

Left Behind or Staying Away? Eligible Parents Who Remain Off TANF

Sheila R. Zedlewski

Of all individuals eligible for Temporary Assistance for Needy Families (TANF), only about half participate. That rate makes for the lowest estimated take-up in decades (US DHHS 2002). Participation in Aid to Families with Dependent Children, TANF's precursor, stayed fairly steady at about 85 percent in the 1980s and early 1990s. Just before the 1996 reforms, take-up started to drop. By 1999 (latest available data), just 52 percent of qualifying families participated.

In the welfare reauthorization debate, many observers have declared the sharp caseload decline a sure sign of success. But the lighter load partly reflects shrinking participation among those who qualify for assistance. Some state welfare leaders sense that fewer disadvantaged families are coming to the welfare office. They also worry that some very poor families may abandon the application process because of its increased complexity. Families that skip significant cash benefits lose out on income and welfare services that could help them find jobs and gain earnings.

Some eligible families have always steered clear of welfare. In the 1980s, as caseloads soared, researchers explored the reasons behind individuals' decisions to participate. According to their findings, two factors played an important role: potential benefit levels and the benefit reduction rate (the benefits a recipient stands to lose with each additional dollar of earnings).¹ Generally, as benefit levels declined, individuals were less likely to participate. Similarly, as earnings shrunk the amount of benefits a family qualified for, participation fell. Other factors, such as

age, education, health, and family characteristics, also proved significant. Indeed, older individuals, less-educated individuals, and those with health problems were more likely to participate. Black families, families with more children, and those living outside the South also had higher take-up rates in the 1980s. Most of these models of welfare participation also included a factor approximating stigma or transaction costs, which depressed participation.

Although instructive, these findings reflect participation decisions before TANF. New program features may affect how much the findings apply to families that qualify for TANF. Time limits, by eliminating the benefit entitlement, may discourage many who are not in dire circumstances from enrolling. States also use strategies that divert enrollment. For example, many require individuals to document job searches, either before or while applying for benefits, or offer applicants a one-time cash payment in lieu of program enrollment (38 states use at least one of these types of diversions; 6 of them use both). State TANF policies that require a family to begin work activity as it soon as it enters the program may also discourage participation.

Other features of TANF might encourage participation. For example, the more generous earned income disregards adopted by many states allow families to keep more earnings while receiving reduced welfare payments. However, in most states the benefit time limit offsets this incentive, because families receiving a reduced benefit still use time on their benefit clocks. Thus, families must decide

State welfare programs need to ensure that diversion strategies and messages about welfare do not screen out some of the neediest families.

whether a small benefit check is worth using up future benefit eligibility.

These changes in welfare may have altered the characteristics of nonparticipating families. For example, diversion strategies may discourage the hardest-to-employ, in particular, from applying. TANF's earnings incentives may increase the number of working (and better-off) applicants. The declining participation rate tells us that something in welfare programs has changed: either more families are eligible for small cash benefits (which families see as too minimal to pursue, depressing the average participation rate) or more families with real needs are staying away from the welfare office.

To explore these questions, this brief compares the characteristics of qualifying nonparticipant single-parent families—the group primarily eligible for and receiving assistance²—with families that do participate. It begins by estimating whether nonparticipants forfeit large benefits, finding that a significant share (43 percent) would receive \$500 or less a year—a fairly small amount. But a sizeable share (37 percent) qualifies for moderate benefits (\$500–\$1,000), and a fair portion (20 percent) are eligible for \$1,500 or more. From 1996 to 1998, the share of parents qualifying for \$500 or less has stayed about the same.

Next, the profile of characteristics reveals that family circumstances and other factors differ in the various benefit categories. Most notably, by some measures, nonparticipating parents in the medium-benefit category appear better off than their participating counterparts. In addition to having fewer barriers to work, they tend to have fewer children and live with more adults. By contrast, nonparticipants and participants in the high-benefit category have similar personal characteristics. But nonparticipants in both the medium- and high-benefit categories tend to have greater family economic resources than participants.

These findings should ease worries that all qualifying families that do not enroll in TANF are falling behind. But they should not eliminate concern: 17 to 34 percent of single nonparticipating parents would gain significant income and services by enrolling in TANF. Many of these families are poor and have significant barriers to employment. Especially with economic growth flagging, state welfare programs

need to ensure that diversion strategies and messages about welfare do not screen out some of the neediest families.

