A Look at Welfare Reform and its Historical Development

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ACKNOWLEDGEMENTS

I would like to take this opportunity to thank my committee for all of your help in contributing to the final product of this research paper. Dr. Velazquez, thank you so much for believing in my work and in me as a student. When I started the MPA program, I did so just in hopes of taking a shot at gaining one more tool to create a path for a better life. Because of your help and support, you have made that hope a reality for me. Dr. Stewart, your passion for every subject you teach is contagious and encouraging to all students. Thank you for your input on this project. Finally, Dr. Rivers, my professor, mentor, and friend, I certainly would not be this far without you. Thank you for all your advice and help on this project. You three professors are the best!
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Introduction

Welfare in the United States has a rich history dating back to the Great Depression era. Although the welfare program is based upon the foundation of helping needy children, several reforms have since been added to include programs and policies from which all members of a family can now reap benefits. In 1996, President Bill Clinton reformed Aid to Families with Dependent Children (AFDC) with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, U.S. Public Law 104-193). This Act was the most crucial reform made to welfare since Franklin D. Roosevelt started the original program in 1935. The PRWORA created many changes to welfare, with the primary emphasis on moving families from welfare-to-work.

By 1997, studies showed that welfare caseloads declined by as much as 31% nation-wide, while declines exceeded more than 50% in states like Alabama, Colorado, Louisiana, Mississippi, Oregon, South Carolina, and Tennessee (Sanford & Soss, 1998). In August of 1996, 4.41 million American families were on welfare, and by September 2001, only 2.20 million families received welfare benefits (U.S. Department of Health and Human Services, 2002). These figures provided a seemingly strong indication that welfare reform was a success.

While supporters insisted that the new welfare reform was a success, literature regarding this topic has had mixed conclusions about what actually led to the rapid decline of caseloads in the late 1990s and early 2000s. Critics of the reform argued that the reduction in welfare caseloads was simply due to a booming economy that allowed an increase in employment. Danielson and Klerman (2008), who presented an in-depth study of this topic, stated “It may be premature to characterize welfare reform as a dramatic
success, even from a restricted point of view of caseload reduction” (pg. 703). Criticisms also included claims that the welfare system still was not effective in moving welfare recipients from chronic dependency on the system (Danielson et al 2008).

This paper will explore welfare reform in the United States and take a look at its development from a historical perspective. Many different reforms have contributed to what makes up welfare in the United States today. However, will welfare reform be an ongoing political issue with each Presidential administration as times change?

**Methodology**

The methodology for this research will be a comprehensive literature review. This methodology will be used to give an in-depth analysis of the history of welfare reform and provide insight on the trends of reform throughout various points in history. The sequential analysis of the historical approach outlined in this paper can be found in the table below:

<table>
<thead>
<tr>
<th>Welfare Program</th>
<th>Time Period</th>
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</tr>
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<tr>
<td>Mothers’ Pension Plan</td>
<td>1911-1935</td>
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</tr>
<tr>
<td>Aid to Dependent Children (ADC)</td>
<td>1935-1962</td>
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<td>Temporary Assistance to Needy Families (TANF)</td>
<td>1996-Present</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The literature review will also contain three articles where several researchers tested the effectiveness of welfare reform. The insight of these articles can help determine the research question, which asks if welfare reform will need to be addressed frequently
as times and Presidential administrations change. The articles used in this analysis were selected due to the following criteria: (1) sample groups included programs that were or had the same characteristics as the welfare reform established by PRWORA (such as work and financial incentives and parental responsibility sanctions) and (2) used a quasi-experimental design in order to collect non-bias data; and (3) covered at least five years in order to draw results that are more conclusive.

**Literature Review**

**Mothers’ Pension Plans (1911 -1935)**

The original national, federal welfare program stemmed from The Social Security Act through Title IV, signed by President Franklin Roosevelt in 1935. This program was founded to help support children in needy families, particularly in lieu of the worst economic conditions the United States has ever faced, the Great Depression. Before a national federal welfare program was started, several states had similar programs in place that assisted needy families (Coll, 1995).

In 1911, Illinois became the first state to implement a statewide program to assist needy mothers with children. The program was known as the “mother’s pension plan”. The mothers’ pension plan was created to assist families that had dependent children with no male income. Although the law that created the mothers’ pension plan was statewide, it did not mandate counties within the state to participate in the program. Cook County, however, had the largest development of the program. The Cook County Juvenile Court administered the mothers’ pension program. Due to its success, it was used for study by other states (Leff, 1973).
The mothers’ pension plan model began to spread rapidly after the apparent success of the program in Illinois. By 1913, eighteen states enacted mothers’ pension plans or aid to mothers and by 1920 forty states assisted mothers with dependent children. The laws regarding the programs varied slightly between the states. For example, seventeen states allowed single fathers to receive assistance for needy children, and all but five states had citizenship requirements of at least one year for immigrants. Finally, state programs varied regarding the length of time that a family could receive benefits. All states allowed families to draw benefits until the dependent child was legally old enough to work. These ages varied from age thirteen in West Virginia, to age seventeen in many other states (Lundberg, 1921).

