

Table 14. Competing Risks Estimates for the Non-Black Subsample

	Employment Exits	Other Income Exits	Administrative Exits
Female	-1.685 *** (0.140)	-2.372 *** (0.203)	-1.335 *** (0.120)
High School Graduate	0.397 *** (0.053)	0.552 *** (0.112)	-0.097 ** (0.040)
Age of Household Head	-0.038 *** (0.005)	-0.051 *** (0.008)	-0.037 *** (0.004)
Age of Oldest Child	0.111 *** (0.022)	0.229 *** (0.045)	0.068 *** (0.017)
Age of Youngest Child	-0.094 *** (0.021)	-0.083 ** (0.040)	-0.028 * (0.015)
Number of Children Age 0-2	-0.488 *** (0.072)	-0.901 *** (0.152)	-0.335 *** (0.055)
Number of Children Age 3-5	-0.392 *** (0.059)	-0.836 *** (0.128)	-0.359 *** (0.047)
Number of Children Age 6-11	-0.395 *** (0.081)	-0.934 *** (0.163)	-0.183 *** (0.057)
Number of Children Age 12-14	-0.559 *** (0.198)	-0.975 *** (0.340)	-0.005 (0.125)
Number of Children Age 15-17	-1.086 ** (0.539)	-1.290 * (0.707)	0.389 (0.257)
Total Months of Benefit Receipt	0.010 * (0.006)	-0.006 (0.011)	0.027 *** (0.004)
Unemployment Rate	-15.010 *** (1.104)	3.115 (1.941)	-3.829 *** (0.779)
Baseline Duration Dependence			
Spline 1-4 Months	0.275 *** (0.071)	-0.267 ** (0.128)	0.240 *** (0.060)
Spline 5-12 Months	-0.108 (0.082)	0.268 ** (0.117)	0.009 (0.046)
Spline 13+ Months	-0.051 (0.555)		0.150 * (0.085)
Dummy 12th Month			0.190 (0.671)
Dummy 24th Month			2.444 *** (0.315)
Non-exempt work-eligible households interacted with			
Spline 1-4 Months	0.166 ***	0.227 **	0.109 ***

	(0.044)	(0.108)	(0.031)
Spline 5-12 Months	0.112	-0.215 *	0.013
	(0.081)	(0.119)	(0.044)
Spline 13+ Months	0.140		-0.072
	(0.555)		(0.085)
Dummy 12th Month			0.306
			(0.686)
Post-DRA period interacted with			
Spline 1-4 Months	0.017	0.203	-0.068
	(0.060)	(0.147)	(0.045)
Spline 5-12 Months	0.159 *	-0.334 *	0.055
	(0.094)	(0.197)	(0.057)
Spline 13+ Months	0.184		-0.028
	(0.561)		(0.104)
Dummy 12th Month			0.036
			(0.840)
Non-exempt work-eligible households in the post-DRA period interacted with			
Spline 1-4 Months	-0.010	-0.122	0.132 ***
	(0.059)	(0.146)	(0.044)
Spline 5-12 Months	-0.140	0.368 *	-0.031
	(0.097)	(0.205)	(0.059)
Spline 13+ Months	-0.204		-0.028
	(0.563)		(0.105)
Dummy 12th Month			-0.459
			(0.877)
Time Trend	0.003 *	-0.008 **	< 0.000
	(0.002)	(0.004)	(0.001)

Note: The omitted category is "no exit." Standard errors are in parentheses. * indicates statistical significance at the 10% level, ** at the 5% level, and *** at the 1% level.