Data and Methods

The analysis draws on data from the 1997 and 1999 National Surveys of America's Families (NSAF). The NSAF reports the previous year's income (1996 and 1998).

To determine eligibility, we apply each state's detailed rules to individual family data. The state rules were adapted from the TRIM3 model and the Welfare Rules Database.³ Eligibility estimates are monthly, since many families qualify for benefits for part of the year. To derive monthly figures, the analysis estimates the distribution of earnings across the year using a range of NSAF data, including usual hours of work, total weeks of work during the year, and unemployment spells. We estimate eligibility for both 1996 and 1998; because eligibility and family characteristics proved similar, the analysis focuses on the more recent year.

We use the NSAF's TANF participation data, as reported by survey respondents, to define the population eligible for and receiving benefits. While the NSAF underreports TANF participation (as do other household surveys), its data largely match administrative data (see Zedlewski and Alderson 2001). Comparisons of reported participation with administrative data also show that most nonreporters qualify for smaller benefits than other eligible single parents, suggesting that some respondents simply forgot to report a small benefit received a year ago.

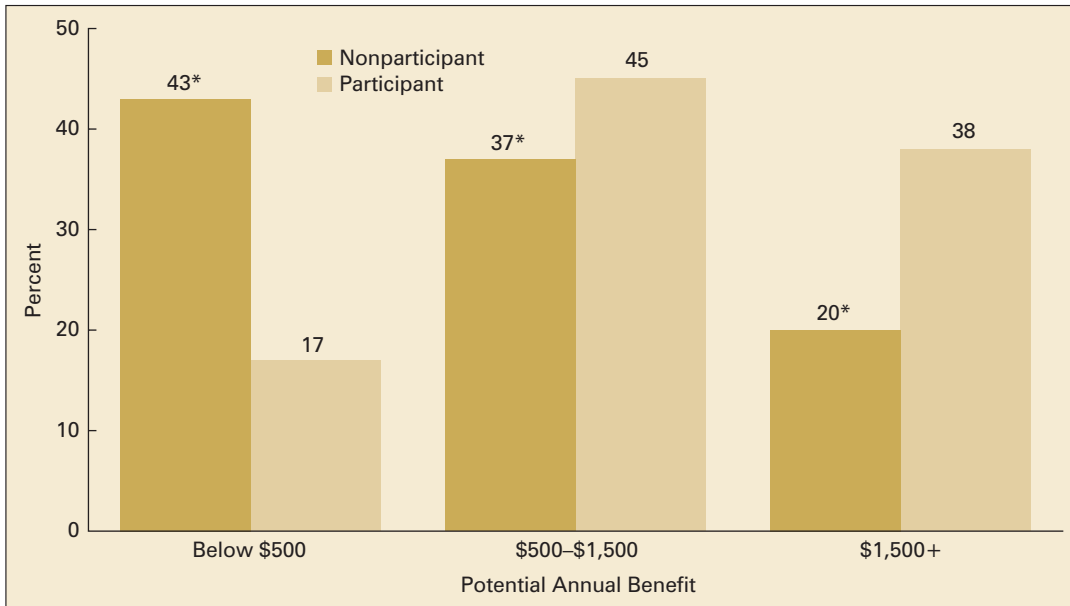
The results primarily focus on single parents eligible for relatively significant benefits (\$500 or more per year)—the group more likely to report these benefits. The results may include some eligibles that received TANF but failed to report the income. A relatively small share of nonreporters, however, likely qualified for \$500 or more.

Nonparticipants: Lower Benefits for Shorter Periods

Nonparticipating single-parent families tend to qualify for smaller TANF benefits than participating families (figure 1). Among nonparticipants, 43 percent qualified for less than \$500 in 1998, compared

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FIGURE 1. Annual Benefit Eligibility for TANF-Eligible Single Parents, 1998



Source: Author's calculations based on NSAF data.

*Significantly different from participant counterparts at the 90 percent confidence level or higher.