**Aid to Dependent Children (1935-1962)**

Due to limited local funds during the Great Depression, the economic downturn phased out Mothers’ Pension Programs; however, its structure and goal became the foundation for Title IV of the Social Security Act’s Aid to Dependent Children Program (ADC). Like the Mothers’ Pension Program, ADC was designed to help single or widowed mothers supplement the income and necessities that the absent male-bread winner was unable to provide. The ADC plan was composed by the directors of the U.S. Children’s Bureau in the Department of Labor, who lobbied to get the plan added to the Social Security Act (Bell, 1965).

The ADC program provided cash assistance to a parent that had a low-income dependent child under the age of sixteen who did not have the support of at least one parent due to the parent’s absence from the home, the parent’s lack of mental capability, or death. The first three decades of the program was similar to private charity.
Participation in the ADC program was voluntary among states. The oversight of the federal government regarding civil rights of applicants was non-existent, and states also had discretion on who could receive benefits, often leaving children of color ineligible. In the mid-1960s, an organization was formed by a group of African-American women known as the National Welfare Rights Organization. The organization worked with lawyers and law groups and filed countless lawsuits against the ADC to challenge its discriminatory behavior against minorities. This and other questions raised regarding the functioning of ADC and its policies on who was allowed to receive benefits introduced the beginning of the need for welfare reform (Bell, 1965).

**Aid to Families of Dependent Children (AFDC) (1962-1996)**

*New Frontier Reform*

When President John F. Kennedy accepted the Democratic candidacy for President in 1960, his acceptance speech entitled “The New Frontier” eventually became the phrase that identified the Kennedy administration policies. Part of the New Frontier policies included several changes to the ADC program (Wiltse, 1964). One of the essential changes to AFDC included what individuals were eligible to receive assistance. In 1961, a second parent in a family with an “incapacitated” or unemployed spouse could receive assistance, and by 1968, any other individual in the home who was “essential” to the child could also receive benefits. Due to the variety of members in a family who became eligible for benefits, the name of the program was changed from Aid to Dependent Children (ADC) to Aid to Families with Dependent Children (AFDC). By 1964, nearly one million families received AFDC benefits (Katz, 1996).
In the early years of public assistance, cash benefits were the only element considered as “welfare” before other programs were integrated into the welfare system. For example, the food stamp-program (which has origins from the New Deal) was initially regarded as a nutrition program, designed to help low-income families afford a healthier diet. Hunger in the United States became a major theme in the 1968 Presidential campaign, and in 1974, President Nixon expanded the program and established its interaction with AFDC and required all states to offer the program. Additionally, all AFDC families were eligible for food stamps and more than 85% of all AFDC families received food stamps. The food stamp program did regard AFDC benefits as income, so for families who received cash, their food stamp benefits were reduced by $.30 for every $1 of AFDC cash (Coll, 1995).

Like the mothers’ pension plan programs, states had a large discretion on key elements of AFDC offered within its state. Key elements that varied by state included the standard of need, age of eligible child, and the income levels of family members. The federal government, however, tried to create consistency among states regarding work requirements and incentives. In 1961, following the inclusion of unemployed parents to the list of eligible recipients, states were required to deny benefits to parents who refused to work without “good cause”. The following year, the federal government established the Community and Work Training program (CWT). The CWT program was established to provide employment and training to recipients of ADFC at the prevailing wage rate for the work that was performed. However, earnings obtained from employment that was used for savings toward “future costs beneficial to dependents” were not calculated in
income guidelines. Furthermore, a state’s participation in the program was completely voluntary (Katz, 1996).

By 1968, the theme of self-sufficiency for welfare recipients began to take form. Congress required all states to set up a program called Work Incentive (WIN) for “appropriate” AFDC recipients. The WIN program was a national work and training program similar to CWT but was mandatory of all states to adopt. The WIN program was administered by the Department of Health, Education, and Welfare and the Department of Labor. All AFDC recipients who were at least sixteen years old or older and had children over the age of six, were required to sign up for the program. Individuals who participated in the WIN program were guaranteed an incentive made by the federal government that would disregard the first $30 earned and one-third of their remaining monthly earnings that would have otherwise decreased the amount of their AFDC benefits. In 1981, Congress repealed this incentive by instead disregarding the first four months of wages in addition to an ongoing amount to account for childcare. Finally, in 1988, money received by the federal government in earned income tax credit could not be regarded as income that would decrease the amount of benefits received by an AFDC participant (Katz, 1996).

The year 1981 brought even more changes to AFDC. In this same year, Congress then allowed the states to create their own welfare-to-work programs. The federal government still, however, authorized funds needed for job searching, community service alternatives, and the actual supplement of wages earned by AFDC participants. By 1982, the federal government mandated that all states included a mandatory work component to its AFDC program. Every state would now have to enforce that any recipient that
receives cash benefits would have to either participate in approved subsidized or unsubsidized work-related activities in order to maintain their welfare benefits (Katz, 1996).

