



Before and After Reform: How Have Families on Welfare Changed?

Sheila R. Zedlewski and Donald W. Alderson

The proportion of adults on welfare who worked for pay rose, with the increase particularly notable among those who face multiple barriers to employment.

Did rapid declines in the welfare rolls since 1996, when reform legislation replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF), change the composition of the welfare caseload? Are mothers now on welfare significantly more disadvantaged than those who have left, yielding a caseload whose members are less able to find and keep a job? The answers to such questions have potential major implications for TANF's long-run success as a *temporary* assistance program. The second round of the nationally representative National Survey of America's Families (NSAF) sheds light on the subject, by allowing the 1999 TANF caseload to be compared with 1997's predominantly pre-TANF caseload.¹

Several changes emerge from the comparison. The proportion of single mothers on welfare who reported living with partners increased, as did the proportion who were African American. The proportion of adults on welfare who worked for pay rose, with the increase particularly notable among those who face multiple barriers to employment. Contrary to conventional wisdom, the data do not suggest that adults on TANF in 1999 were significantly more disadvantaged than those on TANF in 1997. Although the share of adults on TANF with very poor physical or mental health or limited education was higher in 1999 than in 1997, these differences were

not statistically significant. Caregiving responsibilities among adults on TANF did not differ significantly between the two years. Despite some new state programs that attempt to divert adults from enrolling in TANF by offering financial assistance for emergencies and job search assistance, the proportion of recipients who were new entrants to the welfare system was about the same in both years. Not surprisingly, longer-term stayers were significantly more disadvantaged than the new entrants.

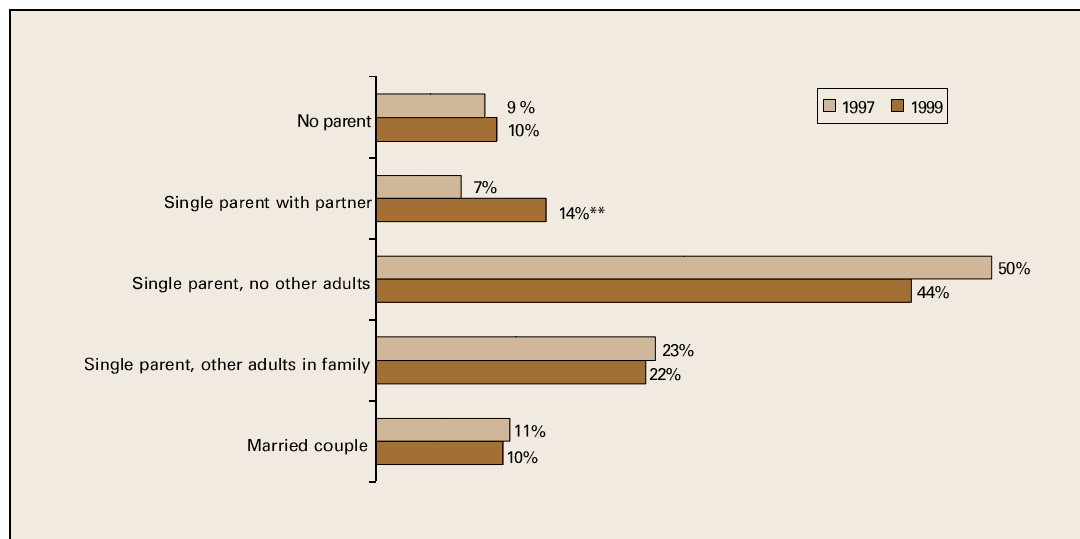
The analysis underlying this discussion is based on a comparison of 1,831 families on TANF in 1997 and 850 families in 1999, representing 2.2 million and 1.5 million families, respectively. The characteristics and work activities presented here are those of the respondent—the adult most knowledgeable about the children in the family, usually the mother.

Family Structure and Race/Ethnicity

One striking change in family structure over the two-year period is a doubling in the proportion of single parents on welfare who reported living with a partner (from 7 percent in 1997 to 14 percent in 1999, figure 1). It is not possible to assess from the NSAF data how much of this is due to changes in welfare rules and how much to changing societal norms.² But the evidence

This brief is based on results from Sheila Zedlewski and Donald Alderson. 2001. "Families on Welfare in the Post-TANF Era: Do They Differ from Their Pre-TANF Counterparts?" Paper presented at the American Economics Association meeting, New Orleans, January 2001.

FIGURE 1. TANF Families, by Type of Living Arrangement
Adults in Families Receiving TANF Benefits when Interviewed in 1997 and 1999



Source: The 1997 and 1999 National Survey of America's Families, Urban Institute.