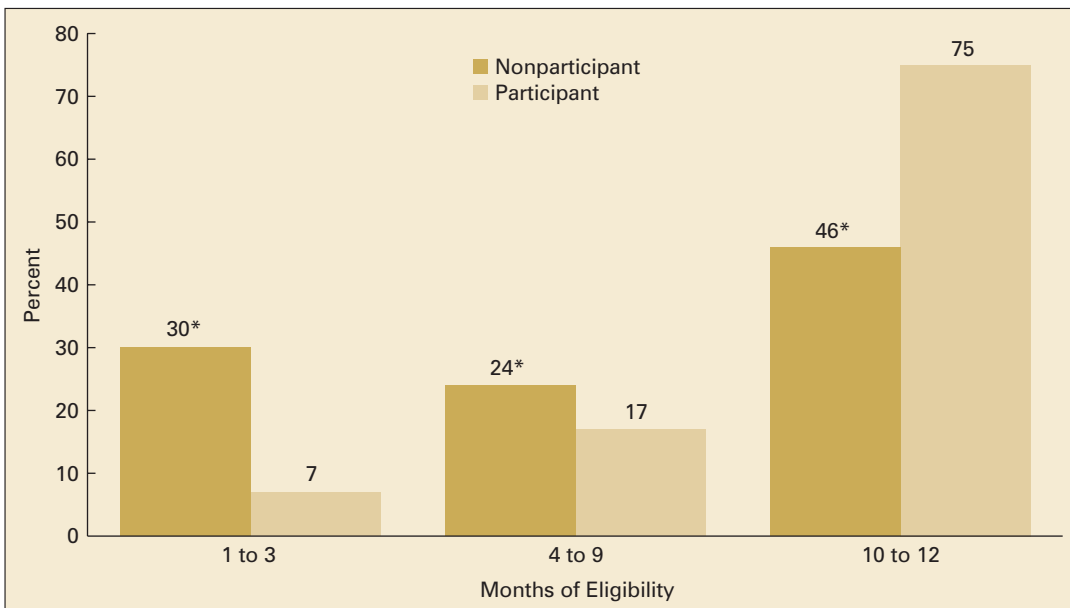
with only 17 percent of participating families.⁴ Still, 20 percent of nonparticipating families forfeited at least \$1,500 per year in benefits.

Nonparticipants also tend to qualify for benefits for fewer months during the year (figure 2). About half the nonparticipants could participate for 10 to 12 months, compared with three-quarters of partici-

pants. Families eligible for only a few months of benefits are less likely than other families to apply for benefits.⁵

The distributions of potential benefits, months of eligibility for nonparticipants and participants, and characteristics of eligible nonparticipants are similar in 1996 and in 1998 (not shown in the figure).⁶ These similarities suggest that the lower

FIGURE 2. Annual Months of Eligibility for TANF-Eligible Single Parents, 1998



Source: Author's calculations based on NSAF data.

*Significantly different from participant counterparts at the 90 percent confidence level or higher.

overall TANF participation rate in 1998 (56 percent) versus 1996 (79 percent) does not reflect lower average annual benefit eligibility (which could depress participation). Because of the similarities, our analyses of personal characteristics, family income, and estimated participation gains focus on the results from the 1999 NSAF.

Personal Characteristics of Nonparticipants and Participants

Nonparticipants' personal characteristics differ from participants in several ways. These differences are more pronounced in the medium-benefit category (\$500–\$1,500 per year) than in the high-benefit category (\$1,500 or more).⁷ Table 1 shows the personal characteristics of both nonparticipants and participants qualifying for at least \$500 in TANF benefits a year. The following sections summarize how these nonparticipants differ from the participating groups.

Family Structure

The number of children appears to factor into participation decisions. Qualifying families with fewer than three children are less likely to participate than other qualify-

ing families. About three out of ten nonparticipating single mothers with benefits of \$500 to \$1,500 per year have three or more children, compared with almost half the mothers in the participating group.

Nonparticipants in both benefit groups are also more likely than participants to live with other adults (including partners and nonpartners). For example, almost twice as many nonparticipants in the high-benefit group live with a nonpartner adult (40 percent versus 23 percent). (Of course, these differences in family structure may also translate into differences in nonparticipants' and participants' family incomes.)