*The Family Support Act of 1988 and Welfare Reform*

With millions of families now receiving welfare, the trend of “self-sufficiency” began to take form in Congress. The year 1988 was the beginning of real welfare reform, emphasizing self-sufficiency, which laid the foundation for President Clinton’s Personal Responsibility and Work Opportunity Reconciliation Act of 1996. On October 13, 1988, President George H.W. Bush signed the Family Support Act. The Act provided the inclusion of Medicaid as an official component of the welfare system. Every state was required to provide Medicaid to AFDC recipients for twelve months after a family transitioned from welfare to work. States were also permitted to offer Medicaid to “medically needy” individuals whose income was above AFDC limits, but not greater than one-third higher than income of an equivalent family size that received benefits (Rom, 1989).

Although the Family Support Act brought or expanded many new areas to the existing welfare system, the Act focused primarily on three major areas to promote self-sufficiency. These three areas included child support enforcement, training and job opportunities for ADFC recipients, and support services for AFDC families who transitioned from welfare to self-sufficiency. All of these items were also key components of Bill Clinton’s welfare reform act (PRWORA, U.S. Public Law 104-193).

Title I of the Family Support Act addressed child support and the establishment of paternity. Child support enforcement was not a new concept, as it was initially created
under the Social Security Act along with welfare programs. In 1975, welfare recipients were required to issue information regarding a non-custodial parent in order to enforce child support. Amendments regarding child support in 1984 allowed states to issue income withholdings to employers after a one-month lapse in payments by the non-custodial parent. The Family Support Act amended child support by allowing the Child Support Enforcement program to issue income-withholding notices to employers of non-custodial parents immediately upon opening of the child support order. Exceptions were made only if both parents submitted in writing an alternative method of child support to the agency (Rom, 1989).

The size of a child support award for a custodial parent was also addressed in the Family Support Act of 1988. The Act required cases to be reviewed every four years in order to determine if pay amounts were still appropriate. Caseloads were allowed to be re-determined at any time at the request of the parent or the agency. The Act also addressed the establishment of paternity by non-custodial parents. Beginning in 1992, states were penalized if paternity was not established for a given proportion of children born out of wedlock and receiving AFDC benefits. Lastly, the Act allowed unemployment benefits to be reported to the Child Support Enforcement department, and earnings were withheld to comply with the child support order the same way wages from employment would (Rom, 1989).

Title II of the Family Support Act introduced a new welfare-to-work program known as the Job Opportunity and Basic Skills training program (JOBS). With the previous national welfare-to-work program, states were not funded for providing necessary training to participants for the jobs in which the participants were referred. The
JOBS program was established in order to provide training and basic skills education to welfare recipients in order to prevent lifelong dependence on welfare programs. The state agency that operated the AFDC program was able to specify the components of the JOBS program for each recipient on a case-by-case basis; however, every program must include some form of education and job readiness skills in order to prepare participants for the workforce. The federal government allotted ninety percent of the costs to states needed to operate the JOBS program (Rom, 1989).

The last major area that the Family Support Act of 1988 addressed was supportive service for families, identified in Title III of the Act. Each state was required to guarantee childcare for recipients who participated in employment, training, or educational activities. Furthermore, states were also required to provide childcare for one-year after a participant leaves welfare to become employed full-time. Parent co-pays were calculated based on the family’s ability to pay (Rom, 1989).

**The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)**

As stated earlier, several amendments, Acts, and laws were implemented or changed throughout the history of welfare in the United States for several different reasons. However, one theme that earned the most attention was that of self-efficiency and responsibility for welfare recipients. Many believed that the existing welfare program created lifelong dependency on the system, and that a new reform was necessary to promote self-efficiency. Critics voiced that each amendment that allowed multiple family members to receive benefits further encouraged generational dependency on the system (Born, Hetling, & Ovwigho, 2007). The concept of self-sufficiency was a major theme in
the 1992 Presidential campaign. Instead of adding to the existing program like previous reform initiatives had done, President Clinton instead changed welfare as America once knew it. After a variety of vetoes and revisions and years of compilation of data, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) was signed by President Bill Clinton on August 22, 1996 (PRWORA, U.S Public Law 104-193).

Temporary Assistance to Needy Families (TANF)

The PRWORA changed the name of cash benefits from AFDC to Temporary Assistance to Needy Families (TANF). The welfare program was also changed from an entitlement program to a block grant program. In the entitlement program, any person who met the requirements for receiving benefits was entitled to receiving the benefits if they applied. As a block grant, states receive funding for the program by the federal government, but persons to receive benefits are now left to the discretion of the state.

