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COLLEGE OF SOCIAL SCIENCES

**Welfare Reforms' Misdiagnosis of What Ails the Poor:  
The Consequences for Income, Employment and Family Structure**

By

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## ABSTRACT

Using a cohort of poor and near poor families captured in the 1996 Survey of Income and Program Participation, this dissertation investigates the factors that explain different outcomes for these families that were being challenged to reduce their reliance on public sources of income through increased work participation and to utilize more private income sources for their basic needs. Under PRWORA poor families were also given incentives to get married and to refrain from having children outside of marriage. This provision ignored the fact that many of the poor families were doing just that and still had difficulties in making ends meet without public assistance. By looking at changes in the degree to which families rely on a combination of income from public assistance programs, work and assistance from their family and friends just before PRWORA was enacted and four years later, this study also demonstrates the need for a different prioritization for policy development and funding allocation to deal with barriers that families will continue to face as they attempt to become self-sufficient, working members of society who are responsible for their children.

This study recognizes that the true challenge to any social policy in a country as diverse as the U.S. is recognizing that the way(s) its citizens experience social problems, such as poverty, are as varied and challenging as any puzzle. PRWORA faced many of the same challenges as previous welfare reform efforts. One challenge was clearly trying to define and, in this case, limit the role of the federal government in supporting poor women and their families. The challenge that I address in my dissertation, however, focuses more on how the characteristics of poor adults, (e.g. race/ethnicity, age, region of the country, education level, marital status, and the age and number of children they are raising) influences the way that families experience poverty and how their lives may have changed as a result of PRWORA's implementation in 1996.

## INTRODUCTION

In 1996 President William “Bill” Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) into law. This most recent overhaul of the U.S. welfare system brought about a number of programmatic and policy shifts that once fully implemented permanently changed the way needy families and individuals accessed a number of local and federal government assistance programs. These monumental changes eliminated the family entitlement aspects of the Aid to Families with Dependent Children (AFDC) program, a cash assistance program that primarily served single-female headed households. PRWORA replaced the AFDC program with the Temporary Assistance to Needy Families program, a time-limited assistance program that required work participation, at least on a part-time basis, by the adults in the family. PRWORA also severed the programmatic ties of categorical eligibility, which bound cash assistance receipt with eligibility for Medicaid and Food Stamp benefits, thereby making non cash benefits more accessible to families that were either previously uninterested, discouraged and/or otherwise ineligible to receive those benefits under AFDC.

In many respects recent welfare reform legislation continues to pursue the goals expressed in policies that have evolved in this country for centuries. These policies have sought to discourage poor families from using public assistance for basic necessities, but they have also sought to influence female labor force participation and shape family structure. As a result of these inconsistent and frequently contradictory objectives, these policies have always had mixed results with some families becoming more self-sufficient while others remain unchanged and without much hope of escaping poverty.

In my dissertation, I plan to examine the progress that has been made in meeting three major priorities of the Temporary Assistance for Needy Families Program that was articulated in the Personal Responsibility and Work Opportunity Reconciliation Act when it was implemented in 1996. Using a cohort of poor and near poor families captured in the 1996 Survey of Income and Program Participation, this study investigates the factors that explain different outcomes for these families that were being challenged to reduce their reliance on public sources of income through increased work participation and to utilize more private income sources for their basic needs. Under PRWORA poor families were also given incentives to get married and to refrain from having children outside of marriage. This provision ignored the fact that many of the poor families were doing just that and still had difficulties in making ends meet without public assistance. By looking at changes in the degree to which families rely on a combination of income from public assistance programs, work and assistance from their family and friends just before PRWORA was enacted and four years later, this study also demonstrates the need for a different prioritization for policy development and funding allocation to deal with barriers that families will continue to face as they attempt to become self-sufficient, working members of society who are responsible for their children.

In addition, this study recognizes that the true challenge to any social policy in a country as diverse as the U.S. is recognizing that the way(s) its citizens experience social problems, such as poverty, are as varied and challenging as any puzzle. PRWORA faced many of the same challenges as previous welfare reform efforts. One challenge was clearly trying to define and, in this case, limit the role of the federal government in supporting poor women and their families. The challenge that I address in my dissertation, however, focuses more on how the characteristics of poor adults, (e.g. race/ethnicity, age, region of the country, education level, marital status, and the age and number of children they are raising) influences the way that families experience poverty and how their lives may have changed as a result of PRWORA's implementation in 1996.

This study expands on other evaluations of PRWORA by focusing on a broader spectrum of public income supports. Other evaluations have focused solely on changes in TANF cash assistance, Food Stamps or Medicaid benefit receipt. Since poor families often utilize benefits from more than one income source to survive, it is

necessary to examine changes in poor families budgetary balancing act more comprehensively. It is also important to look at the goals laid out in the welfare reform legislation in 1996 and determine where expectations of change were shortsighted and unrealistic.

The SIPP purposively oversamples low-income families and therefore lends itself to such an analysis, because it allows investigators to look at low-income families near the very beginning of the most recent reform beginning in December 1995 through February 2000, almost four-years after PRWORA's implementation. The 1996 Survey of Income and Program Participation (SIPP) provides an opportunity to look at how families combined public and private sources of income to make ends meet immediately prior to the 1996 implementation of PRWORA and how the same families may have restructured their sources of income as well as their family configuration in reaction to the program and policy changes that resulted from PRWORA.

This study uses the 1996 Panel of the SIPP to evaluate progress made in achieving three of the four goals that were spelled out in the Personal Responsibility and Work Opportunity Reconciliation Act for the Temporary Assistance for Needy Families (TANF) program that replaced the Aid to Families with Dependent Children (AFDC), Jobs Opportunities and Basic Skills Training Program (JOBS) and the federally support Emergency Assistance programs. According to PRWORA the goals for TANF were as follows:

- (1) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (2) End the dependence of needy parents on government by promoting job preparation, work, and marriage;
- (3) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (4) Encourage the formation and maintenance of two-parent families.<sup>1</sup>

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<sup>1</sup> P.L. 104-193, Sec. 401.

This study looks at the poor and low-income families (at or below 200% of the poverty level) initially interviewed in the 1st Wave of the 1996 SIPP. The analysis looks at the answers the families provided in the 12th Wave of the SIPP to gauge changes in the families status since the 1st Wave and answer the following questions:

1. To what extent did poor families rely on earned income, as well as public and other private sources of income prior to the October 1996 implementation of the Personal Responsibility and Work Opportunity Reconciliation Act? How did this change in the three years following the welfare reform policy implementation? Has there been a significant shift in the sources of families' income since PRWORA was implemented in 1996? If so, what factors caused these changes? And which families were likely to see the greatest shifts towards a more earned income and other private sources of income and less public income in their family's budget?
2. What factors influenced the configuration of poor and near poor families prior to October 1996? To what extent did the families' structure or composition change after three years? Has the family structure of poor and near poor families changed since PRWORA was implemented in ways that meet the goals of the legislation? In other words, have single parents either married or had no additional children out-of-wedlock since 1996? If so, which single parents were more likely to make changes in their family configurations that was more aligned with the goals expressed in PRWORA?
3. Does the analysis indicate different policy and funding priorities than what is currently being discussed? If so, what shifts need to occur to more adequately address the needs of poor families seeking to become more self-sufficient and less dependent on public income supports.

## **Public vs. Private Sources of Family Income Defined**

In a broad sense a family's income in the U.S. could consist of a combination of private and public resources. Private sources of income include but are not limited to market income from either paid labor or investment income as well as private transfers from pensions, child support and help from family, friends or local charitable entities. Public sources of income generally come from local, state or federal sources in the form of cash or cash-equivalent benefits from either social insurance or social assistance programs. For the purpose of this proposed study, public sources of income will include cash assistance, Food Stamps, housing assistance (subsidized rent, public housing and government-funded energy assistance), childcare assistance, education/training assistance (in the form of government grants or guaranteed student loans), Social Security, Supplemental Security Income, and unemployment compensation.

## **WHEN REFORM IS NOT NEW**

### **Efforts to Shape the Lives of Poor Families Prior to 1996**

Historically, governments have struggled with balancing the need to help poor families against societal demands to prohibit idleness and discourage the lack of personal responsibility on the part of individual citizens. Every cycle of welfare reform from as early as the 13th century has faced this dilemma. The results have always been mixed and often focused on controlling the labor force participation of poor people while at the same time defining the appropriate family structure and roles for the poor. The historical legacies of the earliest welfare reforms in England came with the colonists who shaped the foundation for the U.S. and it is that foundation of prescribing not only how the poor families should conduct their lives but also dictating what the non-poor citizens should require of these families that can still be found even in the reform legislation signed into law in 1996.

### **English Poor Laws**

Any discussion on the evolution of welfare reform must begin with one of the earliest governmental provisions of benefits to poor individuals and families, the English Poor Laws. These early attempts to provide poverty assistance created organized means to control the local labor supply and at the same time dictate the family lives of the poor. The English Poor Laws date back as early as the fourteenth century and the reign of King Edward III. The Statute of Laborers of 1349, one of the earliest components of the English Poor Laws, made it a crime for able-bodied individuals to beg for money or for the charitable giving towards these individuals. The transition from

a feudal to a capitalistic society in conjunction with the end of the Black Death (plague) had created a great shortage of labor in many English communities (Handler and Hasenfeld, 1997; Trattner, 1994). The statute was an attempt to prevent the idleness of a needed able-bodied labor force and to control or limit the mobility of this labor force. Despite its restrictive elements this statute did make an effort to assist the “worthy” or “deserving” poor that could not adequately provide for themselves<sup>2</sup>. The Statute of Laborers established a practice that required local governments identify those in the community who were deserving of assistance and then allocate areas in town in which these worthy poor individuals could lawfully beg (Axinn and Levin, 1997; Bruce, 1973; Slack, 1990).

Between 1439 and 1601 many other statutes were established as part of the English Poor Laws. Over time, the dictates of the statutes included more severe punishments for able-bodied beggars (ex. branding, enslavement or even execution) as well as increased the responsibility of local officials in obtaining resources to provide assistance to the deserving poor in their communities and establishing workhouses for the non-deserving poor. The assistance came in the form of work for the able-bodied, the removal of children under the age of fourteen and subsequent placement of these children in the homes of farmers, or with crafts- and skills- people as apprentices until the children reached adulthood (Axinn and Levin, 1997; Bruce, 1973). In 1572, the English government established a voluntary local taxation system that would provide funding to meet the needs of the poor in the specific parish.

The most well known statutes of the English Poor Laws were part of what has been commonly identified as the Elizabethan Poor Law of 1601. This law formally established the responsibility of parents for their children and grandchildren and the adult children’s responsibility for their aging parents and grandparents. However, the law also recognized that there were circumstances in which the local government would need to supplement familial support because family members could not provide sufficient relief. As a result, the English government defined what would be the most appropriate way to intervene based on the dependency status of the poor individual needing assistance. In some cases it was necessary for the local governments to

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<sup>2</sup>The deserving or worthy poor were those individuals who were lame, feeble from aging, blind, orphaned children and those who were temporarily unemployed due to no fault of their own. The undeserving poor

provide housing for the deserving poor. Unused parcels of land or existing unoccupied dwellings were often used to establish homes for the poor (Axinn and Levin, 1997; Bruce, 1973).

By the mid eighteenth century, the English Poor Laws prevented poor relief from being provided to even “deserving” poor individuals seeking assistance if the individual refused to abide by local parish requirements, such as residing in the local alms- or work houses. Local governments made sure that the living and working conditions in the poor houses were substandard in order to ensure that there were adequate deterrents to keep able-bodied poor from seeking assistance. This need to provide inherent disincentives for seeking and accepting relief continues to be evident throughout history (Axinn and Levin, 1997; Skocpol, 1994).

### **The Poor Laws in the New World Colonies<sup>3</sup>**

The colonists in the New World adopted the use of the “deserving versus undeserving poor” distinctions that were used in England, as well as many of the directives of the Elizabethan Poor Law with some notable changes. The most relevant changes were necessitated by the different social and economic circumstances experienced in the colonies (Axinn and Levin, 1997; Slack, 1990). In England, many people were moving to urban areas after the decline in the agricultural-based economy forced them from feudal landholdings. There were not enough jobs in the urban areas to provide for this influx of people nor was there sufficient private or local charity to absorb the increased needs of the newly relocated poor.

That, however, was not the experience of settlers in the New World. The New World presented a number of jobs that needed to be done in order to facilitate the establishment of the colonies. There was no acceptable reason why for able-bodied people could not find work to provide for themselves in the colonies. The colonies presented an abundance of resources and opportunities unavailable in England. Therefore, there was very little sympathy for able-bodied individuals who were unwilling to work. The colonists strove to discourage idleness and forced individuals who were

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were those individuals that were considered to be either vagrants or drunkards (DiNitto and Dye, 1983).  
<sup>3</sup>It is important to recognize that most, if not all, Poor Law provisions in the New World colonies pertained to the needs of European settlers and this exclusion of the non-European segment of the population continued to be evident in welfare policies into the Twentieth century.

unwilling to work to leave the community (Axinn and Levin, 1997; Slack, 1990). Children who were either orphaned or abandoned were often farmed out to families to work for low wages and at the lowest cost to the local parish. Workhouses and poor houses were established to feed and house poor individuals who could not live on their own. This form of institutionalized or “indoor” relief required that the poor be involved in some form of productive work such as sewing military uniforms or farming. “Outdoor” relief was provided to individuals and families within their own homes in the form of either cash or in-kind assistance<sup>4</sup>.

In both the United States and England poor relief programs have always been used as a means to control the labor supply. This control has been used in the past to either encourage or restrict the mobility of the workers depending on the community’s labor needs. In this chapter I will focus on how elements of this “outdoor” relief evolved over time and continue to constitute the framework for poverty assistance programs in the United States, especially cash assistance. Although there have been numerous changes, the underlying functions have remained the same.

### **The Emergence of the U.S. Welfare System**

In the beginning of the settlement of the colonies, it was feasible and practical for local residents of the towns and parishes to provide for the needy in their community. However, as the population grew in size and diversity, the resource burden on these entities, both in time and tax revenues, became very cumbersome. According to Trattner (1994), the taxation systems that had been established at the local level to provide assistance to families and individuals quickly became inefficient mechanisms for overseeing the provision of aid. With such a large proportion of local tax revenues appropriated to address needs, it was inevitable that citizens and the local governments would demand that other entities step in and supplement the resources.

This is where much of the debate regarding responsibility of private versus public entities began to take shape in this country. Many of the leaders in the colonies felt that it was more appropriate for private philanthropic entities, such as churches and other charitable organizations, to be in charge of both the allocation of resources and the

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<sup>4</sup>The types of in-kind assistance to poor individuals and families included housing, food, clothing, and medical care.

determination of eligibility for assistance (Skocpol, 1994). These leaders did not believe that the sole responsibility for providing assistance to the deserving poor should fall to local governments. The moral and philosophical beliefs and obligations espoused for centuries before the establishment of the colonies emphasized that the local government should be the last resort. Family, friends, then the church or other charitable organizations should always precede the intervention of the local government.

Initially, this “family-first and government-last” approach to alleviating the needs of community members was not problematic. The populations that settled in particular colonial communities most often had shared backgrounds in terms of country of origin and religion. The religious organizations and the associated philosophical stances were the common ties binding most, if not all, residents. In these homogenous communities, there was a shared commitment or understanding on how best to assist the needy in the community. However, as the country grew more diverse, the variety of the shared community ties served to fuel the debate over who should be responsible for the increasingly needy populations. Although to some extent this debate focused on xenophobic concerns, a good deal of the debate focused on how to allocate aid to those considered to be outsiders of the community.

Another related aspect of this debate emerged after the Revolutionary War, in which the ratification of the Constitution did not prescribe any direct responsibilities of the newly formed Federal government in addressing the social needs of local citizens. In not delineating the federal responsibilities for these issues, the new States were given primary governance of poverty assistance programs and policies. Researchers (Axinn and Levin, 1997; Trattner, 1994) point out that this decentralized approach opened up many avenues for criticism. The contentious points included a great disparity among and within States in the availability and provision of aid and the variability in eligibility requirements. However, it was this variability and limited Federal intervention that allowed state and local governments to design assistance programs to fit particular social, political and economic contexts. One common assistance program that evolved during the late 19th century as a result of the flexibility that States and local communities utilized to assist the poor was the widows’ or mothers’ pension program.

## **The Mothers' Pensions**

State sponsored pensions for “full-time” mothers evolved over time to address the financial needs of children whose widowed mothers continued to assume full-time care for their children. Many states opted to expand coverage to include children of disabled or absent fathers. Initially many communities attempted to care for orphaned and/or poor children by placing them in almshouses that served not only dependent children but also those who were considered to be delinquent. However, as the child welfare movements began to gain momentum in the mid- to late 19th century, there was dwindling support for the institutionalization of children and the poor in general (Skocpol, 1994; Axinn and Levin 1997). Axinn and Levin (1997) cite the difficulty in financing specialized institutions for a growing diverse and needy population, the rise of compulsory public education and the decline of apprenticeship and indenture opportunities as being instrumental in the decreased popularity of institutionalization in the United States.

The arguments supporting the deinstitutionalization of children in particular focused on the Progressive era’s emphasis on socialization and the potential for people to change (Skocpol, 1995; Bell, 1965). Proponents of the child welfare movement felt that removing children from the home should be a last resort, only if the parent(s) moral functioning served as a barrier to the appropriate socialization of the future citizenry. They stressed that the family was the optimal environment for child socialization and argued that when children were removed from home, they should be fostered out to other families and not warehoused in the questionable conditions found in many almshouses.

According to Bell (1965), two principles guided the Mothers’ Pension Movement. First, a need to establish a public mechanism to remove certain families from poverty and second, a need to establish a reciprocal relationship between mothers and the state based on meeting specific responsibilities in rearing children. Eligibility for benefits was determined based on the father’s status and the mother’s suitability to raise her children. Initially, the pensions were for families in which the father was deceased or disabled. Over time eligibility was expanded to include situations in which fathers were imprisoned or had deserted the family, or the parents had never married. The very

subjective determination of a mother's suitability looked at the woman's physical, mental and even more so, moral ability to raise her children on her own.

Inevitably, the local eligibility and case management decisions attempted to define the appropriate social and moral behavior based on Protestant religious beliefs. Many of the underlying decisions were based on judgments, perceptions and the prejudices of the home visitors that investigated the home environment of the families receiving or asking for assistance. As a result of ethnocentric biases, some of the requirements enacted involved the enculturation of the children with regular church attendance, satisfactory educational progress, and the sole use of English in the home environment (Bell, 1965).

The universalistic moral and economic appeals espoused by the varied non-partisan women's groups that lobbied for Mothers' Pensions were some of the reasons that Mothers' Pensions were adopted widely across the country at a time in which states chose not to pass labor-related legislation (Skocpol, 1992). However, the pensions were not implemented evenly across the country. Missouri was the first state to sign the mother's pension into law in 1911. South Carolina and Georgia were the only two states that had not enacted mothers' pensions by 1935. The map presented in Figure 1.1 details the period when each state enacted mothers' pension laws.