Work Barriers

In the medium-benefit category, nonparticipating parents are significantly less likely to have barriers to employment than their participating counterparts. For example, about half as many medium-benefit nonparticipants report having very poor mental or physical health (21 percent compared with 38 percent of participants). This difference does not show up for families qualifying for high benefits. These results suggest that poor health can prompt those eligible for moderate benefits to participate. But

TABLE 1. Personal Characteristics of TANF-Eligible Single Parents, 1998–99 (percent)

Characteristics	Medium Benefit		High Benefit	
	Nonparticipant	Participant	Nonparticipant	Participant
Family structure				
Has an infant	18	13	19	17
Has 3+ children	29*	48	21*	41
Lives alone	40*	58	36*	56
Lives with partner ^a	26*	12	23	20
Lives with other adults	34	26	40*	23
Barriers to work				
Very poor health	21*	38	25	27
Did not finish high school	32	39	44	48
Has not worked in 3+ years	10*	22	29	35
Other				
Age over 35	31*	20	37	30
Black	27*	57	26	32
Hispanic	28*	12	41*	22
Reports that "welfare reduces work"	63*	51	53	56
Total persons (thousands)	(1,105)	(647)	(576)	(536)

Source: Author's calculations based on NSAF data.

Note: Medium benefit = \$500–\$1,500 per year; high benefit = \$1,500 or more per year.

a. May also live with other adults.

* Significantly different from participant counterparts at the 90 percent confidence level or higher.

high-benefit eligibility, regardless of health status, appears to be enough to result in participation. Notably, one-quarter of the high-benefit nonparticipant group reports very poor health. This result raises concerns about whether serious health problems limit some parents' ability to apply for benefits.

Education and Work Experience

Participants and nonparticipants have similar education levels. A considerably larger share of the medium-benefit nonparticipant group recently worked (only 10 percent of nonparticipants have not worked in three or more years, compared with 22 percent of the participants). This difference is not evident for the high-benefit group.

Age, Race, and Attitudes

Nonparticipants tend to be older than participants in both the medium- and high-benefit groups, although the difference is not statistically significant in the high-benefit category. This result, which runs counter to earlier studies, may reflect shorter spells of welfare receipt among older mothers, owing to the strong labor market and greater work incentives.

Race also differs between nonparticipants and participants in the medium-benefit category: A significantly smaller share of medium-benefit nonparticipants are black (27 percent compared with 57 percent of participants). This difference is not evident among those eligible for higher benefits. However, nonparticipants are more likely to be Hispanic in both the medium- and high-benefit categories. Most legal immigrants that entered the country after the passage of the 1996 welfare reforms do not qualify for TANF. While this change would not apply to a large share of Hispanic families eligible for benefits in 1998, it may have influenced their participation decisions. Fix and Passel (2002) argue that confusing rules about who qualifies for benefits, and fears about the legal consequences of needing assistance, have depressed participation among legal immigrants.

Nonparticipants and participants in the medium-benefit group also have different attitudes toward welfare. About 63 percent of the medium-benefit nonparticipants agree with the statement, "welfare makes

people work less than they would if there wasn't a welfare system," compared with about 50 percent of the participating group. These results suggest that stigma plays a role in welfare participation for those in the medium-benefit category.

Economic Status of Nonparticipants and Participants

Families' economic status, especially the broad family income picture, plays an important role in their decision to participate in TANF.⁸ Table 2 shows the characteristics of nonparticipants and participants by two definitions of family income—"TANF-unit income" and "social family income." The first definition parallels the standard welfare office's income measure and includes only the income of parents and their children under age 18. The second tallies the cash income reported by all persons living together related by blood, marriage, or adoption and the cash income of the reported partner of the adult responsible for the family's children.⁹

The results show that TANF-unit incomes are higher for nonparticipants than for participants in the medium- and high-benefit categories, with a smaller share having TANF-unit incomes below 50 percent of the poverty level. The results also reveal, however, that most nonparticipants in the high-benefit category (69 percent) have extremely low TANF-unit incomes.

The social family income measure reveals greater income advantages for nonparticipants, a group much more likely than TANF recipients to live in families with social family incomes above the poverty level. This difference is evident for both the medium-benefit group (42 percent of nonparticipants versus 27 percent of participants) and for the high-benefit group (35 percent of nonparticipants versus 21 percent of participants).

Table 2 also shows that single parents in nonparticipating families in the medium-benefit group are better off by other economic measures: They are twice as likely to have worked 10 or more months during the year (34 percent compared with 17 percent). More nonparticipants eligible for medium benefits also own a car (66 percent compared with

Nonparticipants tend to have more total family resources, a portion of which is not reflected in the welfare offices' benefit calculations.