**Significantly different from 1997 at a 95 percent level.

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suggests that at least some of the change is due to TANF. The proportion of low-income mothers (below 200 percent of the federal poverty level) living with partners increased much less over the period (from 6 percent to 8 percent) than the increase in the proportion of TANF recipients living with partners.

This change is consistent with the 1996 reforms. Most states, for example, have liberalized their TANF eligibility rules so that more two-parent families qualify for TANF benefits.³ AFDC required that the primary earner in a two-parent family be unemployed for at least 30 days, not have worked more than 100 hours per month, but have worked at least 6 of the last 13 months. Thirty-six states were using these rules in 1996, compared with only six states in 1999.

The other noteworthy finding regarding family structure is the lack of change in the proportion of families with no parent present that reported TANF receipt. This does not support the speculation made by many that welfare reform would increase the number of low-income children living away from their parents.⁴

The 1999 TANF caseload differs somewhat from the 1997 caseload in racial composition. The share of TANF families that reported their race as white dropped from

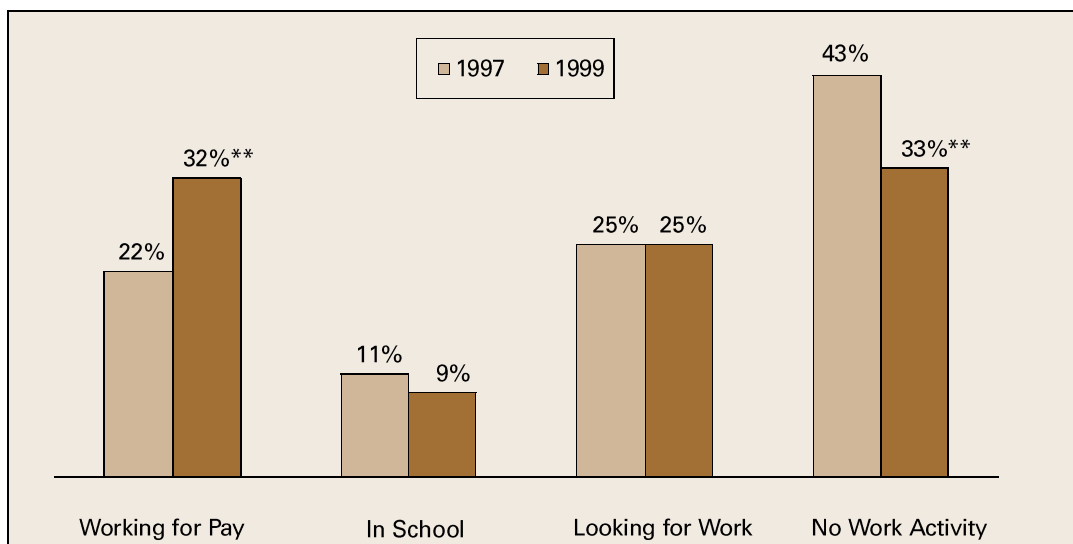
42 percent to 33 percent. The share of families that reported their race as black rose correspondingly, from 34 to 46 percent. The share of families that reported Hispanic ethnicity stayed about the same (18 to 21 percent), as did the share of TANF families of other races (3 to 4 percent).

Work Activity

In analyzing work activity and barriers to work, the relevant focus is on the adult TANF recipients most likely to be subject to the work requirements in their state. The following discussion, therefore, is based on samples that omit TANF parents receiving federal Supplemental Security Income or Social Security Disability benefits⁵ and adults who are caring for TANF children but are not themselves members of the TANF recipient unit.⁶

Fewer adults receiving welfare reported no work activity in 1999 than in 1997—33 percent versus 43 percent (figure 2). This is to be expected, because federal welfare reform imposed increasingly stringent requirements for work-activity participation rates on states over time. The percentage of TANF adults working for pay when interviewed increased from 22 percent in 1997 to 32 percent in 1999. Was this due to

FIGURE 2. TANF Adults, by Work Activity^a
Adults Receiving TANF Benefits when Interviewed in 1997 and 1999



Source: The 1997 and 1999 National Survey of America's Families, Urban Institute.

a. National sample of adults who are primary caretakers of children and likely to be subject to work requirements.