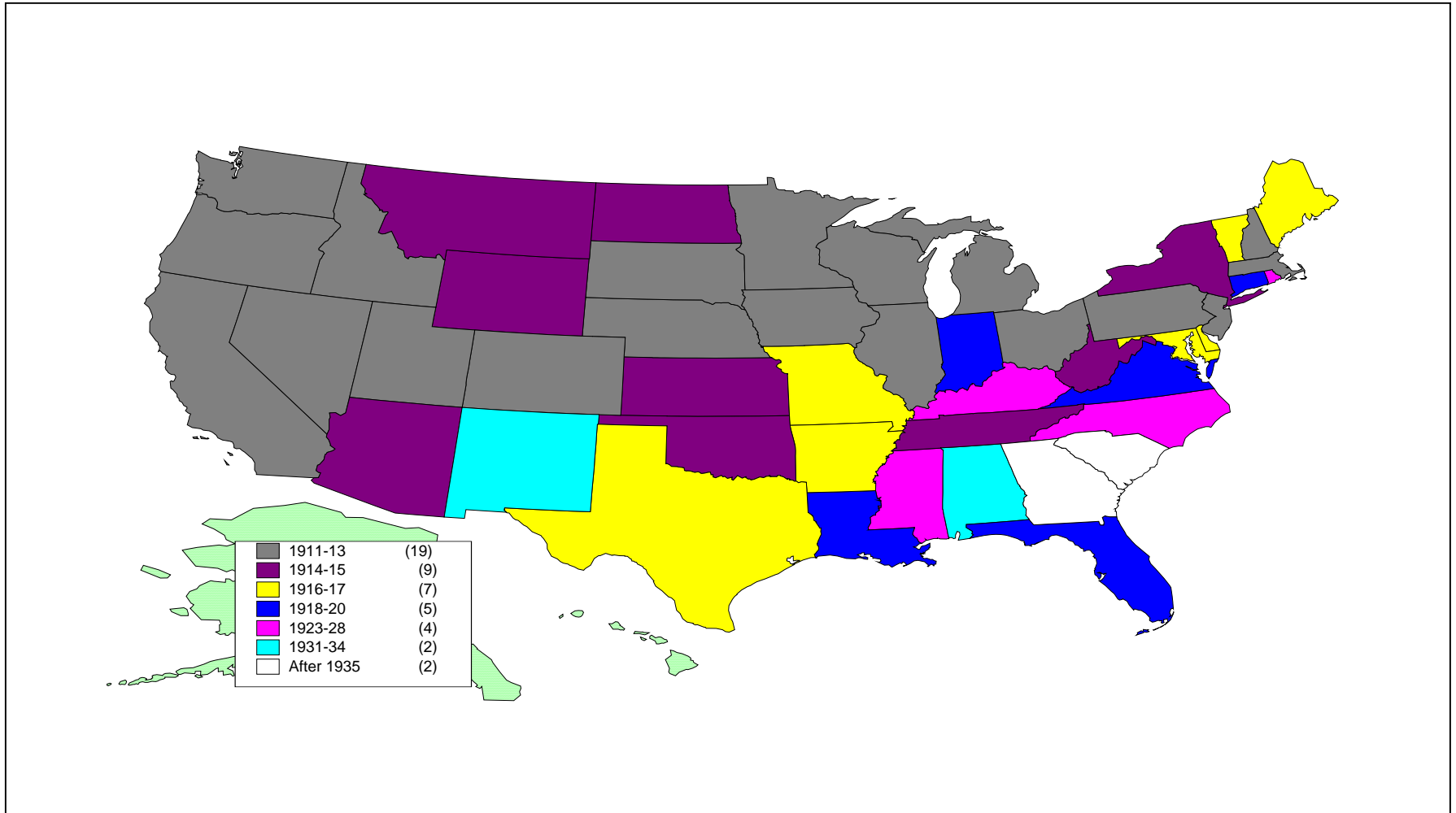
State level opposition to the pensions concentrated in regions where the involvement of women and children in the local labor market was essential (Skocpol, 1992). For example, in those areas of the country in which agricultural-based economies relied on the labor of children and women, local governments refused to fully implement the mothers' pensions. As a result, access was severely limited for blacks and other groups that made up the bulk of the field and farm labor. Blacks and other minority ethnic groups were not supposed to benefit from the pensions. The mothers' pensions were implemented primarily to assist white widows at a time when most white women were not expected to work outside the home. They allowed these women to stay home and care for their children (Axinn and Levin, 1997; Handler and Hasenfeld, 1997; Skocpol, 1992). This was evident in states such as Georgia, Mississippi and Arkansas. In fact, 51% of the families assisted by 1934 lived in large metropolitan areas with populations of 50,000 and more. In contrast only 5% of the counties in Louisiana, Tennessee, and Texas had implemented mothers' pensions. The fact that many

southern states refused to implement mothers' pensions indicates that the need to maintain the control over the labor force continued to be a central factor policy decisions.

## **A Nation in Crisis: The Depression Era**

The fall of the U.S. stock market in October 1929 shook the nation's economic foundation. The decreased financial security undermined many of the philosophies that had previously defined the shape of social policy in the United States. As a result, the ideas about poverty – who was poor and why individuals continued to be poor– were altered forever. The Depression made poverty a social problem and not simply an individual problem. It was difficult to focus on individual character defects as the main cause of poverty in 1932 when one out of four U.S. citizens were unemployed and 1:6 were receiving some form of public assistance (DiNitto and Dye, 1983). It was also difficult to require work as a solution to poverty, when even the hardest and most willing workers could not support themselves and their families.

Private charitable organizations, communities and the states were overwhelmed with the drastic increase in need that occurred at a time when resources were stretched to the limits. The Federal government would have to change its position regarding a national social policy or face widespread social unrest. Herbert Hoover, the president in 1929, did not feel that the federal government had any authority to step in and alleviate the increased poverty and unemployment that resulted from the Depression's economic upheaval (Axinn and Levin, 1997; Berkowitz and McQuaid, 1992; Skocpol, 1992; Trattner, 1994). It was not an option that the next president, Franklin Roosevelt, would, or even could overlook. Roosevelt took office in 1932 and proceeded to make enduring changes to the Federal government's role in ensuring a decent quality of life for U.S. citizens.



Source: Skocpol, Theda (1992). *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*, pp. 457-458.

**Figure 1.1. Mothers' Pension Laws Enactment Dates**

## **FDR's New Deal**

President Franklin D. Roosevelt's administration established policies and programs that created a web of far-reaching social insurance and entitlement safety nets to not only stimulate an ailing economy but also to forestall the reoccurrence of "preventable" socioeconomic crises in the future. The four most significant provisions of Roosevelt's New Deal were the Works Progress Administration (WPA), the Civilian Conservation Corps (CCC), the Federal Emergency Relief Administration (FERA) and the Social Security Act.

The Federal Emergency Relief Act (1933) provided federal grants-in-aid to states. As enacted, there was \$500 million made available to states. One half of the grants were awarded based on need and the other half was provided based on a 1:3 federal-state matching arrangement. The states and local communities had the responsibilities for administering the funds. F.E.R.A. was designed as a temporary assistance program that emphasized work relief for employable beneficiaries. The funds were to be used for emergency unemployment relief such as work programs, cash-based home relief and surplus commodities programs. F.E.R.A. determined the state grant awards. Two-thirds of approximately five million people receiving F.E.R.A.-based assistance in 1934 were receiving work relief (Amenta, 1998).

By 1934, national-level F.E.R.A. assistance had begun to surpass the assistance efforts of mothers pension programs. According to Amenta (1998), F.E.R.A. efforts went beyond the scope of mothers' pensions by extending assistance to families that were ineligible for mothers' pensions. In fact, of the one million dependent children receiving assistance, 719,000 lived in homes headed by a separated or divorced woman. Local employers often encouraged workers to utilize this expanded coverage. For employers and local governments, controlling F.E.R.A. benefits were an inexpensive and effective way to deal with periodic labor surpluses. This flexibility was evidenced by the occasional decrease or suspension of benefits to black laborers during peak agricultural planting and harvesting seasons (Quadagno, 1988). The F.E.R.A. program ended in December 1935 and was replaced by the Works Progress Administration (W.P.A.).

The Works Progress Administration and the Civilian Conservation Corps were established to provide employment opportunities for men willing to work. The Civilian Conservation Corps performed conservation activities in the national parks and forests from 1933 until 1941. The Works Progress Administration was the precursor of many work programs that still exist. The WPA was responsible for providing jobs for more than 8 million workers (Amenta, 1998). Elements of the WPA were adopted and remained evident throughout each amended form of the Social Security Act since 1935<sup>5</sup>.

In 1935, the Report of the Committee on Economic Security under Roosevelt's administration provided the framework for what is accepted in many political arenas as the most complex legislation in U.S. history. The recommendations of the report established what Marmor, Mashaw and Harvey (1990) identify as the "American Opportunity-Insurance State." In effect, the social policies that emerged from the Report's recommendations -- the Social Security Act of 1935 -- exemplified the federal government's "New Deal" with its citizenry. The fourth major social policy of FDR's Administration, the Social Security Act, became without a doubt an enduring cornerstone of Roosevelt's presidential legacy. It included diverse social and human service policies and programs that firmly established the federal government as an active stakeholder in the well being of individual citizens. The Act maintained the primacy of the individual states in providing many of the programs and services. However, the balance of responsibility in the relationship between the federal and state governments in relation to the Social Security Act provisions has continued to evolve over the last six decades.

The enactment of the Social Security Act in 1935 created a bifurcated welfare state in the U.S. One category of programs, defined as social insurance programs, based citizens' eligibility on contributions into the system. The other category, assistance programs, left the definition of eligibility to the individual states' discretion. Table 1.1 details the major provisions of the Social Security Act of 1935.

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<sup>5</sup> Evolved forms of the Works Progress Administration include the following programs/policies: Manpower Development and Training Act (1961); Comprehensive Employment and Training Act (1973); the Job Training Partnership Act (1982); Temporary Assistance to Needy Families (1996).

**Table 1.1. Specific Provisions of the Social Security Act of 1935**

- (1) Old-Age Insurance (O.A.I.) provided retirement annuities for those aged 65 years and older. The annuities were to be financed by taxes on workers' wages and employers' payroll. Benefits vary based on individual's earnings and contributions. However, it did require steady employment and documentation of that employment and contributions to the program. The first pensions were paid in 1940.
- (2) Old-Age Assistance (O.A.A.) as a joint state-federal funded program to cover the care of persons 65 years of age and older who were unable to take part in O.A.I or those who still needed aid in addition to O.A.I. 1953 was the first year that there were more people receiving O.A.I, than O.A.A.
- (3) Unemployment Insurance in which employers' contributed a certain percentage of their payroll to the federal treasury. Ninety percent of those monies would be returned to those states that established state-level unemployment insurance programs that met certain federal requirements. By 1937, all states had set up such insurance programs.
- (4) "Categorical Relief" which included the federal codification of the states' Aid to Dependent Children (A.D.C.) or mothers' pension program and entitlement assistance to crippled children and the needy blind. The federal A.D.C. was an attempt to widen and strengthen the state-level mother's aid program.

The Social Security Act of 1935 resulted from both political and economic compromises, which inevitably opened it to various criticisms. These criticisms have remained salient despite the evolution of the Social Security Act over sixty years. The social insurance components of the Act, OAI, and Unemployment Insurance, were criticized because they did not provide an adequate standard of living and primarily tied benefits to stable long-term employment. Furthermore, the regressive nature of OAI contributions actually taxed the poor more heavily than the more affluent (Quadagno, 1988; Skocpol, 1992). Critics also noted that the Social Security Act failed to address any underlying social and economic problems. For example, in only providing benefits to "regular" workers, the Social Security Act ignored the effects of labor market segmentation, which in most cases made poor and minority workers ineligible for benefits. In addition, the Act made no provisions for health insurance and/or health care needs of the needy in the U.S.

Despite the varied criticisms levied against the social insurance programs, states welcomed the federal funding for programs that had become too expensive for state

and local budgets (Marmor et.al., 1990; Quadagno, 1988; Skocpol, 1992). The Social Security Act began a new direction in the U.S. welfare state. It marked a significant shift in responsibility for most of the needy from the local communities to the Federal government. The Social Security Act has been amended many times since 1935, but the major components remained fairly intact until PRWORA. The longevity of these programs can be explained by their importance as income replacement for workers who lose their jobs due to unemployment or retirement. However, the evolution of the most contested aspects of the Act, the federal adoption of state administered categorical relief programs, has remained the point of contention for defining who is deserving or undeserving.

As the country recovered from the Depression and faced the inevitability of involvement in World War II, the federally supported public employment programs, WPA and CCC, were discontinued. One reason why these job creation programs were discontinued is that World War II stimulated the economy, precluding the need for publicly subsidized full-employment initiatives. Another explanation is that many New Deal policies and programs were designed and implemented to address the temporary widespread unemployment emergency from the Depression of the 1930s. In addition, any long-term support of publicly subsidized employment treaded too close to business and union organizations that successfully defeated many attempts by the federal government to intervene in the labor market (Marmor et.al., 1990; Skocpol, 1992; Trattner, 1994).

### **The Evolution of AFDC**

Title IV of the Social Security Act of 1935, which established ADC, only took up three pages in the entire text. However, it was these three pages that set in motion the federal adoption of mothers' pension programs that existed in every state except Georgia and South Carolina by 1931. The original purpose of ADC was to provide for needy children within their own homes. States' participation in the federal program was voluntary and had very few stipulations. States simply had to submit and get approval of a statewide plan for providing assistance to needy children under ADC<sup>6</sup>. Initially, the

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<sup>6</sup> According to the 1998 Federal Green Book, the eligible ages for children receiving assistance under ADC was initially for children under 16. This changed in 1940 to allow for children aged 16-17 who were

states were reimbursed for one-third of their ADC expenditures. In 1939, the federal funding commitments for state-level ADC programs increased from one-third matching formula to fifty percent, a dollar for dollar match. Despite this increased federal funding, not all states adopted ADC programs. In fact, by 1939 there were ten states, mostly in the South, that had not implemented federal matching grant-based ADC plans. Further, the increased federal involvement in the program did not ensure any equitable benefit levels across states. Monthly benefits in 1939 averaged \$8.10 per family in Arkansas and \$61.07 in Massachusetts (Amenta, 1998).

Participation levels also varied across states. A large degree of the variation was due to the states' flexibility in determining eligibility prior to 1962. Many of the states that implemented ADC policies continued to deny assistance to children based primarily on subjective determinations regarding the mother's morality, which were formally called "suitable home" determinations. State workers could define a mother as ineligible to receive assistance for her children due to a criminal record, the presence of illegitimate children and questionable citizenship status (Bell, 1965). In addition, benefit levels remained low and focused solely on the perceived minimal needs of the children in the household. Caretakers' needs were not considered in determining the level of assistance until 1950<sup>7</sup>.

Substantive amendments were made to Title IV in 1956. These changes focused on expanding the goals of the ADC program. In addition to the original goal of providing for the needs of needy children, the program was to also "strengthen family life and encourage family self-support."<sup>8</sup> However, this expanded focus still did not alleviate other problems. ADC still did not correct for the two striking disincentives against employment and the maintenance of intact families inherent in the program prior to the 1960's (Bell, 1965). States had implemented policies that overtly discouraged employment while among recipients. By counting any income (including earnings from

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regularly attending school. The program allowed those children 18-20 years of age in high school or vocational/technical training in 1964. In 1965 this was expanded to include attendance in college or university. However, in 1981 Congress limited eligibility to the 18<sup>th</sup> birthday of the child. (States had the option to continue funding through the 19<sup>th</sup> birthday if the child was still in high school.

<sup>7</sup> States could include the caretaker's/parent's need in providing cash assistance prior to 1950. However, federal reimbursements only allowed for the needs of the children. Therefore, states had to fully absorb the costs associated with providing for the needs of the caretaker/parent in the ADC grant.

<sup>8</sup> 1998 Federal Green Book, Background Material and Data on Programs within the Jurisdiction of the Congress. Section 7. Aid to Families with Dependent Children and Temporary Assistance for Needy Families (Title IV-A).

employment) was counted against assistance levels. This regulation created a direct work disincentive against adults with children receiving ADC cash assistance. In addition, because ADC had been conceived as a program to assist widows and mothers who had been divorced and/or deserted, there was no consideration of two parent families, even if one parent was unemployed (temporarily, or due to illness/disability). Not until 1961 was an unemployed parent allowance included in the ADC eligibility guidelines. This effectively undermined the maintenance of two-parent households for poor families (Bell, 1965). Even after the 1961 amendments passed to authorize cash assistance to two-parent families, half of the states chose not to use this option.

Several changes during the 1960's significantly increased the size of the ADC population. These changes included changing the name of the program from 'Aid to Dependent Children' to 'Aid to Families with Dependent Children (AFDC),' to reflect the more family-oriented focus of the program. In an effort to ensure that AFDC was more preventative and "rehabilitating," the federal government no longer allowed States to deny benefits based on "unsuitable home" determinations. Accordingly, the Federal government increased the reimbursement rate for social services provided to AFDC families to 75 percent to allow the States to provide the other social services that families would need to prevent or correct for any conditions that once made the home environment "unsuitable."<sup>9</sup> At the same time the federal government recognized a need to encourage more single mothers to work outside the home.

During the Kennedy and Johnson administrations, Federal policies and programs were expanded to meet the needs of families served by AFDC or those who were eligible for assistance that could not be addressed solely through cash assistance benefits. These programs and policies emphasized getting mothers prepared to work. To these ends the 1960s saw the implementation of community-focused programs that encouraged employment, training, and self-supporting communities and individuals. Congress implemented the Work Incentive (WIN) program in 1968 to set up work or training focused programs for AFDC recipients who were deemed "appropriate" to participate in these activities<sup>10</sup>. Yet WIN's success was minimal. Patterson (1994)

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<sup>9</sup> In 1975 the funding for the provision of social services was shifted to a separate block grant program under Title XX of the Social Security Act that eliminated open-ended Federal funding for social services.

<sup>10</sup> Beginning in 1971, WIN participation was required of all AFDC mothers with children older than six years of age.

notes that fewer than two percent of the AFDC recipients who were eligible and “appropriate” for WIN in 1967 were employed in 1972. The recipients who were employed at that time were earning an average of \$2 an hour. The Talmadge Amendments to WIN in 1971 expanded the pool of recipients who were “appropriate” for participation and also instituted a penalty against states that did not refer fifteen percent of eligible AFDC participants to WIN. The Talmadge Amendments required able-bodied AFDC recipients who did not have responsibility for children under the age of six to participate in job training or education activities. In addition, states were required to spend at least one-third of their AFDC budgets on subsidized training and employment. Congress’ action did not significantly improve the employment rates or outcomes of WIN participants, in part due to the shortage of jobs available for single mothers who lacked high school diplomas and job skills (Berkowitz and McQuaid, 1988). Funding for WIN ended in 1974. The results indicate that WIN was an ineffective means to increase the labor force participation of poor mothers and prevent welfare dependence.

AFDC caseloads had increased from 3.1 million in 1960 to over 10.2 million in 1971. Among the factors that could explain this tremendous growth were the heavy migration of families to northern cities, increased family size for single-female headed households, the implementation of AFDC-UPS in northern states, and increases in the income limits for program eligibility. Lawsuits between 1968 and 1971 resulted in the abolishment of “absent father” rules, residency requirements and other regulations that state and local governments had used to limit the number of families that could receive AFDC benefits (Amenta, 1998). Eligibility requirements were also relaxed in an effort to stem the growing social unrest as the National Welfare Rights Organization was mobilized poor people in 1966 to lobby for welfare reforms.

George Wiley, a black chemistry professor at Syracuse University, organized the National Welfare Rights Organization (NWRO). Wiley was encouraged to establish the organization by Richard Cloward and Frances Fox Piven, who felt that organized protest by welfare recipients and those potentially eligible for assistance was needed to bring national attention to the needs of the poor. In addition to marches and demonstrations in large urban areas, NWRO created a “crisis” in welfare caseloads by encouraging every eligible person to apply for assistance (Coll, 1995). The efforts of the NWRO also

extended to lobbying the federal government to reevaluate policy decisions, such as, the establishment of a national minimum income.

The anti-poverty programs established during the Kennedy and Johnson administrations were not successful remedies to poverty, but several programs such as Head Start, child nutrition and job training programs did provide some benefits for the poor. According to Hecló (1994), there were several obstacles that the anti-poverty programs of the 1960's (and to some extent many of the subsequent reform efforts) failed to resolve. First, it takes a long time to see whether education, job training and other services actually improved people's lives. Second, the inherent limitations of federalism prevented the widespread and even implementation of federal policies. Third, "federal antipoverty policy and the Democratic domestic agenda more generally become caught up in the growing turmoil over civil rights" (Hecló; 1994). Finally, the Vietnam War weakened support for President Johnson's social reform efforts. A quote from Hecló sums up his position best.

The story needs to be told honestly. Antipoverty programs of the 1960s did not lose support because they contradicted basic American values. They lost support because politicians taught the people to expect quick fixes, because programs could not be effectively administered, because they became part of a racial imbroglio, and because their chief political sponsor lied to the people in fighting a dubious foreign war (Hecló, 1994:409).

Nixon and Carter shared their predecessors' visions of ending cash assistance. However, their proposals differed tremendously from the programs that were implemented during the previous decade. Neither Nixon's Family Assistance Program (FAP) nor Carter's Program for Better Jobs and Income (PBJI) proposals made it successfully through Congress. Nixon's FAP would have replaced AFDC and three other programs with a guaranteed annual income<sup>11</sup>. Nixon promoted the FAP as a way to provide more generous, uniform and extensive supports for children in poor and

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<sup>11</sup> The other programs that would have been eliminated under this proposal were the Aid to the Blind, Aid to the Permanently and Totally Disabled, and the Old Age Assistance programs.

dependent households and encourage work among welfare recipients (Moynihan, 1981).

President Richard Nixon presented his proposal for a guaranteed income level in 1969. Under his plan, all families with children would receive \$500 per adult and \$300 per child. For a family of four this amount could be \$1600. Nixon's plan would increase work incentives by including an income disregard of \$60 per month, which would allow families to work without an immediate reduction in government aid. Although the plan addressed the needs of working poor families, it ignored the needs of poor families and individuals without children, who according to Patterson (1994), represented twenty percent of the poor population. FAP also faced opposition from southern legislators because it would have significantly redistributed wealth in the South (Coll, 1995). Southern states used low benefit levels to maintain control over the labor force in the South. If benefits remained low, families had no choice but to work in the fields during planting and harvesting seasons even at low wages. Because FAP would increase benefit levels, it would undermine the low wage labor supply.

President Jimmy Carter presented his proposal for the Program for Better Jobs and Better Income in 1977. This program would distinguish two distinct categories of AFDC recipients -- those who could work and those who could not. Carter's plan for adults able to work focused on wage subsidies, public service jobs for those who could not find work, and federal job search assistance. Adults who refused to work would not receive AFDC benefits; the assistance to the household would only address the needs of the children. The plan would streamline the eligibility and benefit systems for SSI, Food Stamps, AFDC, and state and local-level general assistance programs in an effort to assist adults who were unable to work. In addition to the two distinct programs, the plan also called for an income floor of \$4200 for a family of four. Similar to the FAP, Carter's plan also made provisions to disregard portions of a family's income in determining eligibility and benefit levels. This large-scale plan for welfare reform was met with several criticisms, including the increased welfare costs that would be needed to fully implement it.