TABLE 2. Economic Characteristics of TANF-Eligible Single Parents, 1998–99 (percent)

Characteristics	Medium Benefit		High Benefit	
	Non-participant	Participant	Non-participant	Participant
TANF-unit income/ poverty level				
Below 50%	45*	71	69*	84
50–100%	30*	16	12	8
> 100%	25*	13	18*	8
Social family income/ poverty level				
Below 50%	28*	39	48	54
50–100%	31	34	17	25
> 100%	42*	27	35*	21
Other economic factors				
Worked 10 or more months/year	34*	17	14	9
Owns car	66*	44	49	42
Total persons (thousands)	(1,105)	(647)	(576)	(536)

Source: Author's calculations based on NSAF data.

Note: Medium benefit = \$500–\$1,500 per year; high benefit = \$1,500 or more per year.

* Significantly different from participant counterparts at the 90 percent confidence level or higher.

44 percent of participants), indicating that nonparticipants have somewhat greater assets. Like the participating group, however, few nonparticipants eligible for high benefits work (only 14 percent worked 10 or more months). Car ownership is also about the same for participants and nonparticipants qualifying for high benefits.

Overall, the economic data show that nonparticipating families, especially in the medium-benefit group, are somewhat better off than participating families, regardless of benefit eligibility. Nonparticipants tend to have more total family resources, a portion of which is not reflected in the welfare offices' benefit calculations. That does not mean these families are all financially secure: Almost half the nonparticipants in the high-benefit category live in extreme poverty. Surely, many of these parents would benefit from the added TANF income and TANF job-related services.

Who Would Benefit Most by Participating?

To determine which nonparticipants would see the most gains from TANF participation, we estimate families' potential TANF benefit relative to the

social family's total cash income. We report these results according to whether parents have one or more serious personal barriers to work (very poor health, limited education, and no recent work experience). The results indicate the share of parents eligible for relatively small income gains that might also benefit from services focused on eliminating barriers, as well as the share of parents without barriers that are eligible for significant cash benefits.

Any measure of benefits from participation relative to need will be subjective. Still, such measures give us a useful frame of reference. According to a conservative estimate—that families would need at least a 20 percent income boost to make participation pay—half a million nonparticipating families would benefit by enrolling in the program (17 percent of the almost 3 million eligible parents, shown in the shaded area of table 3). On average, these families would gain more than \$1,500 per year in cash income.

If we broaden the estimate of who would gain—adding families with serious barriers to work and an income gain of more than 5 percent—an additional 17 percent of nonparticipating families gain by enrolling in

TANF. These families receive an average annual benefit exceeding \$1,200 (table 3). They would also likely benefit from TANF's services targeted toward the hard-to-serve.

Conclusions and Implications

In some ways, these results should assuage fears that many families are staying away from the welfare office because the reformed system is too difficult to navigate. Four out of 10 nonparticipating families qualify for relatively small TANF benefits during the year. Also, nonparticipating families tend to have more family support than participants. Welfare programs typically consider only the income of the TANF unit when determining eligibility, but many nonparticipating single parents live with other adults. Thus, many of these households have higher social family incomes as well as more immediate adult support for such needs as child care. Nonparticipants also have fewer dependent children than participants, even after controlling for potential benefit levels.

Despite these findings, a significant share (17–34 percent) of eligible nonparticipants, representing 0.5 to 1.0 million families, could gain substantial income and important services by enrolling in TANF. Most nonparticipating eligibles in the high-benefit category are poor, and almost half are extremely poor. Many nonparticipating families with potentially large cash income gains also have significant barriers to employment (including low education, very poor mental or physical health, and limited work experience). Lack of participation among this group raises the greatest concern.

