



FRAGILE FAMILIES RESEARCH BRIEF

October 2004 • Number 28

The Effects of State Policies on TANF Participation

Background

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 shifted financial responsibility from government to families by expanding work requirements and establishing time limits for those receiving public assistance. Another key component of this legislation was that funds were now distributed to states via block grants, giving the states increased latitude in establishing eligibility rules and program requirements. These changes increased the likelihood that needy families with similar demographic characteristics and economic resources would have very different experiences with the welfare system, depending on where they lived.

Although the decrease in the nation's welfare caseload seems to mark the success of PRWORA, declines in participation have varied across states. While policy differences across states may have resulted in corresponding differences in welfare utilization, few studies have demonstrated the connection between state policies and welfare use post-PRWORA.

This brief examines the effect that state welfare policy variation has on welfare participation and reliance levels and also considers the role of demographic characteristics on these outcomes. Specifically, the authors ask whether mothers living in states with generous welfare payments and less restrictive time-limits and work requirements are more likely to rely on welfare than mothers with similar characteristics living in states with less generous benefits and stricter requirements.

Data and Methods

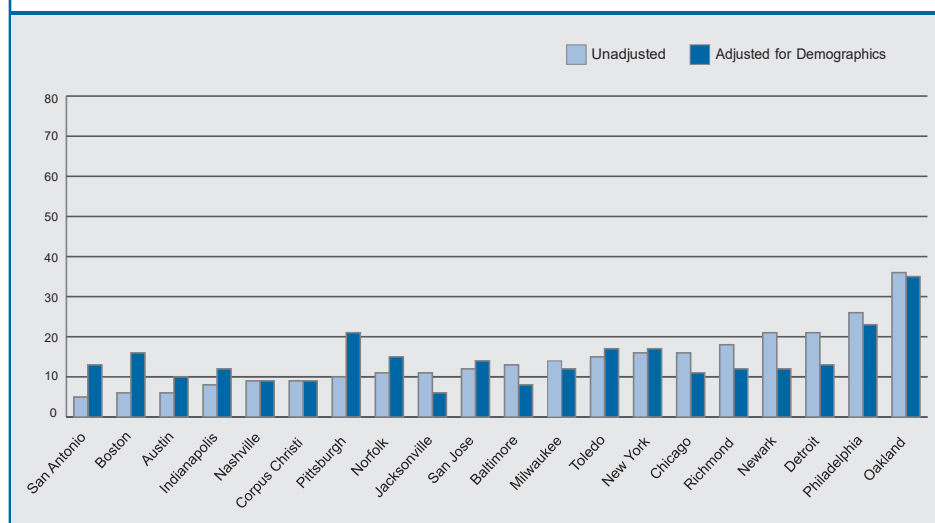
The authors use data from the baseline and one-year follow-up interviews of the Fragile Families and Child Wellbeing Study [see box on back] to analyze the Temporary Assistance for Needy Families (TANF) reliance levels among mothers living in

twenty large U.S. cities in 15 different states. Welfare use is measured in two ways: whether or not a mother received any TANF within the past 12 months (TANF participation), and the dollar amount of TANF benefits received in the past 12 months divided by the total combined income of everyone in her household (degree of reliance on TANF).

The authors examine three measures of state welfare generosity: 1) the maximum monthly TANF benefit for a family of four at the time of the baseline interview, 2) whether, at the time of the one-year interview, lifetime limits had taken effect in the mother's state, and 3) the number of months a mother could receive benefits before being required to participate in work or work-like activities.

In addition to the state policy variables, the authors also examine the effects of labor market conditions and cost of living on welfare participation. To measure labor market conditions, the authors use city-level unemployment rates for the year in which baseline interviews were conducted in a given city. Cost of living is measured by the 40th percentile fair market rent for the

Figure 1: Percent of Mothers Relying on TANF in Past 12 Months
(Data are weighted to account for the oversampling of nonmarital births)



Metropolitan Statistical Area (MSA) in 1999. Finally, the authors adjust for demographic characteristics such as race/ethnicity, parity, education, age, marital status, and nativity.

Results

In Figure 1, the first bar for each city shows the percentage of mothers on TANF without controlling for any demographic factors. In most Fragile Families cities, TANF participation is relatively low; on average, only about 14 percent of mothers relied on any support from TANF in the previous year. However, substantial variation exists across cities; at one extreme, only five percent of mothers received welfare support, while in other cities, up to 36 percent of mothers participated. City differences in the proportion of mothers participating in TANF are statistically significant.

The second bar for each city in Figure 1 indicates the percentage of mothers on TANF, adjusted for demographic characteristics. The adjustment changes the cities' rank-order, but does not reduce the range in participation rates. Furthermore, neither local labor markets nor city fair market rent (not shown), which measure city-level economic conditions, predicts TANF participation once the authors control for demographic characteristics.

Analysis of state policy measures indicates that the number of months a woman can receive benefits before being required to work is highly predictive of TANF participation; the greater the number of months, the greater the likelihood of TANF participation. Jointly, the three policy measures reduce the between-city variance in TANF participation, adjusted for sociodemo-

graphic composition, by 55 percent.

When restricting the sample to unwed mothers with no college education, a high-risk group of whom 37 percent relied on TANF in the past 12 months, the findings are consistent with those for all mothers. Figure 2 shows the range of between-city difference in TANF participation for this subsample. State policies, particularly those involving work requirements, explain a substantial amount of the between-city difference in TANF participation for this subsample. When the authors include policy measures and mayor's political party, the between-city variation in welfare participation is reduced by over 70 percent.