The main areas addressed by the PRWORA include helping welfare recipients make the transition from welfare to work and promoting responsibility. In order to help participants transition from welfare to work, the PRWORA added specific work requirements necessary to maintain cash benefits. Under the new law, states were required to ensure that fifty-percent of recipients work or be engaged in work-related activities for at least twenty hours per week the first year, with a subsequent increase to at least thirty hours per week in FY 2000. Two-parent families are required to work at least thirty-five hours per week. Work related activities included subsidized and unsubsidized employment, on-the-job-training, community service, and providing childcare services to individuals who participate in community service, however no more than twenty percent
of caseloads in any state can count vocational training as meeting the mandatory work requirements (U.S. Department of Health & Human Services, 1996).

Perhaps the most notable change made to the welfare system through PRWORA was the “lifetime limit” imposed on those who receive cash benefits. The new reform mandates that families have a lifetime limit of five years for receiving cash benefits. States are allowed to exempt twenty percent of their caseloads from the lifetime limit. Exemptions typically include pausing the five-year “clock” for life events such as the birth of a new child, attending an educational program that leads to a degree, hospitalization, etc. States that successfully moved participants from welfare to work between FY 1999 to 2003 received a performance bonus from the federal government.

The second major component addressed by the PRWORA is promoting responsibility. A major factor that promotes responsibility is child support enforcement. In 1970, single mothers headed the household in one in every eight families with children. By 1998, this figured doubled to one in every four families. Of these single-mother households, nearly 40 percent were poor and another 45 percent were near poor by the year 2000. These startling figures prompted the U.S. government to take action against fathers who abandon their children, thereby, requiring mothers to rely on the assistance of welfare (Garfinkle, Huan, & Waldfogel, 2003).

Although mandatory child support enforcement for welfare recipients was already a part of the existing welfare system, PRWORA established several amendments to make it easier to track down non-custodial parents. For example, the law established the Federal Case Registry and National Directory of New Hires. This law made it mandatory
for employers to report all new hires to the registry so that non-custodial parents could be tracked and compliance can begin immediately (Wolk, 1999).

The new reform also simplified paternity establishment, making it easier and faster to establish paternity. Families are now able to establish legal paternity in the hospital before a newborn is even brought home. By signing the voluntary acknowledgement of paternity, the father can now be legally liable without lengthy DNA testing. TANF recipients who refuse to comply with paternity establishment or releasing the information of the non-custodial parent to the department will have their monthly cash benefits reduced by at least twenty-five percent. The new law also imposed tougher penalties on non-compliant parents, which included expanding wage garnishments, allowing states to suspend and revoke professional and driver’s licenses, and seizing assets (Wolk, 1999).

The new welfare reform also addressed teen pregnancy. In order for a teen parent to receive TANF benefits, the teen mother must live at home with her parent(s) or responsible adult, and participate in training or educational activities. Furthermore, beginning in FY 1998, the federal government added $50 million a year to the Maternal and Child Health Block grant for abstinence education. In addition, the Secretary of Health and Human Services developed a new strategy to help prevent non-marital teen births by assuring that at least twenty-five percent of communities have teen pregnancy prevention programs (Cherlin & Hao, 2004).

**Studies that Measured Effectiveness of Welfare Reform**

An article by Connolly et al. (2000) tested the theory of declined welfare caseloads even before the signing of the PRWORA. This study utilized monthly panel-
data from welfare reform programs on state levels that were comparative to the federal PRWORA. The following work waivers categorized the welfare reform programs: work requirements, time limits, financial incentives, and parental responsibility. Various conditions of the economy were measured by per capita employment and unemployment rates.

The caseloads studied only included female AFDC recipients between the ages of 15 and 44. The researchers also believed that it would be more effective to study the number of caseloads rather than the number of AFDC recipients. AFDC recipients account for each person on a particular case, which include children, babies, etc. However, only the head of the household will make the decisions to remain on welfare or leave welfare for work. Therefore, the researchers believe that most legislation regarding welfare reform is centered around the needs and behaviors of the head of households, thereby making the measurement of caseloads more relevant to measuring the effects of welfare reform.

The researchers used a time trend analysis that accounted for variations in AFDC caseloads resulting from national and political trends, which allowed enough nonlinearity to capture varying states of the economy, and caseloads. The results of the static model showed that states that had both time limits and work incentive welfare waivers saw a decrease in caseloads. However, states that only had a work incentive waiver alone experienced a 0.3% increase in caseloads. States that combined all work incentives showed a 0.55% reduction in AFDC caseloads. The results of the static model concludes that states which implement all four work waiver categories can only expect to see a 0.3% decline in caseloads after 24 months of the waiver’s approval. Therefore, it is safe
to conclude that the type of work waiver makes a significant difference in the reduction of caseloads. Thus, the reduction in caseloads due to welfare reform was overall very low.