The results also indicate important racial differences between nonparticipants and participants. Single parents in the Hispanic category are significantly less likely to participate, whether eligible for medium- or high-benefit levels. Some Hispanic parents may actually be ineligible because of the program rules. More likely, however, misunderstandings about new welfare rules have kept some

TABLE 3. Potential Increase in Social Family Income from TANF, Single Eligible Nonparticipants in TANF, 1998 (percent)

Percent increase in cash income	Nonparticipants				Potential Avg Benefit (\$)
	Barriers to Employment (persons, thousands)			All (2,957)	
	0 (1,626)	1 (976)	2+ (355)		
≤ 5%	38	18	3	59	399
5 ≥ 10%	7	5	3	15	1,216
10 ≥ 20%	4	4	1	9	1,449
20 ≥ 50%	2	2	1	5	1,570
> 50%	4	4	4	12	1,929
Total	55%	33%	12%	100%	\$870

Source: Author's calculations based on NSAF data.

Notes: Barriers to employment tested for here are less than high school education, very poor mental or physical health, and last worked three or more years ago. Shaded area denotes nonparticipating families that would likely see significant gains by enrolling in TANF.

Hispanic parents away from the welfare office.

Now that TANF is more mature, states need to educate families about the program's benefits. Education initiatives should recognize that various personal characteristics may get in the way of participating, even when income gains are taken into account. Some families have negative attitudes about welfare participation. Hispanic families, in particular, appear less inclined to participate, even when eligible for high benefits. Outreach programs designed to increase participation in TANF could emphasize the importance of temporary cash help. At the same time, explanations of eligibility need to be easy to understand and readily available in different languages.

States also need to ensure that diversion policies, designed to encourage employment and discourage enrollment among those that only need emergency help, do not turn away some of the most vulnerable families. Programs that assess family needs before requiring evidence of job search would serve very poor families more effectively. Families least likely to find employment could enroll in other TANF services (while they receive cash benefits) before embarking on a job search. This model would likely guide more families toward long-term self-sufficiency.

Notes

1. See Moffitt (1992) for a review of these studies and their findings.
2. In 2000, for example, two-parent families comprised only 5 percent of TANF families, single parents made up 66 percent of the caseload, and the remaining 26 percent of families did not have an eligible parent. (Families may not have an eligible parent because the parent is receiving SSI, sanctioned from the case, an ineligible immigrant, or not living with her children.) Our eligibility estimates suggest that the majority (68 percent) of eligible nonparticipating two-parent families would receive a minimum amount of TANF during the year (less than \$500), and they comprise only 30 percent of all families eligible for more than \$500 per year in TANF.
3. See Rowe (2000) for a description of the Welfare Rules Database.
4. Note that the 1999 NSAF refers to income year 1998 and the 1997 NSAF refers to income year 1996. Like the Current Population Survey, the NSAF asks families about income received during the previous calendar year. However, individuals demographic characteristics refer to the time of their interview, sometime during 1999.
5. Total months of annual eligibility and total benefit eligibility align closely. Ninety-two percent of those eligible for more than \$1,500 per year are eligible for 10 months or more during the year. By contrast, 70 percent of families eligible for \$500 to \$1,500, and only 8 percent of those eligible for less than \$500 per year, qualify for 10 months or more.
6. In 1996, 46 percent of eligible nonparticipants were eligible for less than \$500 in annual TANF benefits (compared with 43 percent in 1998) and 18 percent qualified for \$1,500 or more (compared with 20 percent in 1998). The distributions of potential benefits

- and the characteristics of eligible nonparticipants are remarkably similar in both years.
7. The maximum monthly TANF benefit for a family of three varies from a low of \$164 in Alabama to more than \$600 in a few states (such as California, Wisconsin, and Vermont). We defined the high-benefit group to include families that could receive \$150 per month for at least 10 months. As noted, most in the \$1,500-and-above benefit category are eligible to receive benefits for at least 10 months during the year.
 8. Of course, participants factor welfare participation into income decisions (and perhaps living arrangement decisions). We simply use point-in-time participant characteristics as a comparison for nonparticipants; we do not mean to imply that these data represent differences at the point of choice.
 9. This definition of income is similar to that used by the Census Bureau to estimate poverty, except that (unrelated) partners' incomes are included here.

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About the Author



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This series presents findings from the 1997 and 1999 rounds of the National Survey of America's Families (NSAF). Information on more than 100,000 people was gathered in each round from more than 42,000 households with and without telephones that are representative of the nation as a whole and of 13 selected states (Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin). As in all surveys, the data are subject to sampling variability and other sources of error. Additional information on the NSAF can be obtained at <http://newfederalism.urban.org>.

The NSAF is part of **Assessing the New Federalism**, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

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