



Short Takes on Welfare Policy

Are Shrinking Caseloads Always a Good Thing?

Caseload declines partly stem from falling participation—a trend that means fewer families are getting the help they need.

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Following the 1996 reforms, welfare and food stamp caseloads dropped dramatically. In 1995, about 5 million families received cash assistance, compared with 2 million in 2000. In that period, the number of households with children receiving food stamps dropped from 6.5 million to 4 million. Many analysts attribute the decline to the recent economic boom, welfare reform, and other government work-related policies. Less well-known, however, is that the decline also occurred because a smaller percent-

age of eligible families now participate in welfare and the Food Stamp program.

In 1998 (the most recent data available), 56 percent of eligible families participated in the Temporary Assistance for Needy Families (TANF) program, compared with 84 percent in 1995, the last full year of Aid to Families with Dependent Children (DHHS 2001) (see figure). This drop suggests that about a third of the 1995–2000 welfare caseload decline reflects lower participation.

Food stamp caseloads show a similar trend. From 1995 to 1999, the participation of eligible families with children declined from 85 percent to 67 percent (USDA 2001b). By recent estimates, more than half the decline in food stamp rolls occurred because fewer eligible individuals participated (USDA 2001a).

Why would eligible families forgo benefits? Several factors have likely contributed to lower participation, including new welfare program rules, greater perceived stigma among aid recipients, wider variation in eligibility rules across public safety net programs, and new eligibility rules for immigrants.

FACTORS AFFECTING PARTICIPATION

Under TANF, the majority of states use some kind of enrollment diversion before granting benefits. In 1999, 16 states required applicants to search for a job before applying for benefits or during the application process; these states also required qualified beneficiaries to document job searches before receiving benefit approval. Another 22 states offered lump-sum cash payments, designed to meet immediate needs, as an alternative to welfare enrollment (6 used both diversions). These strategies, while designed to promote work and build economic independence, can also discourage welfare participation.

Different minimum-income requirements, work rules, and asset tests among the various safety net programs may also depress enrollment. For example, most families on welfare automatically qualify for food stamps. But in determining food stamp eligibility for the working poor, states must use a cumbersome process that documents all household members' assets and income sources after applying seven different types of income disregards. Other benefit programs, such as Supplemental Security Income, Medicaid, and housing assistance, use entirely different rules. Even caseworkers sometimes get eligibility wrong. For struggling families, the red tape and competing requirements can be daunting.

At the same time, welfare reform's work-first message may discourage poor, nonworking families from admitting need. And tighter immigrant eligibility has made some legal, eligible immigrants more reluctant to seek benefits. For employed individuals, the limited hours of government program offices make it harder to apply for and maintain benefits.

Declining participation is cause for concern if the families that most need help never get it. Despite welfare reform's successes, evidence suggests some of the poorest parents are falling further behind. According to disposable income data, single-parent families—the most economically vulnerable population—had higher extreme poverty rates after welfare reform. Indeed, 300,000 more people in single-parent families lived below 50 percent of the federal poverty level in 1998 than in 1996 (Zedlewski 2002). This increase occurred because single parents leaving welfare and the Food Stamp program did not earn enough to offset lost benefits.

Greater participation in safety net programs could significantly increase families' disposable income. For example, full participation among all families with children that qualify for SSI, TANF, and food stamps could reduce extreme poverty by as much as 70 percent.

RECOMMENDATIONS

Caseload declines are not a good thing if they mean many people are passing up needed assistance. Following welfare reform, Medicaid rolls plummeted, raising concerns that many poor families were without health care. States, responding to political and public pressure, improved administrative procedures and designed Medicaid outreach programs targeting former welfare recipients. As a result, participation in Medicaid turned up (Weil and Holahan 2002). More recently, some states have boosted food stamp participation through outreach programs.

In the approaching reauthorization, Congress should take the following steps to ensure that qualified families get the help they need:

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- *Tie state performance incentives to lower poverty rates.*
Rewarding states for reducing extreme poverty would meet TANF's dual goal of boosting self-sufficiency as well as helping poor families. Alternatively, TANF rules could penalize states that lower their caseloads without demonstrating adequate employment placement of welfare leavers.
- *Better coordinate safety net programs.* A leading government watchdog agency has recommended that Congress authorize state and local demonstration projects simplifying and integrating the various means-tested programs (GAO 2001). Congress should make such measures a top reform priority.
- *Reward states that implement successful outreach programs.*
Granting additional funds to states that better inform low-income families and that streamline administrative procedures would jump-start participation initiatives. A couple of states have raised food stamp participation through education and public outreach. But more states must begin such efforts and extend programs to TANF-eligible families.
- *Establish program participation as a state performance measure.*
By requiring states to report benefit application, denial, and approval statistics, as well as estimates of eligible families, policymakers could monitor participation trends. States should be rewarded for ensuring that their programs successfully meet all TANF objectives, including providing temporary cash assistance to families that need it.

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