** Significantly different from 1997 at a 95 percent level.

the exceptionally vigorous economy rather than to welfare reform? Most studies indicate that welfare reform and economic growth both contributed to the upward trend, although studies disagree about exactly how much was caused by each.⁷

Neither the percentage of adult recipients in school nor the percentage looking for work changed significantly. This is consistent with two aspects of most states' TANF policies. One is a "Work First" approach that encourages recipients to take any job in order to get on the first rung of the economic ladder. The other is increased generosity in TANF's earned income disregards. These provisions allow recipients to retain some TANF benefits as earnings rise, giving recipients an economic incentive to work toward self-sufficiency.⁸

Barriers to Employment

Some characteristics that have been found to significantly depress work activity include poor health, limited education, minimal work experience, and family responsibilities (such as caring for an infant or child with disabilities) that prevent steady employment. Many adults on

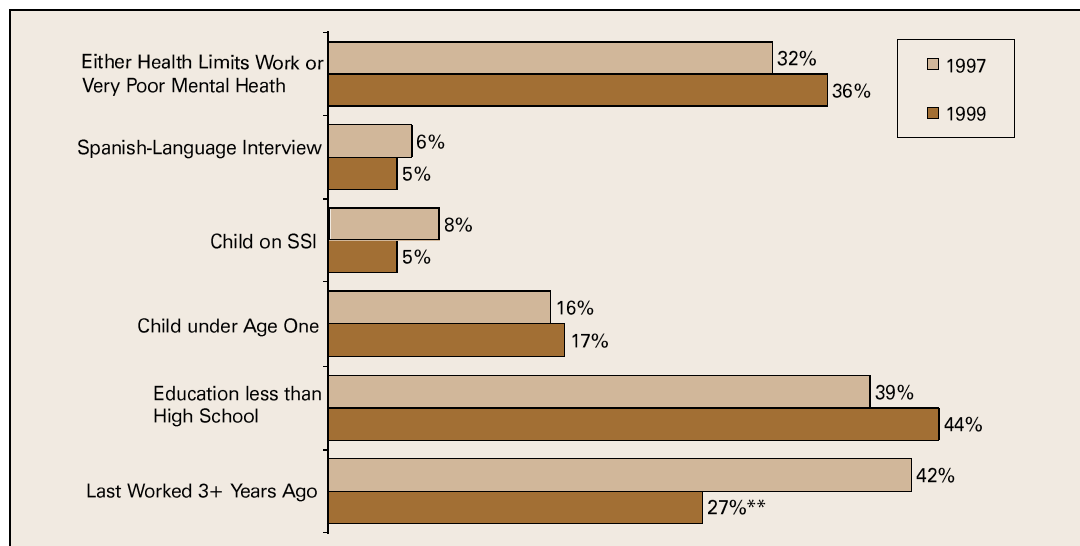
welfare face one or more of these barriers to work.

Despite the high level of work activity among TANF recipients in 1999, reports of serious health problems remained high. The proportion of respondents who reported a serious health problem increased from 32 percent to 36 percent between 1997 and 1999, a difference that is not statistically significant (figure 3).⁹ This increase was entirely accounted for by an increase in adults who reported very poor mental health (another increase that was not statistically significant).

Nonhealth barriers to work also did not increase significantly between 1997 and 1999. There were no significant changes in the proportions of recipients with a language barrier, who were caring for an infant, or who were caring for a child with disabilities. Although a larger share of adults on TANF in 1999 reported the lack of a high school education than in 1997 (44 percent compared with 39 percent), this increase was not significant. One statistically significant change was in the percentage of TANF adults who had not worked at all in the previous three years, a proven employment barrier. The reduction

Contrary to conventional wisdom, the [NSAF] data do not suggest that adults on TANF in 1999 were significantly more disadvantaged than those on TANF in 1997.

FIGURE 3. Potential Barriers to Work
Adults Receiving TANF Benefits when Interviewed in 1997 and 1999



Source: The 1997 and 1999 National Survey of America's Families, Urban Institute.

** Significantly different from 1997 at a 95 percent level.

from 42 percent in 1997 to 27 percent in 1999 is consistent with the high levels of work activity among the current caseload. It also indicates that doing at least some work for pay was more pervasive among welfare recipients than in the past.

Considering the six employment barriers shown in figure 3, there was some decrease in the number of barriers among adult recipients (table 1). In 1999, for example, significantly more adult recipients reported only one barrier than in 1997 (40 percent compared with 33 percent). The share of those who reported two or more barriers fell (from 45 percent to 40 percent), although this difference is not statistically significant. The high levels of work activity accounted for the decrease in the number of employment barriers reported by adult TANF recipients in 1999 compared with 1997.