Table 15. Simulation Results for All Exits

	Median Spell Length (months)	Fraction of Spells Lasting At Least:		
		Four Months	Six Months	Twelve Months
Full Sample				
Actual Data	4.84	0.64	0.38	0.11
Baseline Simulation	5.01	0.65	0.39	0.14
No DRA Simulation	4.93	0.64	0.38	0.13
All DRA Simulation	5.03	0.65	0.40	0.14
Black Subsample				
Actual Data	4.93	0.66	0.39	0.12
Baseline Simulation	5.14	0.67	0.41	0.14
No DRA Simulation	4.94	0.65	0.38	0.13
All DRA Simulation	5.19	0.67	0.42	0.15
Non-Black Subsample				
Actual Data	4.51	0.59	0.32	0.07
Baseline Simulation	4.61	0.60	0.33	0.09
No DRA Simulation	4.92	0.64	0.38	0.11
All DRA Simulation	4.57	0.59	0.32	0.08

Note: The "No DRA" simulation estimates what would have happened to spell length in the absence of the DRA. The "All DRA" simulation predicts what would have happened had all work-eligible households been subject to the DRA beginning in October 2006. The data used for this table include spells that are right-censored. The statistics from the actual data are calculated using spells that start in the post-DRA period.

Table 16. Simulation Results for Employment Exits

	Median Spell Length (months)	Fraction of Spells Lasting At Least:		
		Four Months	Six Months	Twelve Months
Full Sample				
Actual Data	4.73	0.66	0.34	0.07
Baseline Simulation	4.82	0.64	0.36	0.09
No DRA Simulation	4.74	0.63	0.34	0.08
All DRA Simulation	4.81	0.63	0.39	0.09
Black Subsample				
Actual Data	4.81	0.68	0.36	0.08
Baseline Simulation	4.97	0.66	0.38	0.09
No DRA Simulation	4.77	0.64	0.34	0.07
All DRA Simulation	5.01	0.66	0.39	0.10
Non-Black Subsample				
Actual Data	4.44	0.60	0.27	0.04
Baseline Simulation	4.42	0.57	0.29	0.06
No DRA Simulation	5.14	0.66	0.40	0.10
All DRA Simulation	4.31	0.55	0.27	0.05

Note: The "No DRA" simulation estimates what would have happened to spell length in the absence of the DRA. The "All DRA" simulation predicts what would have happened had all work-eligible households been subject to the DRA beginning in October 2006. Statistics are calculated for spells that end in employment. The data used for this table do not include spells that exit for other reasons or spells that are right-censored. The statistics from the actual data are calculated using spells that start in the post-DRA period.

Table 17. Simulation Results for Other Income Exits

	Median Spell Length (months)	Fraction of Spells Lasting At Least:		
		Four Months	Six Months	Twelve Months
Full Sample				
Actual Data	4.10	0.52	0.25	0.04
Baseline Simulation	3.86	0.47	0.24	0.03
No DRA Simulation	3.70	0.44	0.21	0.03
All DRA Simulation	3.88	0.48	0.25	0.04
Black Subsample				
Actual Data	4.16	0.53	0.26	0.04
Baseline Simulation	3.95	0.49	0.25	0.04
No DRA Simulation	3.92	0.48	0.27	0.05
All DRA Simulation	3.98	0.50	0.24	0.04
Non-Black Subsample				
Actual Data	3.86	0.47	0.20	0.03
Baseline Simulation	3.36	0.36	0.16	0.03
No DRA Simulation	3.35	0.32	0.08	0.00
All DRA Simulation	3.60	0.42	0.24	0.07

Note: The "No DRA" simulation estimates what would have happened to spell length in the absence of the DRA. The "All DRA" simulation predicts what would have happened had all work-eligible households been subject to the DRA beginning in October 2006. Statistics are calculated for spells that end due to increases in other income. The data used for this table do not include spells that exit for other reasons or spells that are right-censored. The statistics from the actual data are calculated using spells that start in the post-DRA period.

Table 18. Simulation Results for Administrative Exits

	Median Spell Length (months)	Fraction of Spells Lasting At Least:		
		Four Months	Six Months	Twelve Months
Full Sample				
Actual Data	4.57	0.59	0.33	0.08
Baseline Simulation	4.54	0.59	0.31	0.08
No DRA Simulation	4.50	0.59	0.31	0.07
All DRA Simulation	4.56	0.59	0.32	0.08
Black Subsample				
Actual Data	4.65	0.60	0.35	0.09
Baseline Simulation	4.67	0.62	0.33	0.08
No DRA Simulation	4.58	0.60	0.31	0.07
All DRA Simulation	4.68	0.62	0.33	0.08
Non-Black Subsample				
Actual Data	4.29	0.55	0.29	0.05
Baseline Simulation	4.30	0.55	0.28	0.06
No DRA Simulation	4.31	0.55	0.29	0.05
All DRA Simulation	4.32	0.55	0.28	0.06

Note: The "No DRA" simulation estimates what would have happened to spell length in the absence of the DRA. The "All DRA" simulation predicts what would have happened had all work-eligible households been subject to the DRA beginning in October 2006. Statistics are calculated for spells that end for administrative reasons. The data used for this table do not include spells that exit for other reasons or spells that are right-censored. The statistics from the actual data are calculated using spells that start in the post-DRA period.