President Reagan's administration clearly signified a national retrenchment in social welfare programs. The limited and questionable successes of the Great Society programs and policies of the 1960's had made AFDC and related programs convenient

scapegoats for politicians for more than a decade. According to Trattner (1994) Reagan and his supporters believed that the poor were responsible for their own poverty and that welfare assistance was both “wasteful and counterproductive.” Reagan’s administration reduced federal spending for social services and did not increase benefits for AFDC recipients. The social programs that were cut or eliminated included Job Corps, AFDC, Vocational Education, Food Stamps and Child Nutrition.

Reagan’s 1981 Omnibus Budget Reconciliation Act (OBRA) focused on the small portion of working poor families receiving government aid by eliminating income disregards and the available deductions for work- and childcare-related expenses. According to Patterson (1984), OBRA resulted in 408,000 families losing AFDC eligibility with an additional 300,000 having a reduction in their benefits by 1983. However, the recession of the 1980’S eventually forced the Reagan administration to reevaluate its’ budget priorities as a greater percentage of adults were being forced out of jobs due to layoffs and company closings. Reagan implemented the Family Support Act of 1988 to provide additional funding for poverty assistance programs. There was a clear emphasis placed on work and family responsibilities throughout the Act (Axinn and Levin, 1997; Slack, 1990; Tanner, 1996). The Family Support Act required that states establish paternity in a greater number of AFDC cases than in the past. The Jobs Opportunities And Basic Skills Training Program (JOBS), a new job training and education program was established to deter long-term dependence on welfare and assist adults in developing work habits. There were increases in income disregards for both child care expenses and earned income, which allowed working welfare recipients to earn more without the threat of immediate and significant decreases in benefits. The family support act also established one year of Medicaid and childcare benefits to assist former recipients who left welfare for work. Despite the renewed efforts to assist families become self-sufficient through work, the Reagan administration had no greater success than other work-focused reform efforts of the past. In fact the national job training participation rate averaged only 6.9% under the JOBS program.

By 1996, there was a concerted effort to dismantle AFDC which had expanded to include not only the original intended participants, widows and their children, but also participants that were increasingly minority women and single mothers who chose to raise their children without husbands. According to Abramovitz (1996) AFDC had

become a direct challenge to the patriarchal control of women's labor and a threat to the ideal of a family ethic. Opponents argued that women were able to use the meager benefits of AFDC to avoid low paying jobs and also to maintain their own households when they chose to leave or not tie themselves to undesirable husbands. Without regulatory restrictions many opponents of AFDC felt that the program had become an "invisible husband" for many poor women. The welfare reforms passed in 1996 were meant to change this arrangement which some felt threatened the traditional family.

### **How Did PRWORA Change Families' Access To Governmental Social Programs**

In August 1996, President William "Bill" Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) into law. PRWORA ended sixty years of entitlement for poor mothers and their children. The state-federal partnership under AFDC was dissolved. In its place, a new block grant program, the Temporary Assistance to Needy Families (TANF) program, was established to provide time-limited assistance to needy families as well as to put in strict work participation requirements. The goals of the PRWORA legislation, especially sections pertaining to the newly established cash assistance program, focused on increased individual responsibility evidenced through work, parental involvement and economic support for children, decreased out-of-wedlock births and an increase in two-parent married households.

**Table 1.2. The Four Priorities of TANF<sup>12</sup>**

<ol style="list-style-type: none"><li>(1) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;</li><li>(2) End the dependence of needy parents on government by promoting job preparation, work, and marriage;</li><li>(3) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and</li></ol>
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<sup>12</sup> TANF was reauthorized in the Deficit Reduction Omnibus Reconciliation Act of 2005 (DRA), P.L. 109-171 in February 2006. The 4 stated purposes of TANF did not change. Appendix A summarizes many of the major changes to TANF made in DRA.

(4) Encourage the formation and maintenance of two-parent families.

Source: P.L. 104-193, Sec. 401.

Any discussions regarding PRWORA's success are dependent on analyses of client and program outcomes since 1996. To date analyses of PRWORA have focused either on caseload changes (U.S. Department of Health and Human Services, May 2002), the work participation and conditions of current and former adult recipients (Acs and Loprest, 2001; Meyer and Lee, 2003) and whether or not the quality of life for program participants and other poor families has improved (Sard and Waller, 2002; Meyers and Lee, 2003). It is clear in 2006 that there have been some successes as well as well as failures.

There have been a number of changes for poor families either receiving or eligible for governmental assistance since the enactment of PRWORA. Some of these changes successfully reduced some of the barriers facing poor families' efforts to achieve self-sufficiency, particularly those that had been on welfare or AFDC for a number of years. The welfare reform policies begun in 1996 created an unprecedented opportunity for states to provide basic supports to working poor families, regardless to their participation in the TANF cash assistance program. The states found that PRWORA provided a greater amount of federal funds that could be used for varied purposes beyond direct cash benefits. State policies after 1996 reflected the growing commitment to use TANF funds to increase supports for working recipients, former recipients and those who were eligible but opted not to apply for cash assistance. In fact, the GAO (2002) found that most states used at least 50% of their TANF-related funds to serve clients not receiving cash assistance. Most states implemented provisions that allowed working families to keep more of their earned income without losing all of their benefits. In addition, the states have increased the asset allowances to more than \$2000 to encourage families to save money and to better address the transportation needs of many families that can work (U.S. Department of Health and Human Services, May 2002). Prior to PRWORA, families could be ineligible for any cash assistance if the family vehicle was worth more than a low preset limit that was unrealistic for a working dependable car. Since PRWORA was implemented, thirty states have implemented versions of Individual Development Accounts that assist

families in paying for post-secondary education/training, a car, a house or even medical expenses. Some states even provide limited matching funds for families utilizing these accounts (U.S. Department of Health and Human Services, May 2002).

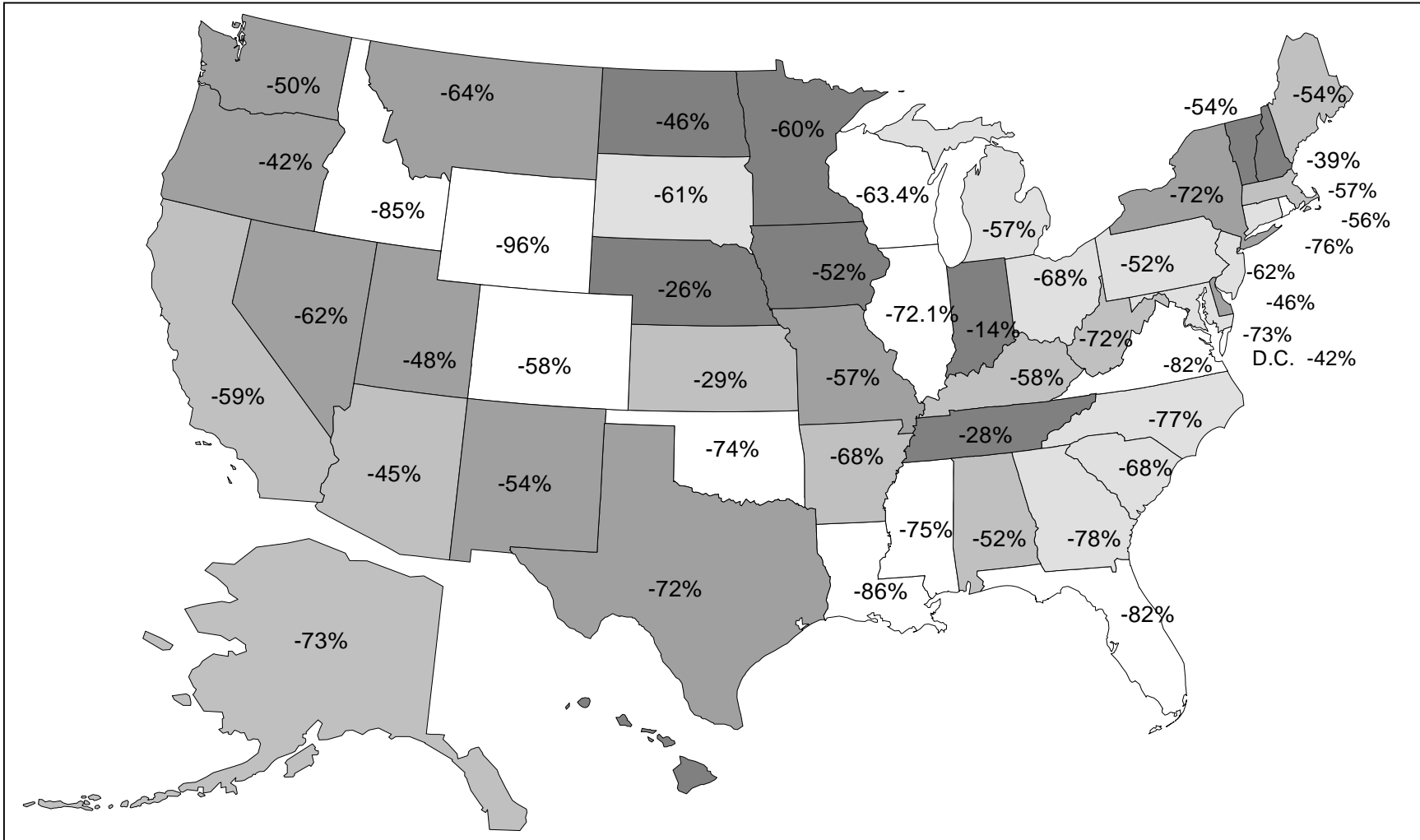
The inherent flexibility in the TANF block grant has allowed states to use federal funds and define their own policies to address some of the social problems that prevent many TANF families from becoming self-sufficient. The use of flexible time limits allows states to implement distinct program provisions for families that have disabilities, are victims of domestic violence, or have elderly heads of households. TANF funds also allow states to divert families from cash assistance when the family is only experiencing a short-term emergency, such as a car breaking down or short-term unemployment.

A recent GAO report shows that although the TANF caseload numbers have decreased tremendously, the actual number of individuals that are being assisted with program funds are more likely higher than in the past (GAO, 2002). Since 1995 cash assistance has become a much smaller portion of total welfare spending. Cash assistance only accounted for 43% of total welfare spending in 2000, down from 71% in 1995 (GAO 2002). The GAO estimated that there were at least 46% more families receiving TANF-based services than those receiving cash assistance in 2001 (GAO 2002). The states have spent most of the non-cash assistance TANF and State Maintenance of Effort (MOE) funds to provide childcare and other employment supports to low income families. In light of the extent that PRWORA has reshaped welfare programs nationwide, evaluations of PRWORA outcomes really have to extend beyond caseload figures to address whether the lives of those receiving TANF funds have improved to the point of individuals and families actually being self-sufficient. States have used TANF and MOE funds to provide services to children at-risk of neglect and abuse, individuals needing substance abuse treatment, housing assistance and teen pregnancy prevention programs.

## **WHEN ONE SIZE DOES NOT FIT ALL: PRWORA OUTCOMES HIGHLIGHT CHALLENGES FOR FUTURE REFORM EFFORTS**

If one looked solely at the number of families receiving TANF cash assistance to determine if PRWORA has been successful, the answer would be yes. The country has seen a significant reduction in the AFDC/TANF caseload since 1996. The average monthly number of AFDC/TANF recipients decreased by almost 64% during the period from August 1996 (12,042,462) to December 2005 (4,396,360). This translates into the nation's TANF monthly caseload having 2.5 million fewer families receiving assistance in 2005 than in 1996. Figure 2 details the decrease in caseload experienced by the states and the District of Columbia between 1996 and 2005.

Many of the families that have left the welfare caseloads are working or have worked since leaving cash assistance. The U.S. Department of Health and Human Services (August 2000) found one in three recipients working in a typical month. This was a marked improvement in employment outcomes for AFDC recipients under previous programs. In addition, the Urban Institute found that former recipients who were employed earned above the hourly minimum wage (Acs and Loprest, 2001).



\*August 1996 to December 2005

Source: U.S. Department of Health and Human Services, Administration for Children and Families (June 2004)

**Figure 2.1. States' Caseload Decrease 1996 – 2005\***

Despite these initial increases in employment by families that left TANF for work, the economic recession that began in the U.S. during 2001 and then compounded by the tragic events on September 11, 2001 may have eroded many of the gains. Current and former welfare recipients were particularly vulnerable to economic changes caused by the recession. Due to their limited skill levels, many of the recipients found employment in retail (11%) and other service sectors (43%) (Loprest, 1999). Many of these families had to return to cash assistance after losing their jobs or being laid off during the recession of 2001. The impact of the recession on recipients trying to transition from welfare to work was evidenced by the 5% increase in TANF caseloads between July and December 2001 (GAO, 2002). The slow and tenuous recovery serves to only highlight how many of the “successes” of PRWORA may have been better attributed to the U.S. decade-long economic boom that ended in 2001 rather than the successful design of welfare reform policies and programs.

Another challenge focuses around the clients themselves. Research has shown that the composition of the caseload has changed tremendously since 1996. Approximately 35% of the TANF cases are child-only cases, in which no adults are receiving assistance (U.S. Department of Health and Human Services, May 2002). Of the remaining cases, only 60% percent include one adult. Further, data shows that only approximately 26% of adult TANF recipients are employed (U.S. Department of Health and Human Services, May 2002). Welfare reform has also failed to address environmental issues that extent far beyond the reach of PRWORA and TANF funding. The lack of affordable housing, childcare, health care, transportation options, and economic development in many areas around the country continues to confound the problems for families trying to leave cash assistance.

Debates in Congress inevitably focus on the unique challenges presented by the employment options that exist in both rural and large urban communities. Many rural communities lack the industry to support a large number of workers (Fisher and Weber, June 2002). The employment options that do exist tend to be seasonal and/or with small businesses that can only provide limited benefits. Greater attention to economic development is also needed within large urban areas where there is a high concentration of TANF recipients who are seeking employment that is above minimum

wage, not temporary, and includes health care benefits. Wilson (1996) emphasized the difficulty for working adults in urban areas around the country and explained how welfare reform ignored the realities in some cities. When the better paying industries left these urban areas, working adults were left with limited prospects for decent employment.

PRWORA's successes have brought greater attention to the needs of the working poor. In the past, working poor families that were not receiving AFDC or participating in other governmental assistance programs were given low priority. However, the number of families that have left TANF and are now employed has opened the door to research and discussion that focuses on the unique challenges of families that no longer receive cash assistance and lack or have limited eligibility for other governmental assistance programs. As these families begin to reach their lifetime limits on receiving benefits, one question should remain central in all discussion of policy and program changes. Can and will these families attain self-sufficiency without benefiting from the safety net provided by TANF cash assistance? If so, what will it eventually take to make self-sufficiency for working poor families a reality and not just a political buzzword?

### ***Holding On to Old Assumptions***

The Personal Responsibility and Work Opportunity Reconciliation Act did not radically change the underlying assumptions of the U.S. poverty assistance policies. The very framework of PRWORA continued to not only support views of poor single mothers and their children as a caste separate from the mainstream (Sidel, 1996; Mink, 1998) but also failed to address economic issues that prevent working families from escaping poverty. According to Mink (1998) three of the four TANF priorities expressed in PRWORA treat poor mothers differently from middle and upper class single mothers. By focusing primarily on the marital status and related child-rearing conditions of these women, the federal government chose to ignore the overarching poverty issues that extend beyond the families that apply for and receive TANF assistance. For instance, the policy ignored the fact that poor women and children are often connected to poor men. Efforts to secure child support are marginally successful when the fathers of children on welfare are unemployed, underemployed, or not earning higher than poverty

level wages (Mink, 1998). This economic reality has existed since ADC was enacted into a national program in 1935.

The federal government attempted to clarify its promotion of marriage in 2001 with the establishment of the Healthy Marriage Initiative (HMI)<sup>13</sup>. This initiative included establishing demonstration projects that involved local stakeholders (i.e. local governments, business, non-profit and faith-based organizations in the promotion of marriage and establishing programs that emphasized the benefits of healthy marriages to participants in federal programs such as TANF services. HMI also provided funding for research and training on healthy marriage issues (Administration for Children and Families, 2004).

### **Public Assistance Usage since PRWORA (1996)**

Many low-income families are eligible for and participate in many of the governmental public assistance programs such as cash assistance, housing and food and nutrition programs. Categorical eligibility, which was common under the Aid to Families with Dependent Children (AFDC/AFDC-UPS) program prior to 1996, promoted an interwoven network of programs that families and individuals participated in simultaneously. For instance, families that received AFDC were categorically eligible to receive Food Stamp and Medicaid benefits. In fact, some states, such as Florida, built their eligibility determination systems beginning with eligibility for cash assistance as the entry point to the state and federally funded benefit programs.

The replacement of AFDC with the Temporary Assistance to Needy Families (TANF) program significantly reduced (but did not eliminate) the interdependence between cash assistance and other public assistance programs. This reduced interdependence resulted from states' implementing transitional benefits to families leaving cash assistance rolls and increasing standard income and asset disregards which had previously prevented working families from qualifying for program benefits and related supports. The individual public assistance programs are still interconnected by the virtue of the fact that the targeted populations for many of the means-tested programs are the same – low-income families and individuals.

## **Limitations in looking at the role of other public assistance programs**

Evaluations of “welfare leavers” or families that have left AFDC/TANF since 1996 highlight the fact that low income families and individuals do not rely solely on TANF cash assistance, Food Stamp and Medicaid programs to make ends meet. The federal and local governments also support a number of programs that assist low-income families with managing housing costs (including rent and utility subsidies), job training and educational expenses (through specialized programs, grants and loans) and childcare assistance. The importance of these other public assistance programs to poor families in the U.S. differs widely based on variations in program implementation, funding levels and eligibility requirements, not only at the state-level, but often from county or city levels as well.

Researchers evaluating the most recent welfare reform efforts have often had to limit their discussions regarding the significance of these programs because of data limitations. The GAO reported in 1999 that only one of fourteen states awarded Department of Health and Human Services funding to study families that left welfare rolls planned to use data from either the Department of Education, the Women, Infants and Children (WIC) program or the public housing authority to follow families after they stop receiving TANF cash assistance. Most states did not have administrative data systems that could facilitate extensive tracking of families’ participation in multiple state and federal programs; this was especially true in the years immediately following the implementation of welfare reform in 1996. PRWORA created an increased need as well as provided various funding incentives for States to develop new tracking systems or interfaces across systems. According to Hecló (2000), these efforts are necessary to (1) provide comparability of evaluation results across states and (2) increase the capacity to objectively evaluate the well being of poor families in the light of the most recent welfare reforms at both the state and federal levels.

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<sup>13</sup> This initiative was under the auspices of U.S. Department of Health and Human Services’ Administration for Children and Families. The Debt Reduction Act passed in February 2006 replaced this initiative with funding for programs promoting responsible fatherhood and strengthening families.

## **What is known about poor families' usage of other public assistances?**

**Housing assistance.** Housing assistance is one type of means tested benefit that is available to poor and low-income families, regardless to receipt of AFDC/TANF cash assistance. Housing assistance includes public housing units owned and operated by local housing authorities, subsidized housing (privately owned housing units that are rented at below market prices) and, housing where the federal, state and/or local governments reimburse the owners for the discounted amount, such as the Department of Housing and Urban Developments' Section 8 program (Stern, 2000). In addition, federal and state entities also provide energy assistance programs to keep housing costs manageable for low-income families and individuals.

The problem is that this type of assistance is limited with federal housing assistance being available to approximately 25% of eligible families in the country (Sard and Waller 2000). According to Sard and Waller (2002), typical "welfare leavers" living in any of the 14 localities being studied in federally funded studies of individuals that have left welfare have to pay between 52% to 129% of the households' monthly income to cover modestly priced housing costs. In addition, approximately 30% of the TANF cash assistance recipients receive any type of housing assistance. As a result, many low-income families have to pay 50% or more of their income for housing in their areas, and often live in substandard housing when affordable options are limited.<sup>14</sup>

**Nutrition assistance.** Families utilize programs other than just Food Stamps to meet their nutritional needs. Federal government efforts have focused significantly on ensuring adequate nutrition for children and expectant mothers. As a result, the federal government funds various programs including free and/or reduced lunch and breakfast programs at schools and the Women, Infants and Children program (WIC) for expectant mothers and children aged five years and younger. The federal government has also devoted resources toward a commodities program that distributes canned goods and other staples to low-income individuals and families. In addition, many local agencies and private entities provide food pantries and related food collection and distribution

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<sup>14</sup> The federal government standards considers housing "affordable" if housing and utility costs do not exceed more than 30% of a family's monthly income.

efforts specifically geared towards assisting poor families and individuals in their communities.

*School Lunch and Breakfast Programs.* During the 1999-2000 school year, a total of 95,328 public schools participated in the National School Lunch Program (Food Research and Action Center 2000). This program, which was established in 1946, provided free or reduced price lunches to 15.2 million children on any given school day during the 1999-2000 school year. The program subsidized the cost of lunches to an additional 11.6 million children. The School Breakfast program, which was expanded from a pilot program created in 1966 and fully implemented in 1975, provides free and reduced breakfasts to low-income children in public schools throughout the school year. The program provided breakfasts each day to approximately 7.6 million children in school year 1999-2000. Children are eligible for free lunches and breakfasts if their family's income is no higher than 130% of the federal poverty level. Families whose income is between 131% and 185% of the federal poverty level are eligible for reduced breakfasts and lunches.