Among recipients with barriers to employment, the amount of work activity, especially paid work, increased significantly. One of three recipients with one barrier was working for pay in 1999, compared with one of five in 1997. Recipients with two or more barriers were four times as likely to be working for pay in 1999 as in 1997 (20 percent compared with 5 percent). These increases in paid work were accompanied by some significant decreases in

school and training activities. Less than half as many adults with two or more barriers reported participating in these activities in 1999 compared with 1997, for example, which is as large a relative decrease in school and training as for TANF recipients reporting no barriers to work. This trend, as noted, is consistent with states' "Work First" policies. However, the limited levels of education and training reported by TANF recipients, especially among those with multiple barriers, raise potential concerns about the long-run employment prospects of these adults.

Are TANF Adults Typically Long-Term Stayers?

The welfare caseload is made up of long-term recipients, of those who have come onto the TANF rolls for the first time, and of those who move on and off. The distinction is important, because the members of the continuous group may be more disadvantaged than those who have entered for the first time or who have left. For this discussion, stayers are defined as those who first received welfare more than two years ago and have been on TANF continuously for the past two years. New entrants are those who entered the welfare system for the first time in the past two years. Cyclers

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TABLE 1. Distribution of Work Activity by Number of Barriers to Work among TANF Recipients, by Percent, 1997 and 1999

Year	Number of Barriers	Recipients (%)	Current Work Activity (%)			
			Paid Work	In School	Looking for Work	No Activity
1997	0	22	53	17	18	12
	1	33	22	9	28	41
	2+	45	5	9	26	60
	All recipients	100	22	11	25	43
1999	0	20	56	8*	26	10
	1	40*	33*	15	20	32
	2+	40	20**	4*	30	46**
	All recipients	100	32**	9	25	33**

Source: Urban Institute's National Survey of America's Families.
 *Statistically different from 1997 at 90 percent confidence level.
 **Statistically different from 1997 at 95 percent confidence level.

are those who first received welfare more than two years ago but have received it only intermittently over the past two years.

The shares of the caseload in the three categories were remarkably similar in 1997 and 1999 (figure 4). In both years, about one-quarter of adults on TANF were new entrants, about one-fifth were cyclers, and almost half were stayers. These results counter the assertion sometimes made that relatively few adults now enter the TANF program for the first time.

Of TANF recipients in 1999, new entrants as a group were less disadvantaged than stayers. About three-quarters were either currently working or had worked in the past year, compared with 59 percent of stayers. New entrants were also better educated, with 65 percent having completed high school compared with half the stayers. New entrants also reported better health than the stayers (although this difference is not statistically significant).

Those who cycle on and off welfare generally resembled stayers more than they did new entrants. The major exception is that cyclers were much more likely to have an infant than stayers (one in three, compared with about one in sixteen). In this respect, cyclers are more like new entrants. This should not be surprising, since the job disruptions of pregnancy and

infant care expenses obviously increase the attractiveness of staying at home with welfare as a cash income support.