The second part of the study included a dynamic model that accounted for caseloads that adjusted to past caseload levels and economic conditions. Connolly et al. (2000) reported that the “results of the dynamic model indicated that a one-percentage point increase in the unemployment rate that lasts for five months results in a 1.7% increase per capita caseloads in the short-run. Similarly, a 1% decrease in employment per capita lasting for six months leads to a 0.7% increase in caseloads.” Therefore, although there is indeed an inverse relationship between employment and unemployment rates and caseloads, the findings show a relatively small margin.

The study by Connolly et al. (2000) used a simulation designed to further evaluate the dynamic model. In the simulation model, the researchers presented the top five states that showed significant reduction in caseloads. The major area of focus consisted of analyzing the type of welfare waivers that each of the top five states had in place at the time of the studies since the type of waiver clearly makes the greatest difference on increasing or decreasing caseloads. The researchers performed simulations for states with work incentive waivers but no responsibility waivers, those with both work and responsibility waivers, and those with responsibility but not work incentive waivers. The results for the simulation were shown as follows:
Table 2: Percentage of 1993-1996 Caseload Reduction Explained by Welfare Reform and Economic Activity

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<tbody>
<tr>
<td>Wisconsin</td>
<td>-48</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>Oregon</td>
<td>-43</td>
<td>11</td>
<td>32</td>
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<tr>
<td>Wyoming</td>
<td>-43</td>
<td>-22</td>
<td>27</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>-36</td>
<td>-9</td>
<td>33</td>
</tr>
<tr>
<td>North Dakota</td>
<td>-36</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td>Top 5 caseload reducers</td>
<td>-41</td>
<td>6</td>
<td>29</td>
</tr>
<tr>
<td>United States</td>
<td>-18</td>
<td>-9</td>
<td>66</td>
</tr>
<tr>
<td>States with work incentive but not responsibility waivers</td>
<td>-13</td>
<td>-41</td>
<td>98</td>
</tr>
<tr>
<td>States with both types of waivers</td>
<td>-16</td>
<td>-26</td>
<td>79</td>
</tr>
<tr>
<td>States with responsibility but not work incentive waivers</td>
<td>-27</td>
<td>11</td>
<td>40</td>
</tr>
</tbody>
</table>

Note: A negative sign in the second column implies that the welfare reforms in the state are associated with an increase in welfare caseloads.

Connolly et.al (2000) explained the simulation results of the above table as follows:

As shown in Row 8 of Table 2 [“States with work incentives but no responsibility waivers”], the caseload decline would have been 41 percent larger for states in the first group (18.3 percent instead of 13 percent) were it not for welfare reform, while in states with responsibility but no work incentive waivers welfare reform accounted for 11 percent of the overall 27 percent decline (row 10) (2000).
Connolly et al. (2000) concluded that economic incentives were more responsible for reducing welfare caseloads than welfare reform. They also note that the type of welfare reform has a huge influence in on caseloads. According to this study, states that had work-incentive waivers saw the greatest changes in AFDC caseloads. However, the researchers believe that in the long-run, work incentive waivers will actually increase AFDC caseloads, as unemployed individuals will turn to the AFDC program for benefits and job leads. Overall, the researchers believed that nationally, AFDC caseloads would have declined an additional 9 percent had it not been for the welfare reform programs.

A different study conducted by Danielson and Klerman (2008) suggested something quite different from the findings of the previous case. The above study conducted by Connolly et al (2000) evaluated the effects of welfare reform before the PRWORA was signed by President Bill Clinton and was implemented nationwide. However, the study entitled Did Welfare Reform Cause the Decline in Caseloads by Danielson et al (2008) used data from AFDC reforms as well as TANF data from the actual PRWORA instead of similar pilot programs. This technique was used in order to provide a more accurate snapshot of what really lead to the decline of welfare cases following the implementation of welfare reform.

Similar to the Connolly et al (2000) study, this study focuses on four measurements of welfare reform which include financial incentives, sanctions (penalties for non-compliance), time-limits, and diversions (temporary assistance used to prevent families from being added as a regular caseload) that characterized the shift from AFDC to TANF. This case is one of very few cases that examine welfare caseloads during the
early 2000 period, which experienced various states of the economy and periods of relatively stable welfare caseloads.

The financial incentives that the researchers studied included state welfare policies that allowed a smaller amount of employment earnings to be counted against welfare benefits. These “financial incentives” allow welfare recipients to earn more money while still receiving TANF. Previous studies show that these financial incentives often raise the welfare caseloads in the short-run. Several studies show that legislators and supporters of financial incentives as a component of welfare reform, proposed that once participants are in contact with the workforce, they are more likely to stay in the workforce (Becerra et al. 1998; Bos et al., 1999; Hendra and Michalopoulos 1999; Moffitt 1999; Michalopoulos et al., 2000; Miller et al., 2000; Ziliak et al., 2000).