*The Special Supplemental Nutrition Program for Women, Infants and Children (WIC).* The WIC program is designed to provide prenatal care and nutrition to expectant mothers as well as ongoing nutrition assistance to children through age 5. According to a March 2006 report from the Food Research and Action Center, WIC serves approximately 7.8 million women and children and reduces Medicaid costs by \$1.77 and \$3.13 for every dollar spent on prenatal care and nutritional assistance to low income mothers and their children.

**Education or Job-training Assistance.** Recent evaluations of welfare leavers (Loprest, 1999; Mazzeo et.al., 2003) have emphasized that low-income families can only become self-sufficient (or even less dependent on government assistance), if adults in the household work. More important than simply finding a job, adults in the households need stable employment (i.e., work that is not seasonal or temporary), which offers benefits (for example, health insurance, on the job training and skill development) as well as opportunities for advancement. One of the greatest barriers that face welfare recipients is limited education and the lack of marketable job skills.

Federal and state governments have implemented a number of programs and funding sources to assist low-income individuals pursuing post-secondary education

and job training. The programs include financial assistance in the form of both subsidized and unsubsidized government-guaranteed loan programs and grants (for example, Pell Grants) to attend community colleges and vocational school.

The implementation of PRWORA undermined poor families access to these programs in two ways. First, PRWORA did not allow states to count education activities as part of adults' work requirements under the TANF cash assistance program. Second, PRWORA limited the number of families that states could exempt from work requirements, thereby removing much of the flexibility states had used in the past to implement job training and education programs specifically for welfare recipients. Therefore, TANF recipients who wanted to pursue post-secondary training and education were still required to comply with the 20-30 hour work requirements at the same time they had to find ways to complete their education or training with limited if any assistance from state welfare agencies.

## **Variances In How Poor Families Use Public Assistances**

The underutilization of public assistance programs is a factor that continues to inhibit the reduction of poverty in the nation. An analysis from the Urban Institute points out that there would be 3.8 million fewer people living in poverty and an additional two million would not be living in extreme poverty if families applied for and received all of the assistance they were eligible for based on 1998 data (Zedlewski et.al, April 2002). The researchers found that the decreased number of single parent families, in particular, would have decreased significantly if the families fully utilized the government public assistance programs. The analysis points to two factors that explain the level of underutilization of the public assistance. One is that many individuals are reluctant to use government assistance programs. Fishman and Beebout (December 2001) found that this reluctance to participate could also explain the significant drop in Food Stamp caseloads in recent years. The second factor is that policies and programs do not encourage participation. Some of the lack in outreach is directly attributable to the inherent costs that governments would incur if people fully participated in assistance programs. It is estimated that full participation in SSI and TANF would have cost an additional \$23 billion, in 1998 alone (Zedlweski et.al., April 2002). In addition,

governments have not made programs accessible for working families. Despite the flexibility to do so, many states have not simplified the application and reporting process which would facilitate participation of working families (GAO, 2002).

### **Poor Families' Demographics Hard to Ignore**

The biggest and possibly most enduring challenge for PRWORA and any other social policy that is targeted towards segments of the poor is the demographic characteristics of the poor themselves. Before PRWORA was implemented, many stakeholders attempted to remind the Congress and the Clinton administration that many of the families who would be most impacted by welfare reform were the “hard to serve” among states welfare participants and poor populations. The adults in these families often had limited education, limited job skills, unstable employment histories, high incidence of disabilities (either their own or their dependents) and various other challenges to maintaining stable employment. If the policy did not address these issues, many families would be left vulnerable to time limits and sanctions that were required as part of PRWORA.

Research has shown that adults with limited education and skill levels tend to have unstable employment histories, less desirable jobs and lower earnings (Blank, 1994; Blau et.al, 1994; Murnane, 1994; Handler and Hansensfeld, 1995; Zedlweski, 1999; Loprest and Zedlewski, 2002). PRWORA's emphasis on employment replacing public assistance seemed to ignore the difficulties that poor and under-educated adults have in finding stable and upwardly mobile employment in a service economy. This emphasis on employment superceded provisions for education and training of the poor who would be expected to find employment. The odds that poor adults who did not complete high school would find employment that paid more than minimum wage and provided benefits, such as paid sick leave, were very low. Holzer and Danziger (1998) reported that only about twenty percent of new jobs were available for individuals with less than a high school diploma or GED. Approximately forty percent of those jobs required previous work experience or job-specific training.

Zedlewski (1999) and other researches also found that long-term welfare recipients experienced multiple barriers to employment beyond limited education. These

barriers included poor mental or physical health, having a child with a disability or an infant, and language barriers. The presence of multiple barriers further increased the difficulty that poor had in becoming self-sufficient.

A number of questions remain about PRWORA's effect on the lives of poor and low-income families. One set of questions revolves around the effect of the 1996 reforms on the family structure of poor and low-income families. Were low income or poor adults more likely to get married or refrain from having children outside of marriage? Another set of questions looks more closely on any effects that PRWORA had on the private and public sources of income that poor and low income families used after 1996. Were poor and low-income families more resourceful than in the past and increase their usage of private sources of income after PRWORA was implemented? Or did these families shift their usage of public income sources to a greater reliance on income from employment?

Hidden not too far below the surface of each set of questions, is the curiosity about how diversity among the poor resulted in different outcomes for low-income or poor adults and their families based on demographic variations including race/ethnicity, age, education level, and marital status before the start of the 1996 reform effort.

The results uncovered in my dissertation further emphasize that in a country as diverse as the U.S., social policy decision-making and the outcomes associated with reforms must be evaluated cautiously. There are rarely definitive results that apply equally across all segments of the population. Clearly when it comes to welfare reform, one size will never fit all.

## METHODOLOGY

The Survey of Income and Program Participation (SIPP) is a longitudinal survey that has been conducted by the U.S. Department of Commerce, Census Bureau since 1984. The SIPP has been designed to collect detailed information on income, participation in government transfer programs, employment and health insurance coverage from a nationally representative sample. The sample is composed of persons aged 15 years and older and is drawn from households in the civilian non-institutionalized U.S. population. The sample, also referred to as a panel of the SIPP, is contacted every four months in waves. The SIPP collects core information, (such as demographics, household composition, income, and transfer program participation), in every wave of the survey. During each wave additional information is collected on specific topics that purposely vary during the course of the survey panel. These topical modules typically focus on factors that either happened in the past or have minimal rates of change. Topics addressed include assets and liabilities, school enrollment, fertility, disability and migration.

The 1996 panel began in April 1996 and ended in March 2000. The initial sample was composed of 40,188 households with 95,402 individual members. The 1996 SIPP consisted of 12 waves. The 1996 SIPP lost 35.5% of its initial sample through attrition and non-response by the 12th wave, which began in December 2000. My analysis utilizes the families that were surveyed during the 1st, and 12th waves of the 1996 SIPP and had completed interviews during both waves.

One of the major objectives of the Survey of Income and Program Participation is to collect information on participation in transfer programs and provide national estimates to policy makers. The survey is able to track recent individual, family and

household participation levels for 70 cash and in-kind income sources every four months. SIPP purposively oversamples households from areas that have high poverty concentrations in order to have enough low-income households to allow for meaningful analysis of the government programs that are designed to assist low-income families and individuals. In the 1996 SIPP panel, the oversampling of low-income households resulted in an 18% increase over the number that would have occurred without the oversampling.

### **SIPP Variables Utilized**

The 1996 Panel of the Survey of Income and Program Participation contains approximately 935 variables in its Core public use data files that can be used to study many facets of American families' lives<sup>15</sup>. However, this study only used the subset of SIPP variables listed in Appendix B. In addition, to perform many of the analyses for this study, I had to create new variables that: (1) combined multiple months of income data to get annual income levels; (2) combined multiple sources of income within the public or private category; (3) distinguished between income and participation data from the 1st and 12th waves of the 1996 SIPP; and, (4) created proxy variables to approximate the average age and level of education for both adults in married couple households.<sup>16</sup> The complete SPSS syntax file for the analyses is provided in Appendix C.

SIPP interviewers collect data each Wave (one Wave = 4 months) from every household that is part of the survey. Each interview asks for information regarding income and program participation for each of the 4 months in that Wave. As a result, the variables provided in the Public Use SIPP data are provided on a monthly, Wave, or annual basis. In Table 3.1 below, I detail which of the SIPP variables used required some level of aggregation in order to be useful for analysis.

For instance, total household income (THTOTINC) was an integral component to all of the analyses conducted for this study. Total household income was only reported

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<sup>15</sup> Additional variables are provided in the Topical Module files to address specific aspects not included in the Core files.

<sup>16</sup> I performed cross tabulations of both adults coding on age and education variables to ensure that there was not a significant (greater than 1 category) difference between the ages and education level of both adults in married couple households prior to creating the proxy variables.

on a monthly basis. Determining if a family was considered poor or near poor in both waves 1 and 12 of the SIPP required 12 months (3 Waves) of total household income data. Earnings from employment (THEARN) were collected on a monthly basis for the SIPP and I needed to aggregate it to a Wave-level for analysis. This was also the case for all other sources of income.

**Table 3.1. Aggregation of SIPP Variables**

<b>VARIABLE NAME</b>	<b>DESCRIPTION</b>	<b>COLLECTION LEVEL</b>	<b>AGGREGATED LEVEL NEEDED FOR ANALYSIS</b>
THEARN	Total household earned income	Monthly	Wave Annual
THTOTINC	Total household income	Monthly	Wave Annual
THPOV	Poverty threshold for this family size	Annual	Annual
THUNEMP	Total household unemployment compensation	Monthly	Wave
THAFDC	Total household receipt of AFDC/TANF cash assistance	Monthly	Wave
THFDSTP	Total household receipt of food stamp benefits	Monthly	Wave
EEGYAMT	Amount of energy assistance received	Monthly	Wave
THSSI	Total household receipt of Supplemental Security Income	Monthly	Wave
THSOCSEC	Total household receipt of Social Security	Monthly	Wave
THPRPINC	Total household private property income	Monthly	Wave
T10AMT	Amount of worker's compensation	Monthly	Wave
T28AMT	Amount of child support payments	Monthly	Wave
T29AMT	Amount of alimony payments	Monthly	Wave
T30AMT	Amount of pension from a company or union	Monthly	Wave
T31AMT	Amount of Federal Civil Service pension	Monthly	Wave
T32AMT	Amount of U.S. Military Retirement Pay	Monthly	Wave
T34AMT	Amount of State government pension	Monthly	Wave

**Table 3.1. (Continued)**

<b>VARIABLE NAME</b>	<b>DESCRIPTION</b>	<b>COLLECTION LEVEL</b>	<b>AGGREGATED LEVEL NEEDED FOR ANALYSIS</b>
T35AMT	Amount of local government pension	Monthly	Wave
T50AMT	Amount of income assistance from a charitable group	Monthly	Wave
T51AMT	Amount of money from relatives or friends	Monthly	Wave
T21AMT	Amount of General Assistance or General Relief	Monthly	Wave
T24AMT	Total household receipt of Other welfare	Monthly	Wave
T25AMT	WIC (Women, Infants and Children benefits)	Monthly	Wave

I also needed to combine a number of private and public sources of income collected on a monthly basis in the SIPP for the analyses for this study. The combination based on category of income was as follows in Table 3.2. Under the category of “Other Work-Related Income”, I have included benefits that have been received by the household as a direct result of their having been employed at some time. Adults that were employed in positions that did not include benefits or those individuals without any employment history would not be eligible for these income sources.<sup>17</sup>

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<sup>17</sup> Surviving spouses and their children may receive retirement or pension benefits from a deceased adult’s retirement pension depending on the established death benefit guidelines of each pension/retirement plan.

**Table 3.2. SIPP Income Sources Combined for Analyses**

<b>Type of Income</b>	<b>Description of Income Source</b>	<b>SIPP Variable Used</b>
<b>Employment</b>	Earnings from work	THEARN
<b>Other Work-Related Income</b>	Amount of worker's compensation	T10AMT
	Amount of pension from a company or union	T30AMT
	Amount of Federal Civil Service pension	T31AMT
	Amount of U.S. Military Retirement Pay	T32AMT
	Amount of State government pension	T34AMT
	Amount of local government pension	T35AMT
	Total household unemployment compensation	THUNEMP
<b>Private Sources of Income</b>	Amount of child support payments	T28AMT
	Amount of alimony payments	T29AMT
	Amount of income assistance from a charitable group	T51AMT
	Amount of money from relatives or friends	T50AMT
<b>Public Sources of Income</b>		
<b><i>Targeted Assistance Programs</i></b>	AFDC/TANF cash assistance	THAFDC
	Food Stamp program	THFDSTP
<b><i>Other Public Assistance Programs</i></b>	WIC (WOMEN, INFANTS & CHILDREN)	T25AMT
	ENERGY ASSISTANCE PROGRAM	EEGYAMT
	SUPPLEMENTAL SECURITY INCOME (SSI)	THSSI
	GENERAL ASSISTANCE	T21AMT
	OTHER WELFARE	T24AMT
<b>Social Security</b>	Total Social Security Benefits	THSOCSEC

Although the SIPP provides data that would allow researchers to determine which state each household represents, the data is reported according to the state's FIPS (Federal Information Processing Standard) codes. The Census Bureau has cautioned researchers about reducing analysis to the state-level due to the limited number of cases per state. It is more appropriate to do SIPP analyses based on region of the country than at the state-level. This required assigning each of the SIPP FIPSST codes to its corresponding Census recognized U.S. regions as detailed in Table 3.3.

**Table 3.3. States Used for Region-level Analysis**

<u>Region</u>	<u>State</u>	<u>FIPSST</u>
<b>Northeast</b>	Connecticut	09
	Maine & Vermont	61
	Massachusetts	25
	New Hampshire	33
	New Jersey	34
	New York	36
	Pennsylvania	42
	Rhode Island	44
<b>Midwest</b>	Illinois	17
	Indiana	18
	Iowa	19
	Kansas	20
	Michigan	26
	Minnesota	27
	Missouri	29
	Nebraska	31
	Ohio	39
	Wisconsin	55
<b>South</b>	Alabama	01
	Arkansas	05
	Delaware	10
	District of Columbia	11
	Florida	12
	Georgia	13
	Kentucky	21
	Louisiana	22
	Maryland	24
	Mississippi	28
	North Carolina	37
	Oklahoma	40
	South Carolina	45
	Tennessee	47
Texas	48	
Virginia	51	
West Virginia	54	

**Table 3.3. (Continued)**

<u>Region</u>	<u>State</u>	<u>FIPSST</u>
<b>West</b>	Alaska	02
	Arizona	04
	California	06
	Colorado	08
	Hawaii	15
	Idaho	16
	Montana	30
	Nevada	32
	New Mexico	35
	Oregon	41
	Utah	49
Washington	53	
<b>Mixed/Other</b>	North Dakota	62
	South Dakota	62
	Wyoming	62

## **Design of Study**

The entire population of poor and near poor family households interviewed in the 1996 Panel of the Survey of Income and Program Participation was utilized in this study. The family households selected have total family incomes that do not exceed 200% of the Federal Poverty Line appropriate for their family size. By selecting poor and low-income families, this study assumes that all such families are eligible for all of the means-tested public assistance programs and can access non means-tested public assistance as well.

### **Characteristics of study households**

The 1996 SIPP began with 25,348 family households. When I isolated only those households that had one family in it (no related subfamilies living within the household), I had 23,063 eligible households<sup>18, 19</sup>. This study focuses on a subset of those one-family households that met the following criteria:

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<sup>18</sup> There were actually 23,100 that met the initial screening criteria, however 37 of those households were actually group quarters and were eliminated from the analysis.

<sup>19</sup> This eliminated the need to deal with benefits and income that did not contribute to the entire household but were only meant to deal with the needs of a sub-family within the household, which may occur when you have to siblings and their individual families sharing a house.

- To ensure that I only used family households that had completed basic questions regarding income and program participation, I only used family households which had complete surveys for both SIPP Waves 1 & 12 as evidenced by the '201' code for variable **EOUTCOME**.
- In this study I was not interested in single individuals without children. Therefore, to be included in this study's sample the family household had at to have at least one of the respondent's own children under 18 living at home as evidenced by a value greater than 0 on the variable RFOKLT18.
- I was only interested in original households from SIPP Wave 1. By selecting only those family households that were coded '11' on the variable SHHADID, I was able to exclude households created after the initial interview in Wave 1 when individual household members moved out and established separate households according to SIPP survey guidelines.
- To ensure that the analyses only focused on families that were most likely to be affected by changes in welfare policies that occurred in 1996, I only wanted poor and near poor families that had low total household incomes that did not exceed 200% of the poverty level for the household's size based on federal poverty guidelines in 1996. Families that were at or below the 200% of the poverty level would be eligible for many if not all mean-tested federal public assistance programs.
- In this study I was interested in families that were not close to retirement. I only selected family households if the reference person interviewed for the survey (and the spouse in married couple households) was 54 years of age or younger.

As a result, only 1,183 households (4.7% of 1996 SIPP households) met the criteria to be included in my analyses. The following table, Table 3.4, details the characteristics of the low-income households that were the subject of this study.

**Table 3.4. Sample Demographics**

	All Households		Severely Poor <i>&lt;50% poverty level</i>		Poor <i>50%-100% poverty level</i>		Near Poor <i>101%-125% poverty level</i>		Low-Income <i>126%-200% poverty level</i>	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
<b>Number of households</b>	1183	100%	121	10%	313	26%	154	13%	595	51%
<b>Household type</b>										
Married couple households	730	62%	40	33%	161	51%	97	63%	432	73%
Single female-headed households	421	36%	79	65%	147	47%	53	34%	142	24%
Single male-headed households	32	3%	2	2%	5	2%	4	3%	21	4%
<b>Gender (Reference)</b>										
Male	544	46%	30	25%	126	40%	79	51%	309	52%
Female	639	54%	91	75%	187	60%	75	49%	286	48%
<b>Age</b>										
Under 35	496	42%	49	40%	139	44%	67	44%	241	41%
35 to 44	529	45%	53	44%	135	43%	69	45%	272	46%
45 to 54	158	13%	19	16%	39	12%	18	12%	82	14%
<b>Race/ethnicity (Reference)</b>										
White, non Hispanic	665	56%	50	41%	129	41%	85	55%	401	67%
Black, non-Hispanic	207	17%	31	26%	80	26%	26	17%	70	12%
Hispanic	261	22%	35	29%	90	29%	37	24%	99	17%
Other	50	4%	5		14	4%	6	4%	25	4%

**Table 3.4. (Continued)**

	All Households		Severely Poor <i>&lt;50% poverty level</i>		Poor <i>50%-100% poverty level</i>		Near Poor <i>101%-125% poverty level</i>		Low-Income <i>126%-200% poverty level</i>	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
<b>Marital status</b>										
Married, (spouse present)	730	62%	40	33%	161	51%	97	63%	432	73%
Previously married (includes those Widowed, divorced and/or separated)	302	26%	49	40%	87	28%	42	27%	124	21%
Never married	151	13%	32	26%	65	21%	15	10%	39	7%
<b>Number of own kids under age 18</b>										
1 or 2	785	66%	74	61%	200	64%	92	60%	419	70%
3 or 4	342	29%	36	30%	96	31%	53	34%	157	26%
5 or more	56	5%	11	9%	17	5%	9	6%	19	3%
<b>Education Level (Reference)</b>										
9th grade or lower	133	11%	27	22%	61	19%	12	8%	33	6%
10th-12 grade, no diploma/GED	132	11%	24	20%	49	16%	15	10%	44	7%
High school graduate	453	38%	42	35%	116	37%	70	45%	225	38%
Some college no degree	200	17%	17	14%	43	14%	25	16%	115	19%
Vocational/trade school certificate/diploma	73	6%	2	2%	11	4%	6	4%	54	9%
Associates degree	85	7%	4	3%	17	5%	9	6%	55	9%
Bachelor's	77	7%	4	3%	12	4%	10	6%	51	9%
Master's degree and higher	30	3%	1	1%	4	1%	7	5%	18	3%

**Table 3.4. (Continued)**

	<b>All Households</b>		<b>Severely Poor</b> <i>&lt;50% poverty level</i>		<b>Poor</b> <i>50%-100% poverty level</i>		<b>Near Poor</b> <i>101%-125% poverty level</i>		<b>Low-Income</b> <i>126%-200% poverty level</i>	
	<b>Count</b>	<b>Percent</b>	<b>Count</b>	<b>Percent</b>	<b>Count</b>	<b>Percent</b>	<b>Count</b>	<b>Percent</b>	<b>Count</b>	<b>Percent</b>
<b>Benefit Receipt? (YES)</b>										
Means-tested cash or non-cash benefits	797	67%	103	85%	269	86%	110	71%	315	53%
Cash benefits	239	20%	60	50%	110	35%	21	14%	48	8%
Non-cash benefits	796	67%	95	79%	249	80%	105	68%	301	51%
<b>Region of the Country</b>										
Northeast	199	17%	24	20%	51	16%	22	14%	102	17%
Midwest	259	22%	25	21%	51	16%	42	27%	141	24%
South	485	41%	55	45%	128	41%	62	40%	240	40%
West	232	20%	17	14%	81	26%	27	18%	107	18%
Mixed/Other	8	1%	0	0%	2	1%	1	1%	5	1%
<b>Metropolitan or Rural</b>										
Metropolitan	710	60%	72	60%	195	62%	87	56%	356	60%
Rural	473	40%	49	40%	118	38%	67	44%	239	40%

The majority (51%) of the family households included in this study were low-income. The households were racially and ethnically diverse, with White non-Hispanic families representing 57% of the sample and Black, non-Hispanic households representing 17%. Hispanic households made up 22% of the remaining households. However, the diversity varied according to the poverty status of the families. For instance, 61% of the White, non-Hispanic families had total incomes between 126% and 200% of the poverty level and exceeded the federal poverty definitions. In comparison, only forty percent of the Hispanic families and 35% of the Black families had incomes that exceeded the federal poverty definitions.