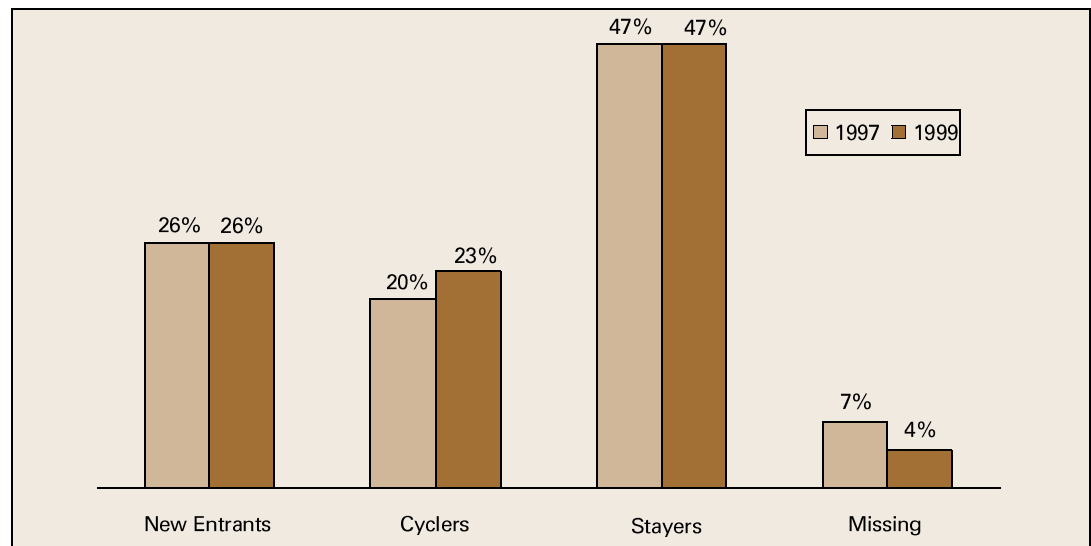
Implications for TANF Policy

The clearest difference between TANF recipients in 1997 and in 1999 was an increase in paid work. About one-third of adults on TANF reported working for pay at the time of their interview in 1999, compared with about one in five in 1997. Paid work among those with multiple employment barriers increased fourfold (from 5 percent to 20 percent). This finding reflects the influence of a very strong economy coupled with strong Work First programs. However, welfare cycling continued to characterize the TANF population—highlighting the persistent needs of a group of disadvantaged mothers with little education and with substantial physical and mental health problems. As a result, state policymakers may find their toughest TANF policy challenges ahead.

An increasing share of TANF recipients will begin to face federal five-year benefit time limits late in 2001. States can exempt 20 percent of their caseload from time limits, but this is unlikely to cover all those who need some form of assistance for a longer period. Eight in ten adults on TANF in 1999 had at least one employ-

Eight in ten adults on TANF in 1999 had at least one employment barrier, and about four in ten had no current work activity.

FIGURE 4. *Distribution of Time on Welfare*^a
Adults Receiving TANF Benefits when Interviewed in 1997 and 1999



Source: The 1997 and 1999 National Survey of America's Families, Urban Institute.
a. Self-reported time on welfare.

Welfare cycling continued to characterize the TANF population—highlighting the persistent needs of a group of disadvantaged mothers with little education and with substantial physical and mental health problems.

ment barrier, and about four in ten with any barriers had no current work activity. Because many who left TANF can be expected to cycle back, especially in the case of an economic downturn, the proportion facing time limits in the near future could be substantial.

States currently have two major options for limiting the potentially severe negative effects of time limits. First, they can increase the percentage of recipients exempted from time limits by using their own maintenance-of-effort (MOE) monies to continue assistance. Second, they can implement programs that move more disadvantaged recipients into work activity. Policies that focus on removing specific barriers to employment (such as intensive mental health services and programs that provide marketable job skills for those with little education) could have a particularly valuable long-term payoff. Some programs are being tried, but there is little evidence about what works and for whom. More states need to implement such programs and evaluate their effectiveness, so that TANF can truly provide temporary

assistance that effectively produces long-term self-sufficiency.

Stopping the time-limit clock for recipients who are working at a paid job, or at least rewarding paid work with additional time on the clock, is also a promising strategy. Right now, states' enhanced earned income disregards encourage paid employment while on welfare. Time limits, however, counter this effect and could eventually harm those who do respond positively to this financial incentive. An offset in the benefit time limit for workers could make this financial incentive more effective.

Endnotes

1. The first round of NSAF interviews took place between February and November 1997. TANF is unlikely to have had much impact on the welfare caseload at that time, as most state TANF plans were not implemented until the second half of 1997. The second round of NSAF was fielded during the same period two years later.
2. The NSAF is not longitudinal, so it is also impossible to determine what portion of these family type shifts were caused by changes in the family status of groups that were in the caseload for both years and what portion by certain family

types leaving assistance at a slower rate (or entering at a faster rate) than the overall caseload population.

3. Two unmarried partners who live together qualify as a TANF unit as long as both are biological or adoptive parents of one or more of eligible children living in the family.

4. It is possible that more children live away from their parents as a result of TANF. But if so, they are living with adults who do not receive (or do not report) TANF benefits on their behalf.

5. Ten percent of parents in TANF families were receiving federal disability benefits in 1999, compared with 6 percent in 1997. This increase cannot be interpreted as a result of welfare reform, however, because it may simply indicate that the children of adults receiving disability benefits were more likely to remain on welfare between 1997 and 1999 than those whose parents were more able to work. States have always had a financial incentive to make sure that all welfare recipients who might qualify for federal disability benefits applied for these benefits because benefits are higher and fully paid by the federal government.

6. We cannot identify illegal immigrants, even though they are members of the latter group. We include sanctioned adults, even though they may be excluded from the TANF unit for the period of the sanction. We also include parents of very young children, even though most states exempt them (typically until the youngest child is about one year old).

7. See Bell 2001 for details.

8. Twenty-eight states increased the real amount of earnings that recipients can keep and still remain eligible for some TANF assistance.

9. This is a composite measure indicating respondents who reported either that their health limited their ability to work or who fell in the bottom 10 percent of a mental health scale that included four dimensions of mental health (anxiety, depression, loss of emotional control, and psychological well-being). (See Ehrle and Moore [1999].)

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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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