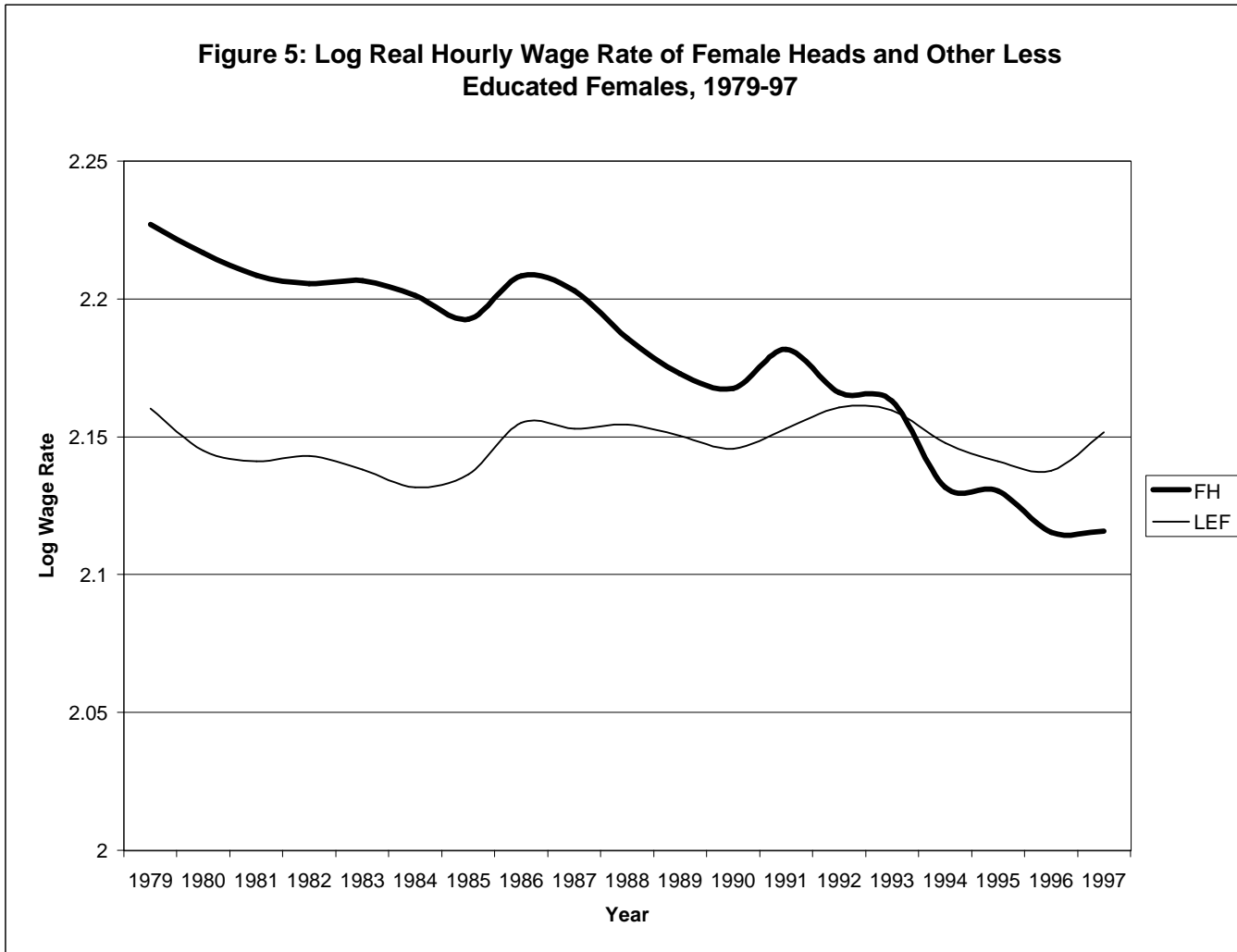


Figure 5 Notes:

For definition of female heads group and other less educated females group, see notes to figure 1. Wages are deflated to 1996 dollars using the CPI-UX1. Wages are calculated from the CPS-ORG. Wages are calculated by dividing weekly earnings by weekly work hours. Individual observations are excluded from calculating national means if the earnings or hours data are imputed by the Census Bureau, or if the wage rate is an “outlier”. Outliers are wage rates less than one dollar per hour or more than \$100 per hour in 1979 dollars, or wage rates greater than \$40 per hour when weekly work hours are less than or equal to ten hours. The calculations of means use CPS-ORG “earnings weights.”

Figure 6: Unemployment Rates of Female Heads and Other Less Educated Females, 1979-97

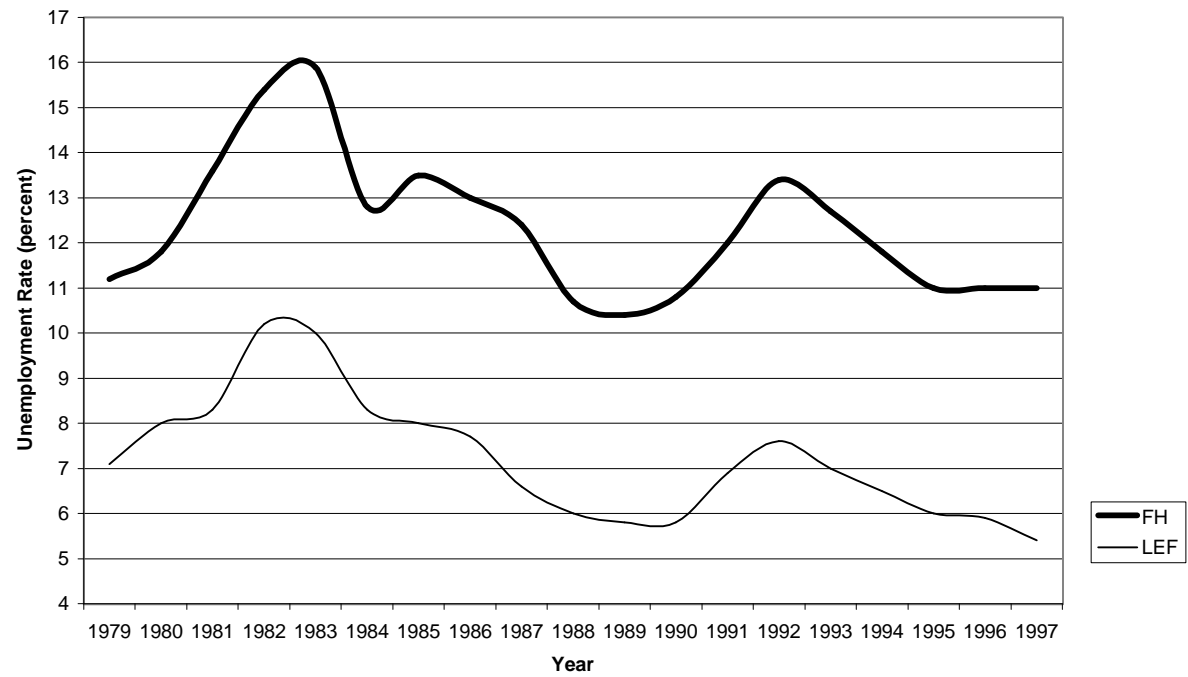


Figure 6 Notes:

For group definitions, see Figure 1. Data are weighted U.S. means from CPS-ORG.