Sixty-two percent of the families were married couple households. Thirty-five percent of the remaining families lived in households headed by single females. When looking at the marital status of the single female-headed households, 36% of the women had never been married.<sup>20</sup> The majority (62%) of the never married single female-headed households were either poor or severely poor. Single female-headed households that were headed by women who had been previously married were less likely to be poor or severely poor, with only 47% of those families having total household incomes at or below the poverty level.

The households selected for this study did not have more children than what is found in the U.S. general population. The majority (66%) of the families had one or two children. This finding held true for all families regardless of poverty status. When looking at the families that had five or more children, I found that 9% of the severely-poor compared to 3% of the low income families had large families.

There were some differences in the education level of the adults in the families. Only a small percent (17%) of adults had college degrees, Associate's degrees or higher. The adults whose families were severely poor had the lowest percentage of adults with college degrees with 7% compared to the low-income families that had 21% of adults reporting that they had at least an Associate's degree. Sixty percent of all adults had a high school diploma (or GED) or less. Forty-two percent of severely poor adults did not complete high school compared to 13% of low-income adults.

## Statistical Methods Used in Analyses

I used logistical regression to answer the hypotheses related to two overarching research questions focused on the goals of the Personal Responsibility and Work Opportunity Reconciliation Act. Logistic regression was chosen as the most appropriate method for the majority of the analyses in my dissertation because it allowed for the use of dependent dichotomous dummy variables. These variables were used to indicate if there was a change or not in the family's household between Wave 1 (1996) and Wave 12 (2000) SIPP interviews.

## Research Questions

The analyses in my dissertation addressed two overarching sets of questions about the success of PRWORA in prescribing the labor participation, use of income sources and the family structure of poor and near poor families. The independent and dependent variables as well as the hypotheses that relate to each question are as follows:

**Research Question One:** To what extent did poor families rely on earned income, as well as public and other private sources of income prior to the October 1996 implementation of the Personal Responsibility and Work Opportunity Reconciliation Act? How did this change in the three years following the welfare reform policy implementation? Has there been a significant shift in the sources of families' income since PRWORA was implemented in 1996? If so, what factors caused these changes? And which families were likely to see the greatest shifts towards a more earned income and other private sources of income and less public income in their family's budget?

### Dependent Variables

The dependent variables of interest will be the changes in the amount of income from public sources and from private sources in the four years immediately following PRWORA's enactment. The baseline for comparison will be based on information

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<sup>20</sup> There were 29 single male-headed households in the study. All of the men heading these households

collected in the four reference months captured for poor and near poor families for the 1<sup>st</sup> Wave of the 1996 SIPP.<sup>21</sup>

### Independent Variables

The independent variables used to address Research Question One of this study are marital status and presence of spouse, age of head of household/or spouse; education level of head of household/spouse; geographic location (urban vs. rural), employment status, number of children under the age of 18 in the household; citizenship status of adults in the household, race/ethnicity; and household size.

Relevant hypotheses:

H<sub>1</sub>: Families headed by adults with at least a high school diploma will have a greater increase in income from earned income and private sources than those headed by adults without a high school diploma.

H<sub>2</sub>: Families with children under the age of six will have less change in income from public sources than families with children over the age of six.

H<sub>3</sub>: Married couple households (with spouse present) will have a greater increase in income from earned income and private sources than other family types.

H<sub>4</sub>: White families will have a greater increase in earned income and private sources of income than non-white families.

H<sub>5</sub>: Families living in rural areas will have more income from private sources than families living in urban areas.

**Research Question Two:** What factors influenced the configuration of poor and near poor families prior to October 1996? To what extent did the families' structure or composition change after three years? Has the family structure of poor and near poor families changed since PRWORA was implemented in ways that meet the goals of the legislation? In other words, have single parents either married or had fewer children out-of-wedlock since 1996? If so which single parents were more likely to make changes in

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had been previously married.

<sup>21</sup> Families participating in the SIPP Wave are asked to provide information for the four previous months. The SIPP uses four rotation groups of families in each wave. The first reference month captured in the 1<sup>st</sup> Wave of the 1996 SIPP was December 1995 and the last reference month was June 1996.

their family configurations that were more aligned with the goals expressed in PRWORA?

### Dependent Variables

The dependent variables for Research Question Two will be the changes in family structure—birth of own children, and change in family structure—marriage of head of household in the four years immediately following PRWORA’s enactment.

### Independent Variables

The independent factors that will be used to address Research Question Two of this proposal are, age of head of household/or spouse; education level of head of household/spouse; number of children under the age of 18 in the household; and race/ethnicity.

Relevant hypotheses:

H<sub>6</sub>: Single parent families with less than three children will more likely get married than single parent families with three or more children.

H<sub>7</sub>: White single parent families will more likely get married than non-white single parent households.

H<sub>8</sub>: Families headed by adults with more education (at least 1 year of college) will have fewer changes in family structure (both births and marriage) than families with little education.

H<sub>9</sub>: The poorest families will be less likely to have additional children after PRWORA than other low-income families.

**Overall PRWORA Results:** A tenth hypothesis was used to analyze families’ income outcomes based on their attainment of the four major PRWORA goals, (increased income from employment, increased use of private income, decreased use of targeted public assistance program, and decreased child births).

H<sub>10</sub>: Families that met or exceeded the four major PRWORA goals would be less poor than other families in 2000.

## **CHANGES EXPERIENCED BY LOW INCOME FAMILIES' AFTER PRWORA**

This chapter compares how poor and low-income families actually structured their households' income in 1996 prior to the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) and four years later, in 2000. Specifically, the analyses detailed in this chapter examine whether any of the changes in the families' income package indicate that PRWORA succeeded in making poor and low-income families more self-sufficient. This chapter also looks at which factors may have influenced changes in poor and low-income families' use of federal cash assistance and Food Stamp programs, income from employment, and income from private sources. Finally, this chapter also examines changes in poor and low-income families' family composition during the four-year period; focusing on additional births as well as changes in marital status.

### **Most Families Rely on Multiple Sources of Income**

The reduction of poor and low-income families' use of cash assistance and Food Stamps was a central goal for the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. The legislation's basic intent was to help families become less reliant on specific public assistance programs and utilize other sources of income, especially earnings from work, to make ends meet. While PRWORA did not express any intent to decrease families' use of other public assistance programs such as WIC and energy assistance programs, it did seek to increase poor and low-income families' use of private sources of income including child support, alimony, and assistance from family members, friends and local charitable organizations. Therefore, in addition to focusing on income from work, and targeted

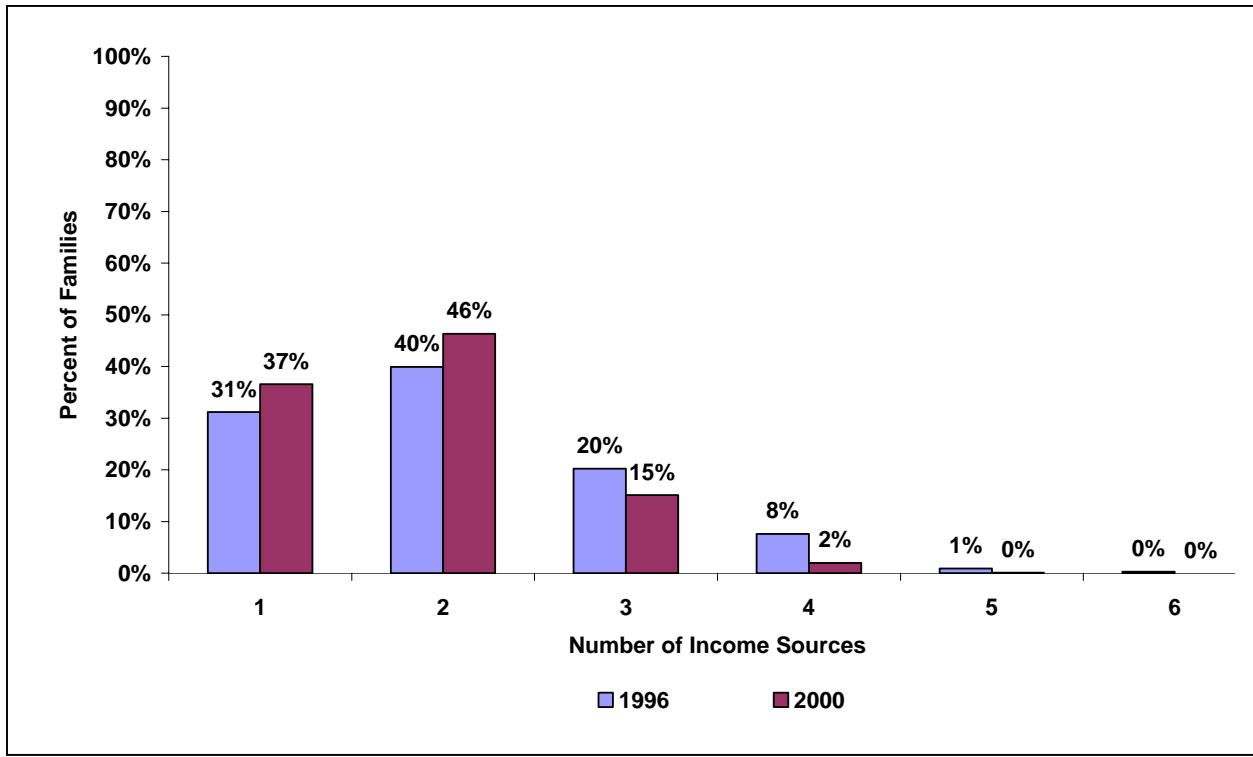
public assistance programs, this chapter also examines changes in families' income from other public assistance programs, private sources, Social Security, non-earnings related employment benefits (pensions, unemployment compensation, and workers' compensation), and to a lesser extent income from property income.

Relatively fewer poor and low-income families surveyed in the 1996 Panel of the Survey of Income and Program Participation relied solely on one source of income to make ends meet (Figure 4.1). The majority of families utilized a combination of at least 2 different sources of income in 1996 and in 2000<sup>22</sup>. There was a six-percentage point change over the course of the four-year period. Sixty-nine percent of the poor and low-income families used at least two different sources of income in 1996. By 2000, only 63% used at least 2 sources of income. This held true regardless of the poverty or marital status of the households (Table 4.1).

There was a significant decrease in the number of never married, near poor families (46 percentage points) that were using 2 or more sources of income by 2000. The analyses showed that 40% more of never-married near poor families reported using only one income source by 2000 compared to 1996. The significant shift in income source usage may have been due to changes in eligibility requirements and the usage of other transitional services that were made available to working poor families after PRWORA was implemented in 1996. The use of transitional services actually reduced the need for cash assistance for many working poor families.

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<sup>22</sup> This study does not assess if the families' total income was sufficient to meet all of the families' basic needs.



**Figure 4.1. Changes in Poor and Low-Income Families' Use of Multiple Income Sources**

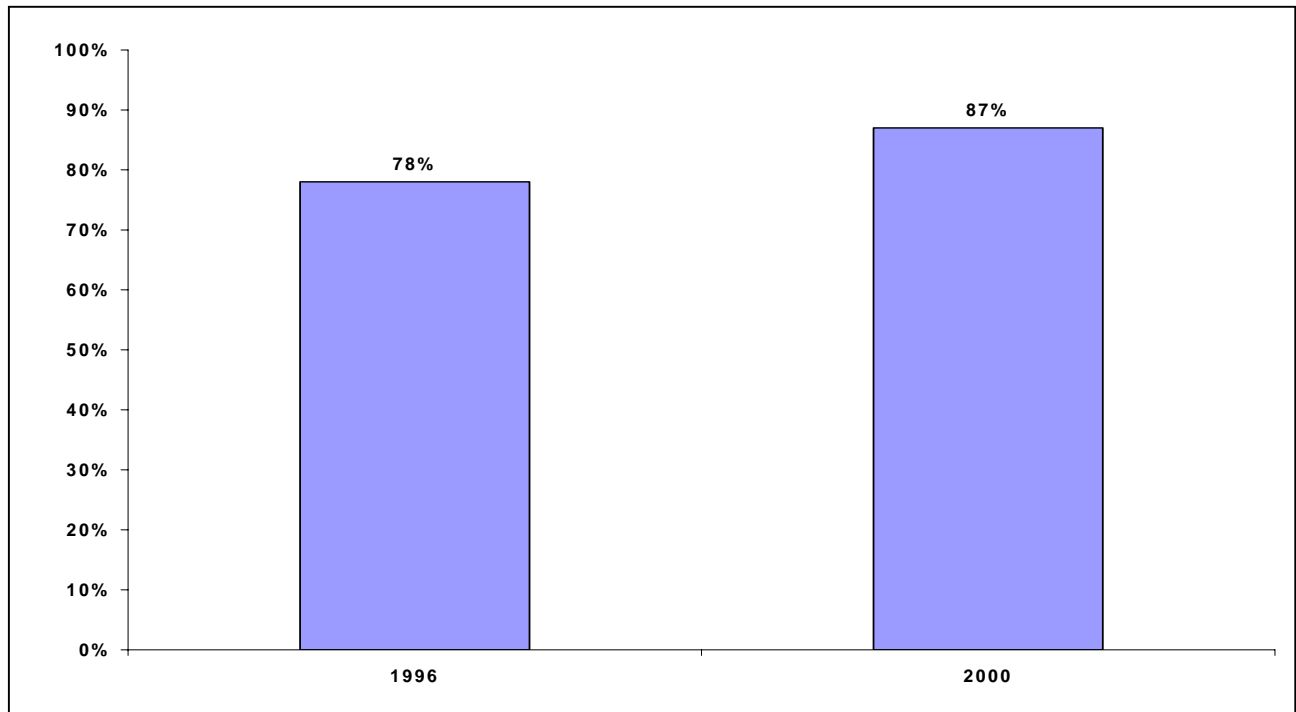
**Table 4.1. Changes in Poor and Low-Income Families' Use of Multiple Income Sources Based on Marital and Poverty Status**

Household Poverty and Marital Statuses	Sources	1996	2000	Change
Low-Income	1	35%	35%	0%
	2 or more	65%	65%	0%
Married	1	38%	37%	-1%
	2 or more	62%	63%	1%
Previously Married	1	28%	26%	-2%
	2 or more	72%	73%	1%
Never Married	1	23%	39%	16%
	2 or more	77%	56%	-21%
Near Poor	1	30%	41%	11%
	2 or more	69%	57%	-12%
Married	1	38%	43%	5%
	2 or more	62%	56%	-6%
Previously Married	1	19%	33%	14%
	2 or more	81%	62%	-19%
Never Married	1	7%	47%	40%
	2 or more	93%	47%	-46%
Poor	1	23%	35%	12%
	2 or more	74%	64%	-10%
Married	1	29%	37%	8%
	2 or more	66%	62%	-4%
Previously Married	1	18%	37%	19%
	2 or more	81%	63%	-18%
Never Married	1	15%	25%	10%
	2 or more	83%	69%	-14%
Severely Poor	1	29%	40%	11%
	2 or more	60%	56%	-4%
Married	1	35%	33%	-2%
	2 or more	40%	60%	20%
Previously Married	1	35%	41%	6%
	2 or more	61%	55%	-6%
Never Married	1	13%	47%	34%
	2 or more	84%	53%	-31%

## Family Earnings from Work

The majority of the 1,183 poor and low-income families (78%) did have earnings from employment before PRWORA was enacted. However the earned income in 1996 did not account for the majority of most of the families' household income. In fact only 0.1% of the families relied solely on earned income and another 0.3% of the families

reported that more than 50% of their households' total income was from earned income. By 2000, there were slightly more families reporting income from work, an overall increase of nine percentage points. (Figure 4.2). However, the greatest change was that earnings from work accounted for a greater share of the families' total household income than in 1996.



**Figure 4.2. Post-PRWORA Shows Increase in Percentage of Families With Earned Income**

Families with incomes below the poverty level had the largest increase in earnings from work. The increase in the number of severely poor and poor families that reported earnings from employment was 43 percentage points and 18 percentage points, respectively. This shows that at least one of the preferred goals of PRWORA was met. More severely poor and poor families were working by 2000. Severely poor families with income from earnings increased from 19% to 62% during the four-year period that began in early 1996 and ended in early 2000. The increase for poor families with incomes between 50% and 100% of the poverty level was less dramatic. Sixty-two percent of the poor families were already receiving income from work in early 1996. By

the beginning of 2000, the number of poor families with employment income had increased to eighty percent.

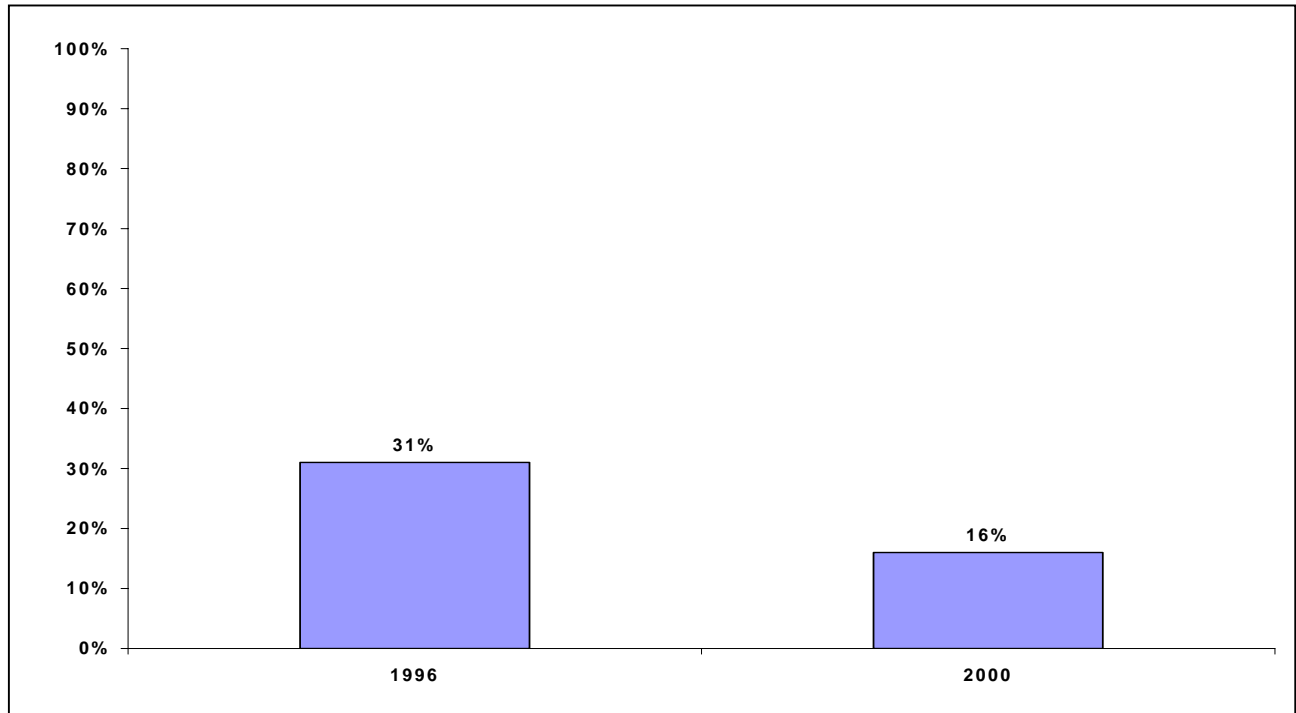
In addition, both severely poor and poor families had more of their household's income coming from employment earnings. In 1996, none of the severely poor and poor families reported that at least 90% of their family's income came from earnings from work. By 2000, forty-six percent of the severely poor and 57% of the poor families reported that at least 90% of their family's income was from earnings from work.

An increase in earnings does not automatically mean that the earned income and the benefits that may or may not have accompanied employment were sufficient to meet the families' needs. The sufficiency of the families' earned income was beyond the scope of this study. However, a number of studies that evaluate the effect of welfare reform on poor and low-income families (Sard and Waller, 2000; Meyers and Lee, 2003) have shown that many families that made the move "from welfare to work" still faced significant material hardships despite being employed. Undoubtedly the recession that the U.S. began to experience in March 2001 did not decrease the hardships experienced by working poor families, as many found that their employment activity became less stable. This economic instability may have forced many families to rely more on public assistance when their jobs ended.