The second component studied in this research was the work-related sanctions. TANF recipients that do not participate in work activities risk losing their cash benefits. Danielson and Klerman (2008) hypothesized that these sanctions would reduce welfare caseloads, even if it were a “mechanical effect” (i.e. decreased caseloads vs. participants who willingly leave the program). It was proposed also that sanctions might deter some people from applying for cash benefits, while motivating those who do receive benefits to find jobs sooner and leave welfare. Several studies indicate that stringent sanctions negatively impact welfare caseloads ranging from 16% to 39% (CEA, 1999; Rector and Youssef, 1999; Mead, 2000; MaCurdy et al., 2002).

The third area of focus in this research was the time limits on aid receipt. Previous studies suggest that welfare caseloads are likely to decline among families during the first few months of use of welfare benefits (Motiff 1983; Miller and Sanders 1997; Keane and
Motiff 1998; Grogger and Michalopoulos 1999; and Keane and Wolpin 2000). They suggest that this decline is due to the “anticipatory” effect that the family feels knowing that reaching the sixty-month expiration date will banish cash benefits for life. The authors mention that limited data has been conducted to actually test what effects time limits have on recipients wanting to leave the program, so this article should provide new data on this topic (Swann 2005).

The final TANF component that the authors study in this article is welfare diversions. Diversion programs assist families who have a temporary emergency by giving the family one-lump sum of cash, as opposed to the family becoming a normal monthly welfare case. Specifics of diversion programs vary from state to state, but mostly all programs grant money to the family that is equivalent to 2 to 4 months of what they would have received monthly if they were receiving welfare benefits. Previous literature suggests that a reduction in families entering the program may be the result of diversion programs (Grogger, Haider, and Klerman 2003).

Danielson and Klerman (2008) also examined the economic effects on decreasing welfare caseloads. Previous studies, such as the one conducted by Connolly et al. (2000) indicate that the economy does in fact play a large role in decreasing welfare caseloads, however, the effects are variable. Data used in this analysis was from the Bureau of Labor Statistics’ Unemployment Statistics program and earnings data from the Bureau of Labor Statistics Quarterly Census of Employment and Wages.

The researchers used data from the U.S. Department of Health and Human Services to collect monthly data on state-level welfare caseloads. In contrast to the previous study, the researchers here did not limit the caseloads to “child only” or single-
parent cases, as this info was inconsistent over time. In addition, using “child-only” cases would have presented the internal validity threat of maturation, as caseloads would have dropped as children reached the age limit for receiving benefits. Therefore, the researchers used the total number of caseloads without indicating the specific case-type. Time-trend data was analyzed using binary variables that were “switched on” in the month that the state implemented the policy.

The researchers conclude that the largest factor contributing to welfare caseload decline among the four elements of reform studied was “time-limits”. In order to measure this element, researcher’s distinguished anticipatory time-limit effects and biased effects using a binary variable to indicate whether any recipient could have reached the time limit, and a variable measuring the length of time since the first recipients could have reached the time limit. Based on the results of this equation, the authors conclude that recipients who anticipated the lifetime expiration of benefits were more likely to leave the program. However, this result only appeared to be relevant in the short-term. Another area of interest was the effect of sanctions, or families being dropped from the program for non-compliance with work-related requirements. Sanctions appeared to decrease welfare caseloads, while financial incentives increased caseloads.

The most important factor was determining to what extent the economy decreased caseloads. As mentioned previously, the researchers combined data from AFDC and TANF caseloads to perform a simulation that simplified and demonstrated the complex findings of the static model. The authors conclude that the most appropriate measure of discovering the effects of the economy was to use a shorter time period than similar previous studies (stopping at FY 2000). Using this shorter period, policies explained just
over 9 percent of the decline, while the economy explained 19 percent (Danielson and Klerman 2008).

Although the results of the shorter time-frame model suggest that the economy explains a higher percentage of the welfare caseload decline, the researchers draw a different overall conclusion. The researchers conclude that from February 1992 to February 2005, “the measured policies explain only about 10 percentage points, and the economy explains 5 percentage points. Other unmeasured factors apparently play a larger role” (pg. 724). Therefore, it is safe to conclude that welfare reform, in some respect, was indeed beneficial to the decline in caseloads, although more micro-level studies may be necessary in order to pinpoint the dramatic decrease in caseloads shortly after the PRWORA was signed.

Kaushal and Kaestner (2001) examined the events that led to the rapid decline in welfare caseloads as well as the success of welfare reform on its target participants, single mothers. Kaushal and Kaestner (2001) used an approach similar to previous studies in examining these theories. The article is entitled From Welfare to Work: Has Welfare Reform Worked? The researchers of this article conclude that less educated, single mothers moved from welfare to work in significant numbers. The question was raised as to whether welfare reform actually moved recipients into the workforce, or resulted in their employment.

The researchers used data from the Census Bureau’s March 1995 to 1999 series of Current Population Surveys (CPS), which included a sample of 62,500 homes that were interviewed. The data from this census included family characteristics such as family size, number of children under the age of six, number of children under the age of 18,
family income and composition, which were all used as controls in the regression analyses. The areas of welfare reform that were researched in this study were time limits on benefits and family cap provisions. Family cap provisions refer to states that impose a cap on benefits regardless of the addition of a new baby or dependent person added to the caseload. Although encouraged, family caps are not mandatory for the state to impose.