CHAPTER IV

WHAT HAPPENED TO CASH ASSISTANCE FOR NEEDY FAMILIES?

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1. Goals of Social Assistance

Controversy has surrounded the federally-supported cash assistance program for poor families with children since its inception in the Social Security Act of 1935.¹ Originally called the Aid to Dependent Children (ADC) program, it was rechristened the Aid to Families with Dependent Children (AFDC) program following reforms in 1962 and later the Temporary Assistance for Needy Families (TANF) program following reforms in 1996. Part of the controversy likely stems from the program's costs; empirical studies have found that taxpayer support for transfers falls when the cost of assistance increases (Gramlich 1982; Moffitt 1990; Orr 1976; Ribar and Wilhelm 1999). However, more controversy seems to center on the ways that means-tested programs work at cross-purposes, alleviating the immediate condition of poverty while at the same time encouraging behaviors that can lead families into poverty.

¹ The controversies leading up to the creation of the AFDC program in 1935 are documented in Gordon (1994). Evidence of later controversies can be seen in the major presidential candidates from John Kennedy to George W. Bush calling for major reforms to the program.

What are the goals of cash assistance programs for poor families with children, and given the attendant costs, why would broad sets of taxpayers ever support them? Rational self-interest might be one motivation—taxpayers might want a safety net in place in case they ever fall on hard times. Though reasonable, selfishness seems like an incomplete explanation because few people would ever have the need for this assistance. Hochman and Rodgers (1969) proposed a more universal motivation, theorizing that taxpayers are partially altruistic and care not only about their own well-being but also about the well-being of others, such as disadvantaged families. Even with this explanation, however, the question remains of how best to improve the well-being of disadvantaged families.

On the one hand, transferring money to people improves their well-being by giving them more resources to use to purchase goods and services. On the other hand, transferring money to a family also changes the incentives for that family to earn income on its own and may even encourage the family to expand its needs.

We can consider some of these incentives for work. The vast majority of people get their incomes through work and earnings. If people value the time they spend away from their jobs (or dislike the time they spend at their jobs), transferring money to them will reduce their incentives to work, lowering their earnings and making them poorer in terms of non-transfer income. Worse from an incentives standpoint, the process of means-testing in cash welfare programs causes the eligibility for and amount of assistance to fall as a person's pre-transfer income increases. Means-testing is intended to limit assistance to those who need it most, but it has the unintended effect of acting as an

extra tax on the earnings of program recipients, lowering the rewards associated with work. In some cases, including the TANF programs currently operating in some states today, benefits are docked exactly one dollar for each dollar earned in pre-transfer income, completely eliminating the financial incentive to work among people who command low hourly wages or can only work a few hours per week.

In addition to the short-term effects on work, welfare programs may encourage other behaviors that contribute to poverty over the longer term (Murray 1984). Because the AFDC/TANF program is only available for households with children, it may encourage people to have more children than they otherwise would. Rules that have either limited welfare to single parents or that have made welfare harder to obtain for married parents have the unintended effect of discouraging marriage. The availability of welfare may also reduce the incentives to complete school or to acquire skills. Moreover, a parent's participation in welfare may also influence the future behavior of her children, leading to an intergenerational dependence on assistance. While all of these longer-term effects raise concerns, most empirical research indicates that these effects are modest or negligible (Blank 2002; Moffitt 1992).