## **Family Use of Targeted Public Assistance**

The analyses of SIPP data showed that poor or low-income families significantly decreased their use of targeted public assistance programs (cash assistance and/or Food Stamps) since the Personal Responsibility and Work Opportunity Reconciliation Act was enacted in 1996. (Figure 4.3). Forty-eight percent of all families studied who used the targeted public assistance programs prior to PRWORA being enacted did not participate in the programs by 2000. Few families used targeted public assistance programs as their only source of income either in 1996 or in 2000. Only 14% of families studied reported that the targeted public assistance programs accounted for more than fifty percent of their household's income in 1996. By 2000 the number of families that reported the same significant reliance on targeted public assistance programs had decreased to 9%. Another 2% of the families reported a decreased reliance on the

programs with at least a 50% decrease in the proportion of their household's total income that came from the targeted assistance programs.<sup>23</sup>

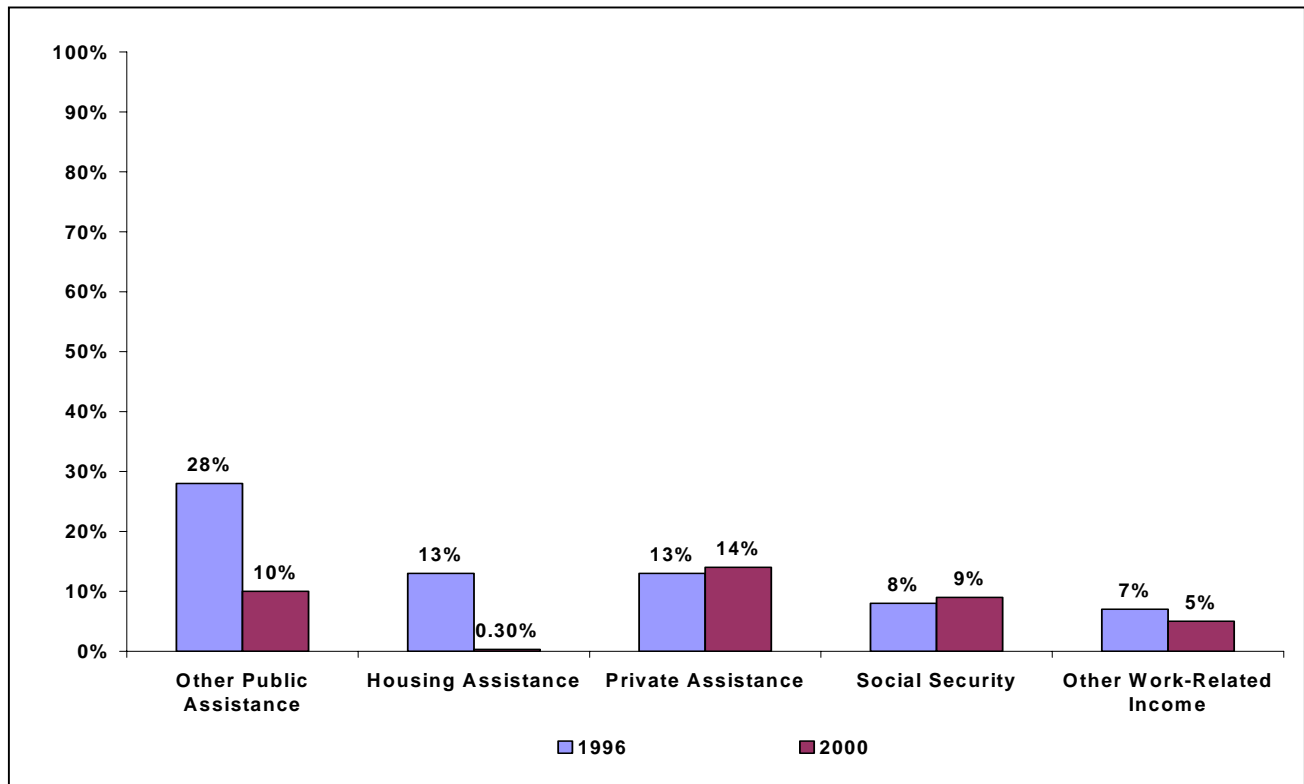


**Figure 4.3. Post PRWORA Decrease in Percentage of Families' Using Targeted Public Assistance Programs**

### **Family Use of Other Income Sources**

Families' use of other sources of income also changed after PRWORA was enacted. However the changes were not as significant as the changes seen in families' use of income from work and targeted public assistance programs. (Figure 4.4).

<sup>23</sup> It is impossible to determine from the data what portion of this decreased reliance on benefits from target assistance programs was a result of families having increased labor force participation as a result of increased flexibility as their young children became older.



**Figure 4.4. Comparison of Families’ Use of Other Income Sources Before and After PRWORA**

What is most noticeable about this analysis is the lack of any significant change in families’ use of private sources of income, regardless of the families’ marital and poverty status. This lack of significant change exists across all segments of the poor and low-income families. These results serve to highlight not only the reality of the day-to-day challenges faced by poor and low-income families in their efforts to make ends meet, but also the unrealistic nature of the goals expressed in PRWORA to eliminate poverty through a decreased reliance on targeted public assistance programs. In part these results may be due to poor and low-income families reaching out to their private networks for help more than they did prior to PRWORA. Yet, poor and low-income families did not change their use of private sources of income to a degree that would supplant or replace the need for targeted public assistance programs such as TANF cash assistance and Food Stamps.

## **Explaining Changes in Family Income Sources after PRWORA**

My study also sought to explain why some families achieved the priorities expressed in the Personal Responsibility and Work Opportunity Reconciliation Act in 1996, while other families did not. These priorities were that families would: (a) increase their reliance on income from work and assistance from their private networks through child support, alimony, and assistance from family members, friends and local charities; and (b) decrease their families' reliance on income from targeted public assistance (cash assistance and Food Stamp programs). The following analyses focus on how well various demographic factors explain the different outcomes for the poor and low-income families surveyed in the 1996 Panel of the Survey of Income and Program Participation. Appendix B provides details on the variables used in the analyses.

### **Increased Reliance on Earnings from Work**

Logistic regression analysis was used to examine the influence of different demographic factors on the likelihood that poor and near poor families would increase the percentage of their household's income that comes from earnings from work. The dependent variable MOREWORK was used to identify families that did (1) or did not (0) increase the percentage of their income from work.<sup>24</sup> The results are presented in Table 4.2 below.

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<sup>24</sup> MOREWORK was based on an increase in the percentage of the family's income that came from earned income. By looking at the composition of a family's resources, the analysis more accurately assesses the attainment of PRWORA's goal to increase work participation which goes beyond simply measuring an increase in earned income amounts.

**TABLE 4.2.****Logistic Regression Results  
Dependent Variable = MOREWORK (n=1,183)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	** -2.645	0.289	9.152	0.071
POOR	** -1.476	0.256	-5.766	0.228
NEARPOOR	* -0.826	0.339	-2.437	0.438
PREVMARRIED	** -0.706	0.225	-3.138	0.494
NEVMARRIED	** -0.956	0.288	-3.319	0.384
BLACK	0.018	0.265	0.068	1.018
HISPANIC	0.232	0.262	0.885	1.261
MORETHAN2KIDS	0.234	0.226	1.035	1.263
MOSTKIDS	0.120	0.453	0.265	1.128
NORTH	-0.401	0.328	-1.222	0.670
WEST	-0.423	0.332	-1.274	0.655
SOUTH	* -0.597	0.276	-2.163	0.550
RURAL	-0.108	0.201	-0.537	0.898
KIDSUNDER6	0.388	0.199	1.950	1.473
POSTSECED	** 0.806	0.253	3.186	2.238
HSDIPLOMA	** 0.744	0.235	3.166	2.105
CONSTANT	2.87	0.379	7.572559	17.643
MODEL CHI-SQUARE	208.087			

MODEL PREDICTED 92.2% OF CASES CORRECTLY

\*-- Statistically significant coefficient (B) at the p&lt;.05 level

\*\*-- Statistically significant coefficient (B) at the p&lt;.01 level

The results that were statistically significant at least at the p<.05 level indicate that marital status and poverty status had an influence on the household's ability to increase the percentage of income that was based on earnings. Both previously married and never married households were at least 56% less likely than currently married couple households to increase the percentage of their household income that comes from earnings. The family's level of poverty also proved to be a significant influence on the household's ability to increase its earnings from work. Severely poor households were almost 94% less likely than low-income families to increase the percentage of their household's income that was based on earnings from work. Poor and near-poor families also experienced difficulty increasing the percentage of their income from work.

The region of the country that the family lived in also had an influence on the families' likelihood to work more after PRWORA was implemented. Families living in the South were 45% less likely than families in other regions of the country to experience increases in the percentage of income that came from earnings.

Families with children under the age of 6 in 1996 were 1.5 times more likely than other families to see more of their income coming from earnings from work in 2000 than other families. In addition families with either a high school diploma or some post-secondary education were 2 times more likely than other families to have experienced an increase in the amount of their household's income that was composed of earnings from employment in the four-year period following the implementation of PRWORA.

The family's race/ethnicity and the number of their own children under 18 living in the home did not have a statistically significant impact on the family's ability to increase the percentage of income that came from earnings.

### ***Decreased Reliance on Income from Targeted Public Assistance***

The most significant goal expressed in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was that poor families decrease their reliance on targeted public assistance programs, namely cash assistance and to a lesser extent Food Stamps. Table 4.3 illustrates the results of a logistic regression model that examines the influence of various demographic factors on the binomial dependent variable LESSTARGET (where 1=family using less targeted assistance and 0= either a increase or no change in the family's use of targeted assistance). This analysis only considered a decrease in a family's reliance on public assistance programs if the family participated in one or both of the targeted assistance programs.

**TABLE 4.3.****Logistic Regression Results****Dependent Variable = LESSTARGET (n=1,183)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	**1.740	0.415	4.192771	5.698
POOR	**1.601	0.362	4.422652	4.96
NEARPOOR	**1.222	0.440	2.777273	3.393
PREVMARRIED	**0.801	0.303	2.643564	2.229
NEVMARRIED	**1.195	0.351	3.404558	3.302
BLACK	0.616	0.337	1.827893	1.851
HISPANIC	*0.803	0.319	2.517241	2.231
MORETHAN2KIDS	-0.218	0.281	-0.7758	0.804
MOSTKIDS	*1.024	0.428	2.392523	2.783
NORTH	-0.430	0.475	-0.90526	0.651
WEST	0.476	0.407	1.169533	1.61
SOUTH	0.357	0.354	1.008475	1.429
RURAL	0.329	0.260	1.265385	1.39
KIDSUNDER6	0.281	0.258	1.089147	1.325
POSTSECED	*-0.825	0.334	-2.47006	0.438
HSDIPLOMA	-0.457	0.284	-1.60915	0.633
CONSTANT	-4.555	0.519	-8.77649	0.011
MODEL CHI-SQUARE	127.075			

MODEL PREDICTED 92.2% OF CASES CORRECTLY

\*-- Statistically significant coefficient (B) at the p&lt;.05 level

\*\*--Statistically significant coefficient (B) at the p&lt;.01 level

The family's race/ethnicity, marital and poverty status all had a statistically significant influence on whether the family decreased its reliance on targeted public assistance. The severely poor and poor families were at least 5 times more likely than low-income families to decrease their reliance on public assistance programs. Near poor families were 3.4 times more likely than low-income families to decrease their reliance on targeted public assistance programs. The results for severely poor and near poor families are not surprising since these families were most likely to receive public assistance in 1996 and as a result would be most likely to have the greatest opportunity for change compared to other low-income families. In addition, previously married and never-married households were 2 and 3 times more likely to decrease their reliance on targeted public assistance. Unfortunately the study's analyses could not provide any

information that would allow one to determine if work participation requirements played a role in a family's decreased usage of targeted public assistance programs.

Families whose head had at least a high school diploma were 37% less likely than other families to see a decrease reliance on targeted public assistance. This can partially be explained by the program participation behavior of most working poor families. When working poor families rely on public assistance, it is usually as a last resort. If there were other possible sources of income, working poor families utilize and often exhaust those sources prior to enrolling for government assistance.

### **Increased Reliance on Income from Private Sources**

Table 4.4 details the result of the logistic regression analysis used to identify the demographic factors that influenced a family's likelihood of increasing the contribution of private income sources to their overall household income. This study used the dependent variable MOREPRIVATE to test if a family increased (=1) its use of private income sources, or if the family did not increase (=0) the use of private income.

Marital status was one of the statistically significant factors that influenced a family's changes in income sources. Never-married households were 8 times more likely than married families to increase their usage of private income sources. Previously married households were seven times more likely than married families to increase their usage of private income sources. It is possible that the significant emphasis on child support enforcement efforts that was established in PRWORA increased the never-married and previously married families' access and use of child support as a private income source. The child support enforcement efforts would have had only a limited impact on married couple families, for instance when household was a blended family which included children from previous relationships and child support payments were collected from the non-custodial parent(s).

Although, there was not a great difference among the families based on poverty status, the same could not be said for the effect of race and ethnicity. Race and ethnicity did play a statistically significant role for Hispanic families only. They were 69% times less likely than White families to increase their use of private income sources. Neither the number of children under 18 in the household nor the region of the country

that the family lived in had a statistically significant influence on family's use of private income sources.

**TABLE 4.4.**

**Logistic Regression Results**  
**Dependent Variable = MOREPRIVATE (n=1,183)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	-0.360	0.422	-0.853	0.697
POOR	-0.639	0.346	-1.847	0.528
NEARPOOR	-0.361	0.417	-0.866	0.697
PREVMARRIED	**1.908	0.316	6.0380	6.738
NEVMARRIED	**2.075	0.410	5.0610	7.964
BLACK	-0.716	0.369	-1.940	0.489
HISPANIC	*-1.047	0.473	-2.214	0.351
MORETHAN2KIDS	0.290	0.289	1.003	1.336
MOSTKIDS	-0.604	1.049	-0.576	0.546
NORTH	0.060	0.369	0.163	1.061
WEST	-0.076	0.395	-0.192	0.927
SOUTH	-0.189	0.328	-0.576	0.828
RURAL	-0.195	0.270	-0.722	0.823
KIDSUNDER6	0.358	0.270	1.326	1.430
POSTSECED	0.352	0.399	0.882	1.422
HSDIPLOMA	0.192	0.400	0.480	1.211
CONSTANT	-3.633	0.526	-6.90684	0.026
MODEL CHI-SQUARE	65.014			

MODEL PREDICTED 93.8% OF CASES CORRECTLY

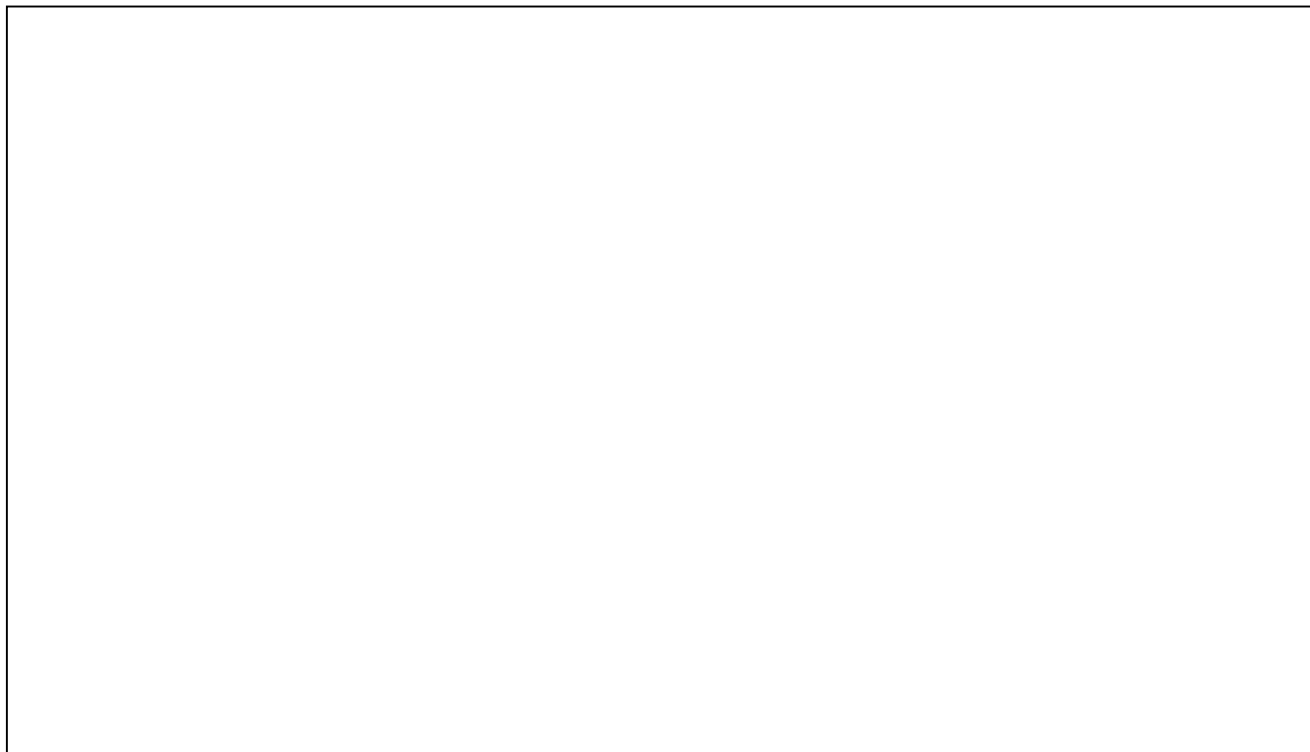
\*-- Statistically significant coefficient (B) at the p<.05 level

\*\* --Statistically significant coefficient (B) at the p<.01 level

## Changes in Marital Status

The promotion of marriage for single-parent households, especially impoverished, single female-headed households, was an additional goal of PRWORA. This study analyzed the marital status of all households to determine how many poor and low-income families married between 1996 and 2000. This study also examined the effect of race/ethnicity and poverty status (in 1996) on the family's likelihood of getting married.

There was very little change in the marital status for the sample as a whole. As shown in Figure 4.5, the majority of families saw no changes in the marital status of the adult heads-of household during the four-year period.



**Figure 4.5. No Change in Poor and Low-Income Families Marital Status 1996-2000**

Forty of the 431 (9%) adult heads-of-household who self-identified as being single in 1996 were married in 2000 four years after PRWORA was enacted. Comparing families based on whether the heads had been previously married, the data shows that previously married heads were at least twice as likely (11.5%) to be married in 2000 than those who had never been married before (5.4%). Those “improvements” in marital status for single parent households were offset somewhat by the 5.1% of married couple households that became single-parent households in 2000 due to divorce or death of a spouse.

**TABLE 4.5.****Logistic Regression Results  
Dependent Variable = MARRYCHANGE (n=453)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	0.165	0.513	0.322	1.180
POOR	-0.264	0.469	-0.563	0.768
NEARPOOR	0.220	0.542	0.406	1.246
PREVMARRIED	.607	0.456	1.331	1.835
BLACK	*-1.028	0.491	-2.093	0.358
HISPANIC	-0.398	0.523	-0.761	0.671
MORETHAN2KIDS	*0.938	0.391	2.399	2.554
MOSTKIDS	0.485	1.162	0.417	1.624
NORTH	0.446	0.528	0.845	1.562
WEST	-0.174	0.574	-0.303	0.840
SOUTH	0.343	0.469	0.731	1.409
RURAL	-0.187	0.371	-0.504	0.830
KIDSUNDER6	0.528	0.369	1.431	1.696
POSTSECED	0.568	0.505	1.125	1.765
HSDIPLOMA	0.234	0.511	0.458	1.263
CONSTANT	-3.416	0.792	-4.313	0.033
MODEL CHI-SQUARE	20.742			

MODEL PREDICTED 91.2% OF CASES CORRECTLY

\*-- Statistically significant coefficient (B) at the p&lt;.05 level

\*\* --Statistically significant coefficient (B) at the p&lt;.01 level

A family's poverty status did not have a statistically significant impact on a single parent's likelihood to marry. Severely poor, poor, and near poor families were as likely to get married as low-income families who were not eligible for public assistance. Changes in public assistance policy did not seem to provide any incentive that changed the propensity to marry for single parents. Factors such as race and family size appear to be better predictors of marital behavior.

Families with 3 or 4 children ("medium sized families") were more likely to get married than other families during the four-year period being reviewed for this study. These families were 2.6 times more likely than families with 2 or fewer children to get married. Because the status of single parent's relationships was outside the scope of this study, it is impossible to determine if the increased rate of marriage for the medium-sized families was the result of formalizing pre-existing relationships.

When looking at the role that ethnicity and race plays in a family's change in marital status, this study provides additional support for findings similar to those of other researchers. Blacks were significantly less likely to marry than other single parents: the odds of single black parents marrying were 64% lower than other single individuals. This mirrors findings by the U.S. Census in 2001 that shows that the marriage rate for African Americans fell by 34% between 1970 and 2001. Which is almost double the 17% overall marriage rate decrease for all Americans.