Even though the passage of the PRWORA made welfare reform mandatory in all states, the states still have significant discretion on how the TANF program is implemented. In order to properly evaluate welfare reform, researchers felt that the rigor of the reform in each state made a significant difference on its effects. Intensity of welfare programs were measured using one of four dummy variables: low intensity, medium intensity, and high intensity. Low-intensity reform referred to a state reform program that has a TANF program but no time limit on benefits or family cap. A medium intensity program is a state reform program that has either a time-limit provision or a family cap provision, but not both. Finally, the high intensity program has both a family cap provision as well as a time limit.

The goal of this research was to discover what effects welfare reform, namely time limits and family cap provisions (or other variables such as the economy) had on employment and fertility rates among individuals on or at risk of being on TANF. To analyze employment outcomes, the researchers used the difference–in-differences method. The sample group included women between the ages of 18 to 44 with twelve or fewer years of education, as this demographic represents more than 80 percent of those on welfare. The target group was women from the sample group that were also unmarried with children. Finally, the researchers used two comparison groups. The first comparison
group consisted of women from the sample who were married with children, while the second comparison group consisted of women who were unmarried without children. Both comparison groups are unlikely to be affected by welfare reform, however in order to eliminate any potential biases or the effects of other factors that may alter the results, the researchers used the two comparison groups and subtracted the before and after results of each group.

This study also examined was the effects of welfare reform on fertility rates. Previous research has indicated that welfare reform does influence fertility for families on or at risk of welfare, but evidence of how much welfare reform impacted fertility, at the time of this study was inconclusive (Motiff, 1999). The target group for this analysis included unmarried women without children. The researchers used this group as the target population because they believed that these women were most likely to have a child out of wedlock, and be at risk for welfare benefits. There were also two comparison groups. One comparison group consisted of married women with less than twelve years of education, while the second comparison group consisted of unmarried women with between thirteen and fifteen years of education. The rationale for using two comparison groups in this analysis is the same rationale used in the employment sample.

The overall research strategy for this study was the difference-in-differences analysis, which is used consistently as a tool for analysis throughout this study. The results of the difference-indifferences analysis obtain allowed the researchers to draw conclusions regarding the effects of welfare reform on labor force participation, hours of work maintained by individuals who leave welfare for work, and fertility rates of those affected by welfare reform policies. The equation showed that time limits increased
employment by 2.1 to 3.2 percentage points for unmarried women with children. For unmarried women with children who have less than a high school diploma, time limits on welfare benefits increased employment between 5.1 and 10.1 percentage points with its greatest effect shown to the comparison group of unmarried women without children.

The results of the effects of family cap provisions revealed relatively low statistically significant results. For unmarried women with children with less than a high school diploma, family caps increased employment between 3.7 and 6.5 percentage points, with the greatest significance shown in comparison to women without children.

The researchers were also interested in the how these welfare reform provisions affected how many hours of work were maintained once in the workforce. The results showed that the average overall hours of work per week increased due to time-limits impositions by 1.832 to 2.699 for unmarried mothers without a high school diploma. Furthermore, hours of work also increased for unmarried women with a high school diploma from 0.505 to 1.987. High intensity reform programs increased hours of unmarried women with children who have less than a high school diploma by 3.163 to 5.677 hours of work per week.

The final outcome that was tested in this study was how welfare reform influenced fertility rates. The results indicated that time limits and family caps had a small impact on fertility rates. While low and medium intensity reform programs had small effects on fertility, ironically, high intensity programs showed no change in fertility rates among those who would most likely be affected by the reform.

The researchers of this study conclude that welfare reform was indeed a significant factor in reducing welfare caseloads between March 1995 and March 1999.
They further conclude that welfare reform was responsible for decreasing caseloads by 28 percent for unmarried women with children who have less than a high school diploma. The women that entered the workforce also maintained on average approximately 29 hours of work per week. The researchers believed that the new incentives for work, such as earned income tax credit, and the ability to still receive benefits once employed helped to motivate the target group into the workforce more than any other factors.