As we discuss in this chapter, the U.S. cash welfare system underwent a number of significant reforms to address the programs' deleterious incentives. The reforms were intended to discourage dependency and promote economic self-sufficiency. Most of these reforms, however, took the form of direct or indirect reductions in assistance to families. Examples of direct reductions include imposing life-time limits on the receipt of assistance and ending the entitlement to assistance. Indirect reductions include

conditioning welfare receipt on work or schooling. These restrictive actions raise the question of whether the other goal of welfare programs—to provide help to the disadvantaged—has been compromised.

In the next section of this chapter, we review the reforms that occurred in the AFDC program, starting in the early 1990s. We also discuss the economic circumstances in which these changes occurred. We follow that discussion with a description of trends in outcomes and well-being measures for at-risk families generally, including trends in employment rates, poverty, single parenthood, and welfare participation. Many of these trends indicate that well-being improved on average, at least in the years initially following the reforms. Finally, we examine the conditions and circumstances of the shrinking number of families that continued to rely on cash assistance. Average well-being for these families appears to have suffered in the wake of reform.

2. Policy and economic changes since the early 1990s

AFDC, the cash welfare program in place at the start of the 1990s, was a federal-state partnership. The states operated and administered the assistance programs under a general set of rules and with financial support from the federal government. Within these rules, each state set its own maximum benefit level and determined the maximum level of income that qualified for assistance. States were also responsible for the day-to-day administration of the program. Financial assistance from the federal government took the form of open-ended matching grants in which a dollar of benefit spending by the states was matched by one to as much as three and a half dollars in federal support, depending on the state's relative economic standing. The rules set by the federal government

included the general benefit and eligibility formulas. Following an earlier reform in 1988 (the Family Support Act of 1988), states were required to offer assistance to two-parent families (though under stricter conditions than single-parent families), operate job assistance programs, mandate work among some recipients, offer child care to working recipients, and provide transitional assistance to families who worked their way off the program (Moffitt 1992).

Because of the widespread dissatisfaction with the AFDC program, the federal government began granting states waivers from the program rules, starting in the early 1990s. The waivers were intended to allow states to experiment with different program structures and were generally granted if a state could show that the changes would not cost the federal government more money. Ultimately, 43 states took advantage of this opportunity to reform their own programs and were granted waivers.

The waivers generally included changes in several program elements, with the set of changes being unique to each state. Crouse (1999) categorized the changes into six types: (1) imposition of time limits on the receipt of benefits, (2) changes in the groups covered by mandatory work and training requirements, (3) changes in the amount of time before recipients were required to work, (4) changes in benefit sanctions from not meeting work and program requirements, (5) imposition of “family caps” (families could not collect additional benefits for children born while the family was on assistance), and (6) increases in earnings disregards or decreases in benefit reduction rates. With the exception of the modifications in earnings disregards and benefit formulas, the changes had the effect of reducing the generosity of welfare. Time limits on receipt reduced the

Of course, if caseload reduction were the foremost goal of assistance policy, we could achieve that goal overnight by eliminating TANF altogether. Instead, welfare assistance focuses on alleviating poverty. The poverty rate among those at risk of becoming dependent on welfare, single mothers with dependent children, has exhibited clear trends over the past twenty years. In 1991, over 47 percent of all single mothers with children under 18 were living in poverty. As economic conditions improved over the 1990s, so did the poverty rate among this group of women, and it reached an all-time low of 33 percent in 2000. However, between 2000 and 2008, conditions worsened for single mothers, and the percentage of those living in poverty grew to just over 37 percent in 2008 (U.S. Census Bureau 2011b).

The employment rate of single mothers is a measure of well-being closely tied to poverty and self-sufficiency. In particular, the earned income from employment may be enough to elevate a woman and her family out of poverty and into self-sufficiency so that she is no longer dependent on welfare assistance. The employment of single mothers improved throughout the 1990s. In 1990, almost 56 percent of single mothers in the U.S. were working, and by 2000, this figure had reached almost 63 percent. However, by 2003, the employment rate for this group had dipped to approximately 60 percent, and it remained between 60 and 61 percent from 2003 to 2008.²

The welfare program primarily benefits single-parent families. Thus, a key measure of well-being that puts a woman at risk of becoming dependent on assistance is

² The employment figures were calculated from the Integrated Public Use Microdata Series of the U.S. Current Population Survey (see King et al. 2010).