There also appears to be a decreased "return on investment" for African American women than for White women in the U.S. Institutional racism has contributed to higher underemployment of African American males, which decreases the economic gain of marriage for many African American females. Lane et.al. (2004) also points out that recent marriage promotion policies actually tend to blame African American women for demographic realities beyond their control. These realities include the high incidence of arrest and incarceration of Black males and other "structural violence" that when coupled with limited resources also decreases the pool of marriage-eligible men in many African American communities.

These results suggest that the idea of promoting marriage as an incentive for poor and low-income parents to escape poverty, especially for African American parents, is overly simplistic at best. Marital behavior and choice are complicated social phenomena that cannot be easily untangled from religious and cultural beliefs and limited to economic aspects. This is especially true for poor and low-income women whose primary supply of future spouses often are men who are struggling financially as well and who share many of the same limitations (lack of training and education) that prevent them from moving out of poverty.

## **Changes in Child-Bearing**

The final goal PRWORA that this study examines was not as explicitly laid out for poor families as the other three goals. However, by providing state-level incentives to reduce the number of children born out-of-wedlock to poor families, the Clinton and subsequently the Bush administrations definitely were targeting the child-bearing decisions made by poor women, especially those unmarried women. The federally-sponsored incentives included awarding between \$20 - \$25 million to the 5 states that

lowered the number of out-of-wedlock births in their states the most, providing \$250 million for states to implement “abstinence” education programs and allowing states to use family caps to exclude children born to women already receiving assistance from being included in benefit calculations.

The logistic regression model highlighted in Table 4.6 below looks at whether families increased the number of their own children under 18 during the period beginning 8 months before the implementation of PRWORA and the first quarter of 2000. The dependent variable MOREKIDS uses ‘1’ to indicate that a new child was born to the family during that period and ‘0’ was used to indicate no new births to the family.

**TABLE 4.6.**

**Logistic Regression Results  
Dependent Variable = MOREKIDS (n=1,183)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	-0.296	0.232	-1.276	0.744
POOR	0.188	0.154	1.221	1.207
NEARPOOR	0.237	0.188	1.261	1.267
PREVMARRIED	** -0.471	0.157	-3.000	0.624
NEVMARRIED	-0.190	0.216	-0.880	0.827
BLACK	0.356	0.192	1.854	1.428
HISPANIC	* 0.357	0.171	2.088	1.429
MORETHAN2KIDS	-0.167	0.140	-1.193	0.846
MOSTKIDS	-0.327	0.297	-1.101	0.721
NORTH	-0.328	0.199	-1.648	0.721
WEST	0.019	0.194	0.098	1.019
SOUTH	* -0.337	0.164	-2.055	0.714
RURAL	0.125	0.131	0.954	1.133
KIDSUNDER6	** 0.402	0.129	3.116	1.495
POSTSECED	0.030	0.180	0.167	1.030
HSDIPLOMA	-0.004	0.176	-0.023	0.996
CONSTANT	-0.5048	0.235	-2.14468	0.604
MODEL CHI-SQUARE	46.838			

MODEL PREDICTED 61.9% OF CASES CORRECTLY

\*-- Statistically significant coefficient (B) at the p<.05 level

\*\* --Statistically significant coefficient (B) at the p<.01 level

The factors that had a statistically significant influence on a family’s likelihood of having more children include being Hispanic, being previously married, having children

under the age of 6 (in 1996), or living in the South. Hispanic families were 1.4 times more likely than White families to have additional children. Families living in the South were 29% less likely to have additional children than those living in other parts of the country. In addition, families where the heads were previously married were almost 48% less likely than other families to have additional children during the four-year period after the implementation of PRWORA.

## **Changes in Families' Poverty Status**

The analyses in this chapter would not be complete if the unspoken assumption behind PRWORA was not tested also. In its most simplified form, the assumption behind welfare reform was that if families met the goals expressed in PRWORA, they would not be poor, or at least not as poor, in the future. Two separate analyses were used to test this assumption. First, the study looked at any evidence of major shifts in families' poverty status based on a comparison of the family's poverty status in 1996 and their poverty status almost four years after PRWORA's enactment. The second analysis looked specifically at the families who increased the percentage of their income from earnings, used more private income sources and had no additional children after PRWORA was enacted, to see if these families were less poor in 2000 than they were in 1996.

When families did see income increases, the changes in their lives were modest at best. Very few of the families reported any significant changes in their income levels between 1996 and 2000. Only 31 of the 1,183 families (2.6%) showed improvement in their household poverty status four years after PRWORA was implemented. The severely poor and poor families accounted for twenty-eight of the families that were less poor by 2000. However, none of the severely poor families' income exceeded 200% of the poverty level by 2000. Fourteen of the 121 families that were severely poor in 1996 had 2000 incomes that placed their households in the 50% -100% of the 2000 poverty level. This one level shift up the poverty ladder still left the families' among U.S. poor households. There were three severely poor families whose income shift placed them among households that were near-poor.

Among families whose income in 1996 fell between 50% and 100% of the poverty level, only ten families had income increases that moved them into the ranks of the near-poor and low-income households by 2000. Only one of the poor families had an income increase that exceeded 200% of the poverty level, and only three of the near-poor and low income families reported income increases sufficient to move them up one level.

A logistic regression model was used to test if any demographic characteristics influenced the likelihood of a family being less poor in 2000 than in 1996 (Table 4.7). According to this analysis, poverty-level in 1996 had a substantively and statistically significant impact on whether a family was less poor in 2000. Severely poor families were 141 times more likely than low-income families to be less poor by 2000. Poor families were 20 times more likely than low-income families to be less poor by 2000.

Those families whose heads had at least completed high school were less poor in 2000 than they were in 1996. Families that had a high school diploma were 13 times more likely than those without a high school diploma to be less poor in 2000. Those families whose heads had completed at least some post secondary education were 28 times more likely to be less poor than other families in 2000.

**TABLE 4.7.****Logistic Regression Results  
Dependent Variable = LESSPOOR (n=1,183)**

<u>Variable</u>	<u>B</u>	<u>S.E.</u>	<u>B/S.E.</u>	<u>Exp(B)</u>
SEVEREPOOR	**4.949	0.794	6.233	140.981
POOR	**3.016	0.788	3.827	20.402
NEARPOOR	0.946	1.235	0.766	2.575
PREVMARRIED	-0.177	0.468	-0.378	0.837
NEVMARRIED	-0.803	0.776	-1.035	0.448
BLACK	-1.137	0.748	-1.520	0.321
HISPANIC	-0.425	0.623	-0.682	0.654
MORETHAN2KIDS	-0.416	0.508	-0.819	0.66
MOSTKIDS	-0.632	1.154	-0.548	0.532
NORTH	-0.118	0.614	-0.192	0.889
WEST	-0.136	0.590	-0.231	0.873
SOUTH	-0.819	0.561	-1.460	0.441
RURAL	-0.495	0.473	-1.047	0.609
KIDSUNDER6	-0.509	0.421	-1.210	0.601
POSTSECED	**3.334	1.080	3.087	28.059
HSDIPLOMA	*2.570	1.081	2.377	13.059
CONSTANT	-7.597	1.346	-5.64413	0.001
MODEL CHI-SQUARE	97.567			

MODEL PREDICTED 97.5% OF CASES CORRECTLY

\*-- Statistically significant coefficient (B) at the p&lt;.05 level

\*\* --Statistically significant coefficient (B) at the p&lt;.01 level

Finally, I analyzed how many of the families that met three of the four major goals (worked more, used more income from private sources, and used less targeted public assistance) reported increased income by 2000. Although none of the 31 families that reported income-level improvements met all three goals, they did show gains in income from employment. Eleven of the 17 severely poor families whose income-level improved had a greater percent of their household's income from employment earnings. Ten of the eleven families that were poor in 1996 but had positive shifts in their income levels by 2000 also increased the percent of income from employment earnings.

Only one poor family and one low-income family that reported improved income-levels by 2000 had an increase in private income sources, such as child support, alimony, or help from family and friends. In addition, only one of the poor families that

had an improvement in income-level in 2000 was still receiving targeted public assistance in late 1999 to early 2000.

In summary, there is insufficient evidence to conclude that three of the four major goals expressed in PRWORA, (increased use of private income sources, decreased use of targeted public assistance programs and decreased child births in poor families), improved families' income-levels by 2000. The only PRWORA goal that improved families' household income was increased income from employment earnings.

## **Conclusion**

The analyses of this study addressed two overarching set of questions about the effect of PRWORA on the labor participation, income sources and family structure of poor and near poor families. To summarize the findings for both overarching questions I utilized nine distinct but related hypotheses.

Research Question One: To what extent did poor families rely on earned income, as well as public and other private sources of income prior to the October 1996 implementation of the Personal Responsibility and Work Opportunity Reconciliation Act? How did this change in the three years following the welfare reform policy implementation? Has there been a significant shift in the sources of families' income since PRWORA was implemented in 1996? If so, what factors caused these changes? And which families were likely to see the greatest shifts towards a more earned income and other private sources of income and less public income in their family's budget?

**H<sub>1a</sub>: Families headed by adults with at least a high school diploma will have a greater increase in earned income than those headed by adults without a high school diploma.**

H<sub>1a</sub> was accepted because there was a significant difference found in the use of earned income based on education level. Families headed by adults with at least a high school diploma were 2.1 times more likely than those without high school diplomas to see an increase in the percentage of family income that came from employment earnings.

**H<sub>1b</sub>: Families headed by adults with at least a high school diploma will have a greater increase in income from private sources than those headed by adults without a high school diploma.**

H<sub>1b</sub> was rejected because there was no significant difference found in the use of private sources of income based on education level.

**H<sub>2</sub>: Families with children under the age of six will have less change in income from public sources than families with children over the age of six.**

H<sub>2</sub> was rejected because there was no difference in the changes in income from public sources found among families based on the age of their children.

**H<sub>3a</sub>: Married couple households (with a spouse present) will have greater increases in earned income than other family types.**

H<sub>3a</sub> was accepted because there were statistically significant differences in the changes in earned income found among families based on the marital status of the head of the household. Previously married and never married households were at least 50% less likely to have an increase in earned income than married couple households.

**H<sub>3b</sub>: Married couple households (with a spouse present) will have greater increases in income from private sources than other family types.**

H<sub>3b</sub> was rejected because there was no difference in the changes in income from private sources found among families based on the marital status of the head of the household.

**H<sub>4a</sub>: White families will have greater increases in earned income than non-white families.**

H<sub>4a</sub> was rejected because there was no difference in the changes in earned income found among families based on race or ethnicity.

**H<sub>4b</sub>: White families will have greater increases in private sources of income than non-white families.**

H<sub>4b</sub> was rejected because there was no difference in the changes in income from private sources found among families based on race or ethnicity.

**H<sub>5</sub>: Families living in rural areas will have more income from private sources than families living in urban areas. (Reject)**

H<sub>5</sub> was rejected because there was no difference in the changes in income from private sources found among families based on the urbanicity of their community, whether it was metropolitan or rural.

Research Question Two: PRWORA's established goals focused on two aspects of family structure and formation; the reduction of the number of children born out-of-wedlock and the formation and maintenance of two-parent families. What factors influenced the configuration of poor and near poor families prior to October 1996? To what extent did a family's structure or composition change after three years? Has the family structure of poor and near poor families changed since PRWORA was implemented? If so, are these changes consistent with the goals of the legislation? In other words, have single parents either married or had no additional children out-of-wedlock since 1996? If so, which single parents were more likely to make changes in their family configuration that was more aligned with the goals expressed in PRWORA?

**H<sub>6</sub>: Single parent families with less than three children will be more likely to get married than single parent families with three or more children.**

H<sub>6</sub> was rejected because there was no difference in the marital changes found among previously married or never married heads of families based on the number of children in the home.

**H<sub>7</sub>: White single parent families will be more likely to marry than non-white single parent households.**

H<sub>7</sub> was partially rejected. I rejected this hypothesis for the comparison between Whites and Hispanics. There was no difference found in White and Hispanic single parents' likelihood to marry. However, I had to accept the hypothesis when it came to comparing African Americans/Blacks and White single parents because there was a statistically significant difference found in the likelihood of African American/Black single parents getting married compared to single White parents.

**H<sub>8</sub>: Families headed by adults with more education (at least one year of college) will have fewer changes in family structure (both births and marriage) than families with less education.**

H<sub>8</sub> was rejected because no statistically significant differences were found when comparing the changes in family structure, either births or marriages during the four-year period, of single parent families based on educational levels.

**H<sub>9</sub>: The poorest families will be less likely to have additional children after PRWORA than other low-income families.**

H<sub>9</sub> was rejected because there was a statistically significant difference was not found when comparing severely poor families to other poor and low-income families when it came to the likelihood of having additional children during the four-year period after PRWORA was implemented.

A tenth and final hypothesis was used to analyze families' income outcomes based on their attainment of the four major PRWORA goals, (increased income from employment, increased use of private income, decreased use of targeted public assistance program, and decreased child births).

**H<sub>10</sub>: Families that met or exceeded the four major PRWORA goals would be less poor than other families in 2000.**

H<sub>10</sub> was rejected in part due to the fact that none of the thirty-one families that experienced income-level improvements by 2000 met all four of the PRWORA goal. In addition, when evaluating income-level improvements based on each of the four goals separately, only increased income from employment made an impact on a family's household income level.

## RESULTS LEAD TO MORE QUESTIONS

### Purpose of Study

One of the cornerstones of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was the establishment of the Temporary Assistance for Needy Families (TANF) program. TANF replaced the Aid to Families with Dependent Children (AFDC), Jobs Opportunities and Basic Skills Training Program (JOBS) and the federally supported Emergency Assistance program. According to PRWORA, the goals for TANF were as follows:

- ❖ Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- ❖ End the dependence of needy parents on government by promoting job preparation, work and marriage;
- ❖ Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies;
- ❖ Encourage the formation and maintenance of two-parent families.<sup>25</sup>

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<sup>25</sup> P.L. 104-193, Sec. 401

In addition to establishing the programmatic goals for the TANF program, the legislation also provided guidelines to align the USDA's Food Stamp program with the work participation and child support enforcement requirements of TANF. The objective was to ensure that poor families did not sidestep program requirements in TANF without facing sanctions in other widely used federal public assistance programs.

This study focused on the goals related to independence, childbearing and family formation. My objective was to analyze whether the Personal Responsibility and Work Opportunity Reconciliation Act (1996) succeeded in overcoming many of the long-standing criticisms of policy and programs aimed at alleviating poverty. How well did the most recent overhaul of the welfare system address social structural factors that perpetrate poverty? To what extent did the most recent reforms simply reaffirm the country's commitment to legislating morality and controlling both the labor and reproductive power of women, especially poor women?

My analyses used the 1996 Panel of the Survey of Income and Program Participation to determine whether the major goals expressed in PRWORA were met. Household data collected in this multi-year survey conducted by the U.S. Census Bureau offered unparalleled access to the lives of poor families covering the 10 months immediately before the implementation of PRWORA through 2000. This data was used to gain a better understanding of ways in which the reform's policies may have affected the participation of poor families in the labor market as well as their decisions about marriage and childbearing.

Throughout U.S. history federal, state, and local governments have attempted to use social policy and programs to dictate the appropriate level of participation in the labor force and the general family structure of poor and near poor families. In many respects recent welfare reform legislation continues to pursue the goals expressed in policies that have evolved in this country for centuries and which have mainly targeted poor women and their children. These policies have sought to discourage poor families from using public assistance for basic necessities, but they have also sought to influence female labor force participation and shape family structure.

When the Mothers' Pensions were first implemented soon after the Civil War, the objective was to protect widowed mothers and their children from the harshness of life, especially when the fathers and husbands had died fighting for their country. The

benefits from the Mothers' Pension programs were not open to all women or available in all areas of the country. Minority women and their children, immigrant families and others considered to be unacceptable were often excluded from eligibility consideration. In addition, women and children who were abandoned and families separated informally or by divorce were also not considered eligible for benefits.

Under the Social Security Act of 1935 these early programs became President Franklin Roosevelt's Aid to Dependent Children (ADC) Program<sup>26</sup>. Under ADC even more attention was placed on formalizing the expected behavior of the mothers of the beneficiary children. Unlike the Mothers' Pensions, AFDC allowed poor women who were abandoned, divorced, or never married to receive benefits. Despite the increased eligibility flexibility, the program did not lessen its vigilance over the moral behavior of the women receiving benefits. For instance much effort was made to ensure that no men lived in the home. Impromptu "raids" were made at all hours of the day to make sure that the women did not have any involvement with men while they received assistance from the government (Bell, 1965). By going to this extreme, early ADC actually discouraged the establishment and maintenance of two-parent households. It was not until the late 1960's that the government acknowledged, that two-parent, married households also needed assistance by implementing the Aid to Families with Dependent Children—Unemployed Parents Program.

In the years preceding PRWORA, many states had enacted laws and policies that either reduced or eliminated benefits for additional children born into families already receiving assistance. The idea behind those policies evolved from the assumption that poor women had additional children in order to receive higher benefits. Such thinking clearly ignored the fact that benefit-levels nationwide were not high enough to outweigh the increased costs and responsibilities that poor families faced as they had more children.

Given this historical context, it was not surprising that the Personal Responsibility and Work Opportunity Reconciliation Act also attempted to influence the configuration of poor families. As noted above, one of the major goals of PRWORA was to discourage poor women from having children out-of-wedlock. Another was to force the biological,

non-custodial fathers of those children to contribute to their support. The burden of enforcing this provision did not only fall on poor women's shoulders. The federal government actively encouraged state governments to use every effort to enforce the responsibility of non-custodial parents. PRWORA included fiscal incentives to states that successfully decreased the number of out-of-wedlock births and put in place benefit-related penalties for women who did not comply with states' child support enforcement efforts by refusing to identify the biological father(s) of their children.

PRWORA also contained fiscal incentives and punitive measures to increase the work participation of poor families receiving either TANF cash assistance or Food Stamps. In the initial years of implementation, poor families participating in either of the means-tested programs had to have at least one adult household member actively employed for 30 hours per week within a certain timeframe. To ensure that families did not ignore the work participation requirements, the reforms also placed a new lifetime limit on benefits. For most states, families had a lifetime limit on benefits of five years. Many states also limited the number of consecutive months that a family could receive benefits. The work participation timeline was most conservative in the Food Stamp program, which required that an adult in the household had to be employed within the first three months of benefit receipt.

Unfortunately, for poor families receiving assistance, the quality of the job was not a criterion of importance to the state. Many poor households found only seasonal, low-wage jobs, with limited or no benefits. These jobs offered no assurance that families would eventually become self-sufficient or have increased earnings in the future. Despite the lack of federal guidelines, many states have made an effort to identify occupations that offered occupational mobility to less-educated and low-skilled workers.

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<sup>26</sup> This program was revised in 1950 to include the needs of the mother in the benefit levels. The program was renamed the Aid to Families with Dependent Children (AFDC) program to reflect the broader scope of benefits provided.

## Summary of Findings

The analyses of this study addressed two overarching set of questions about the effect of PRWORA on the labor participation, income sources and family structure of poor and near poor families.

Research Question One: To what extent did poor families rely on earned income, as well as public and other private sources of income prior to the October 1996 implementation of the Personal Responsibility and Work Opportunity Reconciliation Act? How did this change in the three years following the welfare reform policy implementation? Has there been a significant shift in the sources of families' income since PRWORA was implemented in 1996? If so, what factors caused these changes? And which families were likely to see the greatest shifts towards a more earned income and other private sources of income and less public income in their family's budget?

My analyses showed that relatively few of the poor and low-income families surveyed in the 1996 Panel of the Survey of Income and Program Participation relied solely on one source of income that was either public or private in origin. Before PRWORA was enacted in 1996, the majority of families utilized a combination of at least two different sources of income and the majority of poor and near poor families had earnings from employment.

How did PRWORA influence income sources? As in 1996, the majority of these families had income from at least two sources. In 2000, however more had income from employment. This figure increased from 78% in 1996 to 87% in 2000. Thus, one of PRWORA's main goals seems to have been met. Earnings from employment accounted for a greater share of poor and low-income families' total household incomes in 2000 than in 1996.

Another PRWORA goal that was met was that fewer families reported relying on targeted public assistance programs (specifically cash assistance and Food Stamps) as a source of family income by 2000 than in 1996. In 1996, 14% of poor and low-income families reported that benefits from the targeted public assistance programs accounted for more than fifty percent of their family's income. By 2000, that number had dropped to only 9%.

To more fully address Research Question One, the study tested five relevant hypotheses.

The first hypothesis tested the effect of parent's education level on family's income sources. Previous studies of poor and low-income individuals and families often found that limited education and skills were contributing factors that prevented many poor adults and their families from getting better jobs and escaping poverty. The first hypothesis of this study is based on the findings in earlier research.

**H<sub>1a</sub>: Families headed by adults with at least a high school diploma will have a greater increase in earned income than those headed by adults without a high school diploma.**

I accepted H<sub>1a</sub> because there was a statistically significant difference found in the usage of earned income based on education level four years after PRWORA was implemented. Families headed by adults with at least a high school diploma were 2.1 times more likely than those without high school diplomas to see an increase in the percentage of family income that came from employment earnings.

**H<sub>1b</sub>: Families headed by adults with at least a high school diploma will have a greater increase in income from private sources than those headed by adults without a high school diploma. (Rejected)**

In my analyses, I found that families headed by adults with at least a high school diploma were not more likely than other families to see an increase in the amount of the family's income that came from private sources. Therefore, the study did not support the hypothesis that families with at least a high school diploma (or GED) would have a greater increase in income from private sources than families without a high school diploma.