Discussion of Articles

A summary of the results of the articles discussed in this paper are shown in Table 3:

<table>
<thead>
<tr>
<th>Article</th>
<th>Sample Used</th>
<th>Date of Study</th>
<th>Reform Used</th>
<th>Conclusion on Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connolly et al. (2000)</td>
<td>AFDC Caseloads for all 50 states for women between the ages of 15 to 44.</td>
<td>1987-1996</td>
<td>AFDC programs that had reform waivers similar to TANF reform.</td>
<td>The economy played a larger role in declines, although some welfare reform incentives were more effective in reducing caseloads than others</td>
</tr>
<tr>
<td>Kaushal and Kaestner (2001)</td>
<td>62,500 AFDC caseloads of married and unmarried women with children</td>
<td>1995-1999</td>
<td>AFDC and TANF</td>
<td>Welfare reform was successful in increasing employment and declining caseloads</td>
</tr>
</tbody>
</table>

The previous articles study the effectiveness of welfare reform primarily through
the measurement of caseloads. Furthermore, they all present a unique perspective on what contributed to the decline in caseloads following the welfare reform. Although each study provided a unique prospective regarding this topic, each article did in fact have limitations. Connolly et al. (2000) observed female recipients aged 15 to 44 years. Economic activity was measured via the use of the log of the ratio of unemployment for this population. However, this age group was possibly contaminated due to maturation. The legal minimum age to work in the United States is 16, so girls at age 15 are surely to be unemployed. Secondly, girls between the ages of 15 and 18 are most likely still enrolled in high school full-time, and are very likely to be unemployed. As these women finish school or become of legal age to work, it is possible that this transition will look like an improvement in employment. Therefore, using this age group may contaminate the results regarding how greatly the economy influenced caseload decline.

The second article by Danielson et al. (2008) was highly complex and required a good deal of analyzing to understand the complexities of the study. Aside from that, the article never mentioned whether it was examining all fifty states or whether there was a specific sample size (i.e., randomly selected caseloads of women between the ages of 20 and 25) that was focused upon. Without the reader being aware of what sample size was studied, it is difficult to understand how greatly the percentages revealed in the results were that great of an impact.

In contrast, the article by Kaushal and Kaestner (2001) utilized very specific sample sizes and provided a clear explanation of the significance of findings. This study, however, also had limitations that may have altered the results. For example, the researchers indicate that the comparison groups used in this study consisted of women
who were least likely to be affected by welfare reform (married women with children with 12 or fewer years of education). However, this group was still very likely to be affected by welfare reform due to the AFDC-UP program that was an alternative option offered during the period of this study. The AFDC-UP (unemployed parent) program mandated all states to offer welfare benefits to two-parent households that had at least one unemployed parent in the home. The program was created in order to encourage marriage and two-parent households. Given that this demographic is also very minimally educated, unemployment or underemployment is likely to be high, leaving this demographic very likely to turn to welfare. (Winkler, 1995).

All of the articles agree that welfare reform played a small factor in the decline in welfare, but the economy was also a major factor of decline. These findings may leave readers wondering if welfare reform was really worth the hassle. Furthermore, in times of a difficult economy (such as the one the U.S. is experiencing now) are welfare caseloads likely to soar, or would that information be misleading, as many individuals who may have still been on welfare reached the lifetime limit of benefits? In either case, the question of how the economy affects welfare caseloads is one that is ongoing, and likely to provide new and useful information with each new study.

**Conclusions**

The articles clearly indicate that welfare reform is something that may be an ongoing issue as times change. Based on the previously mentioned studies, welfare reform was successful in many areas however; other unstudied factors may have played a larger role in promoting self-sufficiency, as measured by the decline in caseloads. The literature review gave a historical overview on welfare reform. In the earlier origins of
welfare, welfare reform was necessary in order to include more people who could benefit from the program. As times evolved however, more emphasis leaned towards limiting the amount of individuals that needed welfare, and especially discouraging long-term dependence on the program. This evolution of moving towards self-sufficiency did not appear to be a partisan position. Republican President H.W. Bush signed the Family Support Act which heavily promoted responsibility; however, it was President Clinton, a democrat, who ultimately changed welfare to a limited, responsibility-promoting resource. But was Bill Clinton’s reform just a political anecdote used to win conservative votes?

If one thing could be changed regarding the current welfare reform, it would probably be eliminating the many loopholes that exist in the program that allow a person to still receive cash benefits for an extended period of time. Many exemptions exist that may serve as substitutes for mandatory work requirements, thereby, pausing the lifetime benefit clock (e.g. providing childcare, performing unsubsidized community service, and completing job search forms). These loopholes only require people to put forth a small amount of effort in terms of promoting self-sufficiency.

The loopholes mentioned above seem to contradict the welfare reform goal of self-sufficiency and instead encourage dependence. Further research regarding whether reform elements actually create dependency instead of self-sufficiency is needed. Other areas of future research may include, investigating if these potentially dependent elements are biased towards demographics more susceptible to welfare, if prolonged welfare is generational and how can that be addressed in future reform, and finally, is welfare reform effective in the long-run.
It is quite possible that loopholes will indeed encourage more conservative politicians to re-visit welfare reform; however, equal pressure may also be felt by democratic leaders to do more to encourage self-sufficiency. The economy and various other domestic issues will always affect the trends in welfare caseloads; therefore welfare reform will be an ongoing issue as times change. In addition, all legislators will want to know if welfare reform is still achieving its designated goals. Hopefully, however, every welfare reform set forth will be an even better initiative to enhance the betterment of the welfare system and the citizens of the United States.
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Research Paper Title:
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