The second hypothesis tested the effect of children's age on family's income sources. An ongoing challenge for state welfare policy has been whether to force single mothers with very young children into the workforce or to subsidize poor single stay-at-

home mothers. The JOBS program, a voluntary job training and education program for AFDC recipients that was eliminated under PRWORA, did not expect single mothers to engage in work or education activities if they had children under the age of six. One significant change under TANF was new guidelines that only excluded mothers with children under 6 months of age from federally mandated work requirements.

My second hypotheses for this study tests the guidelines under the previous JOBS program to see if less restrictive work requirements for families with children under 6, especially those headed by a single parent, are more realistic and attainable than the guidelines established under PRWORA.

**H<sub>2</sub>: Families with children under the age of six will have less change in income from public sources than families with children over the age of six. (Rejected)**

Overall, families with children under the age of six in 1996 were, to a small degree, more likely to experience a decrease in income from public sources than families that did not have children under six. Almost nine percent of the families with children under 6 years of age in 1996 had family income from public sources by 2000 compared to 6.5% of the families without children under six years of age. This decreased participation in targeted public assistance programs may be due to the fact that families with young children were significantly more likely to have an increase in earned income than other families.

The third hypothesis tested the effect of parents' marital status on family's income sources. One of the major stereotypes used to symbolize poverty and welfare dependence in the United States is that of the poor single (and most often minority) female with more children than she can adequately provide for without government assistance. Opponents of the federal public assistance programs focus a lot of attention on the single marital status of women in poor households. The political and social rhetoric often suggest that marriage is the solution to the poverty problem in this country. The third hypothesis in this study tests these assumptions to see if there were any differences in the income sources of poor single parent households and poor

married couple households during the four year period immediately following the implementation of PRWORA.

**H<sub>3a</sub>: Married couple households (with a spouse present) will have greater increases in earned income than other family types.**

There were statistically significant differences found in the changes in earned income among families based on the marital status of the head of the household. As a result, I accepted H<sub>3a</sub>. Previously married and never married households were at least 50% less likely to have an increase in earned income than married couple households.

**H<sub>3b</sub>: Married couple households (with a spouse present) will have greater increases in income from private sources than other family types.  
(Rejected)**

Married couple households were no more likely than other families to increase their income from private sources. In fact, from 1996 to 2000 married couple households were significantly less likely to increase the amount of income from private sources than both never married and previously married households. However, never married families were almost 8 times more likely to increase their usage of private income sources than married couple households. Similarly, previously married families were 6 times more likely than married couple families to have had an increased usage of private income sources.

These results may point to higher level of usage of public income sources by single parent households prior to 1996. Research conducted in the first few years of PRWORA's implementation showed a significant drop in participation for both the TANF and Food Stamp programs. It is quite possible that single parent household began to rely more on their family and friends because of the more restrictive guidelines established in 1996.

The fourth hypothesis tested the effect of race and ethnicity on a family's income sources.

**H4a: White families will have greater increases in earned income than non-white families. (Rejected)**

I rejected H<sub>4a</sub> because there was no difference in the changes in earned income found among families based on race or ethnicity.

**H<sub>4</sub>: White families will have greater increases in private sources of income than non-white families. (Partially rejected)**

Race and ethnicity did influence families' likelihood of increasing the usage of private income. Hispanic families were more likely than White families to increase their usage of private income sources between 1996 and 2000. Hispanic families were 2.4 times more likely than White families to increase their usage of private income sources. However, a very different effect was found when comparing the experience of African-American/Black families to the experience of White families. African-American/Black families were 50% less likely to increase their usage of private income sources than White families over the same time period.

This differential experience for African American/Black families and Hispanic families requires some additional research in the future. Community development and immigration research (Lieberson, 1980; Portes and Manning, 1986; Wilson, 1987) that focuses on social mobility has looked at the difference between African Americans and other ethnic groups in this country. It is possible that African American/Black families had fewer source of private income available to tap into. These families may not be able to get assistance from family members who themselves are barely making ends meet. Many of these families are likely living in communities with a higher than average poverty rate and limited community- or church-based resources to address the multitude of needs for the families that reside in that community.

The fifth hypothesis tested the effect of urbanicity on a family's income sources. Policymakers have focused most of their attention to the needs of citizens living in metropolitan areas. The implementation of PRWORA pursued this same strategy. Poor families living in rural areas of the country did not access governmental assistance at the same rates as those in metropolitan areas. Part of this difference in participation

rates can be attributed a rural culture which places a greater emphasis on community- or family-based assistance than government assistance (Morales et.al, 2006). This difference can also be attributed to the difficulties faced by poor rural families who want to participate in government programs but cannot access them because service centers are located outside of their immediate community. Service centers cannot be set up in every rural community to handle applications, eligibility determination and disbursement of assistance. In addition, rural communities do not have the diversity and amount of job opportunities found in metropolitan areas (Fisher and Weber, 2002; Jensen, 2006; Ward and Turner, 2006). Once families received assistance, the work requirements under PRWORA may have been difficult to meet in the rural community if there was an employment shortage. Thus, the driving distances to service centers and the limited employment opportunities all serve to discourage many rural families in need from applying for assistance. As a result of these challenges, I expected rural families to rely more on private sources of income than families living in urban areas.

**H<sub>5</sub>: Families living in rural areas will have more income from private sources than families living in urban areas in 2006. (Rejected)**

The hypothesis that tested the existence of differences in private income sources for families living in rural versus metropolitan areas of the country overall has to be rejected. There were no significant differences found between the private income shift results for families living in rural areas compared to those living in metropolitan areas of the country in 2000.

Research Question Two: PRWORA's established goals focused on two aspects of family structure: the reduction of the number of children born out-of-wedlock and the formation and maintenance of two-parent families. What factors influenced the configuration of poor and near poor families prior to October 1996? To what extent did family structure or composition change? Has the family structure of poor and near poor families changed since PRWORA was implemented? If so, are these changes consistent with the goals of the legislation? Specifically, have single parents married and/or had no additional children out-of-wedlock since 1996? If so, which single parents

were more likely to make changes in their family configuration in ways aligned with the goals expressed in PRWORA?

To ascertain the answers to Research Question Two, I tested three additional hypotheses.

The sixth hypothesis examined the effect of family size on changes in parents' marital status.<sup>27</sup> This hypothesis is based on the idea that a large number of children would serve as a deterrent for potential marriage partners due the significant financial responsibilities associated with large families.

**H<sub>6</sub>: Single parent families with less than three children will be more likely to marry than single parent families with three or more children.**  
***(Rejected)***

Surprisingly, single parent families with fewer than three children were not more likely than larger families to get married during the four years after PRWORA was implemented. Rather families that were headed by a single parent and had three or four children in 1996 were 2.3 times more likely than families with fewer children to get married.

These results may be due to the fact that it cannot be determined from the SIPP data if parents married partners that they were already involved with prior to 1996 or partners that were the biological parent of some or all of the single parent's children. Pre-existing relationships make it difficult to determine what precipitated changes in parents' marital status during a four-year period.

The seventh hypothesis analyzed the effect of race and ethnicity on changes in parents' marital status. This hypothesis is supported by analyses of marriage trends which often show that African Americans are more likely to choose to not marry than other groups in society. This can be explained in part by the lack of marriage-eligible African American males that have stable employment and earnings that can sustain a family above the poverty level. This deficit is most profound in poor communities.

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<sup>27</sup> The results of these analyses should be interpreted with caution. The results only pertain to the small portion of single parent families who became married by 2000. Eleven percent (32) of the previously married adults and five percent (8) percent of the never married adults had a change in marital status by 2000.

**H<sub>7</sub>: White single parent families will be more likely to marry than non-white single parent households.**

This study did not find a significant difference in the likelihood of marriage for Hispanic single parent families when compared to that of White single parent families. However, there was a statistically significant difference in marital status between African American/Black single parents and White single parents. African American/Black single parents were 36% less likely to get married than White single parent families.

This result is supported by my previously unpublished research (Davis, 1995), which suggested that there is less incentive for single African Americans, with or without children, to marry. This disincentive especially holds true for poor single parents whose options in partners may be limited to a pool of other single adults struggling to make ends meet on their own with limited employment opportunities (Wilson, 1996).

The eighth hypothesis examined the effect of parent's education level on changes in parents' marital status. This hypothesis is drawn from research showing that families whose adult heads have more education are more stable, socially and economically, compared to families whose adult heads have low educational attainment (Fein, 2004). Higher education increases the likelihood that adults will find steady employment, and steadily employed people are more likely to marry. Education also influences childbearing decisions. Researchers have found that parents' increased levels of education resulted in delayed childbirth and more persistent usage of contraceptives (Bloom and Trussell, 1994).

**H<sub>8</sub>: Families headed by adults with more education (at least one year of college) will have fewer changes in family structure (both births and marriage) than families with less education.**

When I examined the effect of education on childbearing after the 1996 implementation of PRWORA, I found that having a high school diploma actually decreased the likelihood that a poor and low-income family would have more children after 1996. Families whose adults had a high school diploma were 55% less likely than

those adults without a high school diploma to have additional children after 1996. Other factors that decreased the likelihood of additional children were living in the South and having been previously married.

My analysis of changes in marital status focused specifically only on the 431 families who were either previously married or never married in 1996. I tested whether higher levels of education of single adults increased the likelihood they would marry by 2000. Higher levels of education did not significantly increase the likelihood of adults experiencing a change in marital status during the four-year period.

The ninth hypothesis tested the effect of a family's degree of poverty on childbearing decisions. One aim of welfare policy, even before PRWORA, was to discourage poor families receiving benefits from having more children simply to get additional benefits. One way this was accomplished in some states was through "family cap" provisions that did not increase benefits awarded to a woman if she had additional children. These family cap provisions pose a dilemma for both proponents and opponents of assistance programs.<sup>28</sup> On one hand, some believe that state subsidies should not increase to provide for additional children when employment income does not increase. On the other hand, family caps made families more vulnerable because already low benefit levels would have to be stretched to provide for more people.

This hypothesis analyzed how the poorest of the poor families' childbearing decisions were affected following the significant programmatic shifts brought about by PRWORA.

**H<sub>9</sub>: The poorest families will be less likely to have additional children after PRWORA than other low-income families. (*Rejected*)**

Although the results were not statistically significant, it was interesting to see that severely poor families, those whose income was below 50% of the federal poverty level, were 73% less likely to have additional children than low-income families who were not considered poor by federal poverty guidelines. Poor and near poor families were 1.2 and 1.3 times more likely than low-income families to have additional children,

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<sup>28</sup> Family caps began as part of reform efforts in the 1980's. The caps were not eliminated once PRWORA was implemented

respectively. Although these results were not statistically significant, they suggest a substantively interesting difference in childbearing decisions of the severely poor families. These results demonstrate that the poorest families consider their poverty situation when making decisions about having additional children. This finding contradicts the view that was held by many who supported the inclusion of an emphasis on childbearing as a component of PRWORA's reform efforts.

A final hypothesis,  $H_{10}$ , analyzed families' income outcomes based on their attainment of the four major PRWORA goals, (increased income from employment, increased use of private income, decreased use of targeted public assistance program, and decreased child births).

**$H_{10}$ : Families that met or exceeded the four major PRWORA goals would be less poor than other families in 2000. (*Rejected*)**

$H_{10}$  was rejected because none of the thirty-one families that experienced income-level improvements by 2000 met all four of the PRWORA goal. In addition, when evaluating income-level improvements based on each of the four goals separately, only increased income from employment had a significant effect on families' income level.

## **Research and Policy Implications**

This study has highlighted the fact that much of the rhetoric behind the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 was built on faulty assumptions about poor families in the United States. Many of these assumptions contained racial stereotypes, incorrect or inadequate knowledge of poor families' size and marital status, access to other means of assistance and "apparent" lack of attachment to the labor market.

My results showed that poor families were no larger than the typical U.S. family, averaging only two children. Very few poor families had more than three children. I also found that a large number of the poor households are actually two-parent, married couple households. Those two findings alone shatter the image of the "welfare mother"

that politicians have chosen to hold on to for many decades or at least put a major crack in it.

I also found that the majority of poor families did, in fact, work, although that employment activity did not constitute 100% of the household's income. The reasons why earnings from employment were not sufficient for poor families may shed light on the most appropriate policy directions for the future. Were families underemployed due to their education or skill levels? Perhaps a disability of the parent(s) or a child demanded that employable adults limit their time away from home and or the family? Did families have to choose less than full-time employment in order to have the flexibility necessary for child-rearing responsibilities? Did employers choose not to offer full-time employment to poor parents to avoid providing benefits? It is clear that those crafting welfare reform efforts in the past avoided answering such questions.

Like other studies, my results show that married couple households are often worse off than never married and previously married households. In part this is due to the marginalized way in which previous policies and programs have addressed the needs of poor families that are headed by married couples. Until the 1960's, ADC and then AFDC penalized families that had adult males as active members of their households. Although living arrangements are no longer scrutinized as invasively as they were in the 1950's and 1960's, public assistance programs continue to penalize poor married couples and their children by legislating separate participation guidelines and rules which limit, if not prohibit, these families from receiving assistance. For instance, when PRWORA was authorized in 1996, the adult in single parent families had to work at least 20 hours a week during the first year of participation, increasing to at least 20 hours a week by 2000. However, the adults in two-parent families had to work at least 35 hours a week beginning no later than July 1997 and then increasing to a minimum of 35 hours a week by 2000.<sup>29</sup> New legislation signed in February 2006 increased the number of hours that TANF cash assistance recipients would be required to work in order to continue receiving benefits.

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<sup>29</sup> This differential treatment is also seen in the most recent guidelines established in the Deficit Reduction Act (DRA) signed into law in February 2006. According to DRA, single parents must work between 20-30 hours a week depending on age of the child. However, the participation requirement for two-parent families is 35-55 hours a week depending on whether the family is receiving federally funded childcare assistance.

The historical legacy of how social policy has treated poor families has been exacerbated by recent policy decisions. On one hand, single poor women with children are viewed as social deviants, who are one of the most prevailing social problems of each generation. The same discussions point to the presence of adult males as a “cure” for what ails poor women and their children. Yet we, as a society, do not handle poor married couples well at all. Political and social rhetoric upholds the two-parent family as the ideal for ensuring the wellbeing and development of children. However, very few social supports are in place to meet the needs of poor two-parent families.

What can policy makers do to address the needs of poor or near poor two parent families that constituted the majority of the population studied? It is clear that recommendations that marriage will resolve many of the factors that explain their poverty status are inconsistent with reality. Most two-parent low-income families are not eligible for public assistance programs. When eligible, fewer than 50% actually participate in program benefits. A 2005 report published by Mathematica cited several potential behavioral differences between single parent and married couple households that explain participation disparities. The factors included married couples’ increased sensitivity to the stigma associated with receiving public assistance benefits, limited knowledge of family’s eligibility for benefits and variations in how state programs are implemented (Rangarajan, et.al, 2005).

An additional factor that may need to be investigated is the relevance of current poverty guidelines and methods used to determine who is poor in the U.S. It is quite possible that the relative poverty status and, therefore, the needs of low-income married-couple families fall outside the catchments created by long-term use of an outdated poverty threshold measurement.<sup>30</sup>

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<sup>30</sup> The validity and relevance of current poverty threshold measurements continues to be an ongoing discussion among researchers in the U.S. and other countries. The current concern is that using the poverty threshold that was first introduced by Orshansky in 1963 cannot identify or evaluate the magnitude of relative poverty that exists within the U.S. today (Fisher, 1995). If other methods were used to determine who was poor, it is speculated that millions more would be counted among the poor.

## **Future Research and Policy Agendas**

There are many questions that still need to be answered. Quite a few of these questions come directly from unexpected results found in this study's analyses. One question centers on the marginalization of poor married couple families in U.S. policy decision-making. Married couples are held up as the ideal type of family structure for this country. However, marriage does not protect families from poverty. So in what direction must future policy decision makers tread if they are truly interested in alleviating poverty?

Many poor families survive without utilizing government assistance, yet they seem to be painted by the same stigmatizing brush lawmakers used to create and revise U.S. social welfare policies and programs. The majority of poor families does not use public assistance programs and are employed. The goals established in PRWORA clearly did not acknowledge this reality. The minority of families that utilize public assistance programs to make ends meet have been the focus of the poor policy debate for decades. As a direct result of this myopic policy agenda, the needs of married and employed poor families have been ignored. The citizens of the United States need a new policy agenda that more accurately reflects the living conditions of poor families. First and foremost, policy should be based on more accurate research on the living conditions and needs of poor families in this country. The policy agenda should reflect a reform effort that seeks to highlight the exhaustive effort that most poor families make to survive on a daily basis.

This new agenda should not define poor women and their families as deviant when the household lacks the presence of an adult male parent or parent figure. Nor should policy attempt to further isolate or marginalize poor families that out of necessity must use government assistance to make ends meet. For centuries poor families have been stigmatized and been subject to moral judgments based on inaccurate portrayals of poor people in the society. Therefore, there is a need for the state to assist these families by implementing programs and/or policies that (1) do not stigmatize them for being poor; (2) do not make inaccurate and inappropriate moral judgments about them and, (3) that do not ignore the role of other safety nets that families actually use including taking low wage jobs without benefits.

1. Policy assumptions that see poor families as dependent on the state for assistance ignores the fact that many poor families do not use public assistance programs at all and that there are other safety nets that are accessible to these families.
2. There is a need to focus on the resiliency of poor families and how differences based on life course events (death of spouse, disability etc) as well as age and racial/ethnic background may provide better insight on what may leave some families more dependent on public assistance than others in very similar circumstances.
3. Too often poor families are presumed to be headed by unemployed single women. This study contradicts those assumptions and demonstrates that most of these poor families actually have some attachment to the labor market and are, in fact, two-parent married households.

These questions highlight a large segment of the American society that is married, employed and still poor. That reality points to the need for a new direction in social policy that goes beyond the restrictive and stigmatizing policy and programs that were put in place during the 20<sup>th</sup> century. Not all of the programs implemented in the past were bad. Many were just poorly implemented, while others were maligned and/or ignored thus preventing the development of a truly effective welfare program for poor families.

In fact, many of the policy solutions that were considered in the past may offer plausible frameworks on which to build more effective family oriented policies in the 21<sup>st</sup> century. For instance, reinstating Public Works programs, such as those used to provide employment for men after the Depression, can provide government subsidized employment opportunities that pay above minimum wage to families. These employment opportunities can be leveraged to improve state and federal highway systems and other public infrastructure that was originally built during FDR's administration.

The use of guaranteed income policy would also provide assistance to poor families without the stigma of TANF cash assistance and the limited catchments of the current Earned Income Tax Credit program. The analyses in my dissertation points to a greater need for social programs and policies that: (1) recognizes the diversity of the poor and (2) the economic vulnerability of the near poor and low-income families at the same time. If successfully designed and implemented, the 21<sup>st</sup> century programs could provide assistance to families in need including those living according to the goals of PRWORA -- the working poor.

**APPENDIX A. APHSA SUMMARY OF TANF-RELATED  
CHANGES IN THE DEFICIT REDUCTION ACT, 2006**



American Public Human Services Association

**Comparison of Present Law to  
Deficit Reduction Omnibus Reconciliation Act of 2005 (DRA), P.L. 109-171**

<b>Provision</b>	<b>Present Law</b>	<b>DRA</b>
<b>CHILD CARE PROVISIONS</b>		
<b>Funding</b>	FY 2005 mandatory funding is \$2.7 billion.	Increases mandatory funding by \$200 million per year for a total increase of \$1 billion over 5 years.
<b>TANF PROVISIONS</b>		
<b>Goals</b>	Four purposes of TANF: (1) assist needy families so that children may live in their homes or those of relatives; (2) end dependence of needy parents on government benefits; (3) reduce out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of 2-parent families.	No changes to present law
<b>State Plan</b>	Certification that state will operate a child support enforcement system; operate a foster care and adoption assistance program; provide Indians with equitable access to assistance; ensure against fraud and abuse; and, optionally, screen for and identify domestic violence.	No changes to present law
<b>Funding</b>	- Basic grants total \$16.5 billion; maximum 60-month lifetime limit on assistance and up to 20% exemption of the caseload for hardship. - Federal Loan Program: \$1.7 billion in loans for up to 3 years to states for same purposes of act, including anti-fraud activities, and to serve Indian families who have left the tribal grant service area.	Level funding at \$16.566 million per year for 5 years.
<b>Supplemental and other Grants</b>	Supplemental grants based on high population and poverty. Grants were \$79 million in 1998 and rose to \$319 million per year in FY 2001.	Extends supplemental grants at FY 2001 level of \$319 million for 3 years.
<b>Cash Management</b>	- Payment schedule to states on a quarterly basis; - Used to meet goals of TANF, plus home heating and cooling to low-income families; - 15% cap on administration; - May use grants for Electronic Benefit Transfer (EBT) system; - Allows funds to be used for Individual Development Accounts; - May use TANF to match Department of Transportation Access to Jobs funds; - Regulations promulgated on use of funds and un-obligated balances.	No changes to present law





















































