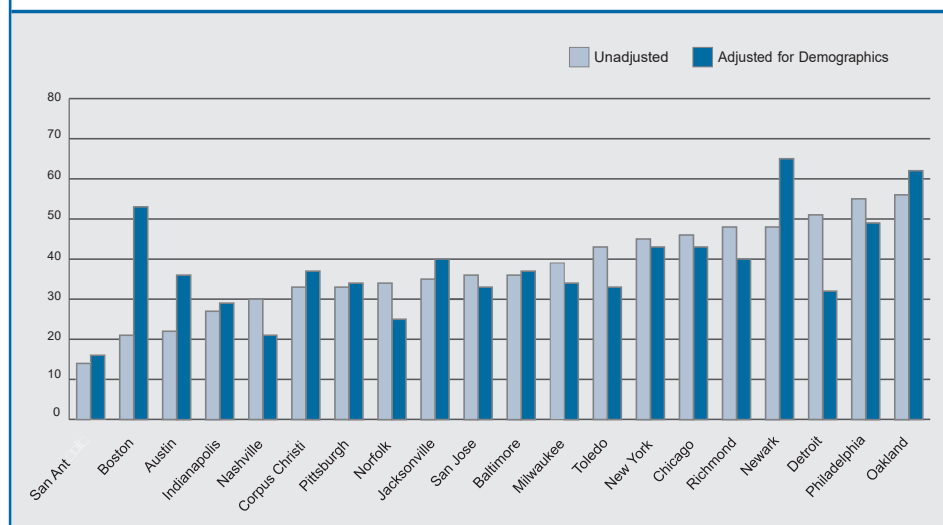
For instance, a \$100 increase in a TANF monthly benefit is associated with a one and a half percentage point increase in the proportion of household income from TANF. Less stringent work requirements are associated with greater reliance, and reliance is three and a half percentage points lower, on average, in states where lifetime limits had taken effect. Policy measures reduce the proportion of variation in degree of reliance on TANF due to between-city differences by over half, from 2.3 percent to one percent. Demographic characteristics are also significant predictors of degree of reliance on TANF.

The fact that a small number of compositional and policy variables explain much of the between-city variation in reliance on TANF should not overshadow the fact that most of the variability in reliance on TANF is within rather than between cities. City variation in the degree of reliance on TANF explains less than three percent of total variation. Over 97 percent of the variation across mothers is accounted for by individual level factors.

Conclusion and Policy Implications

A significant proportion of city variation in both TANF participation and reliance are accounted for by TANF benefit levels, work requirements, and whether lifetime limits had hit. Factors such as education, maternal age and marital status are also important predictors of TANF participation. While state policies account for a substantial proportion of the between-city variation in reliance on TANF, they account for very little of the variation across individuals. Social and demographic factors are stronger predictors of individuals' reliance on TANF than state policies, suggesting that direct investments in human capital may be more effective than implementing strict state laws in reducing reliance on welfare in the post-PRWORA era.

Figure 2: Percent Relying on TANF in Past 12 Months - Unmarried, No College Sample
(Data are weighted to account for the oversampling of nonmarital births)



Recent Working Papers

The following comprises a list of the most recent Working Papers authored by the Center for Research on Child Wellbeing (CRCW) faculty and research associates. A complete list of Working Papers is also available for viewing and downloading on the CRCW web site: crew.princeton.edu/papers.html

- 2004-17-FF Cynthia Osborne, Wendy Manning, Pamela Smock Oct 2004 "Instability in Fragile Families: The Role of Race-Ethnicity, Economics, and Relationship Quality"
- 2004-16-FF Cynthia Osborne, Sara McLanahan Oct 2004 "The Effects of Partnership Instability on Parenting and Young Children's Health and Behavior"
- 2004-15-FF Lawrence Berger, Cynthia Osborne Oct 2004 "Parental Substance Abuse and Child Health and Behavior"
- 2004-14-FF Teresa Ciabattari Sep 2004 "Single Mothers, Social Capital, and Work-Family Conflict"
- 2004-13-FF Nancy Reichman, Hope Corman, Kelly Noonan Sep 2004 "Effects of Child Health on Sources of Public Support"
- 2004-12-FF Lenna Nepomnyaschy Jul 2004 "Child Support and Father-Child Contact In Fragile Families"
- 2004-11-FF Ronald Mincy, Irwin Garfinkel, Lenna Nepomnyaschy Jul 2004 "In-Hospital Paternity Establishment and Father Involvement in Fragile Families"
- 2004-10 Lonnie Berger Jun 2004 "Children Living Out-of-Home: Effects of Family and Environmental Characteristics"
- 2004-09-FF Joshua Goldstein, Kristen Harknett Jun 2004 "Parenting Across Racial and Class Lines: Assortative Mating Patterns of New Parents Who Are Married, Cohabiting, Dating, and No Longer Romantically Involved"
- 2004-08-FF Jean Knab, Sara McLanahan Jun 2004 "Measuring Cohabitation: Does How, When, and Who You Ask Matter?"
- 2004-07-FF Julien Teitler, Nancy Reichman, Heather Koball May 2004 "Bias in Retrospective Reports of Cohabitation Among New Parents"
- 2004-06-FF Cynthia Osborne May 2004 "The Relationship Between Family Structure and Mothering Behavior within Racial and Ethnic Groups"
- 2004-05-FF Jean Knab Apr 2004 "Who's In and for How Much? The Impact of Definitional Changes on the Prevalence and Outcomes of Cohabitation"
- 2004-04-FF I-Fen Lin, Sara McLanahan Apr 2004 "Gender Differences in Perceptions of Paternal Responsibility"
- 2004-03-FF Lauren Rich, Irwin Garfinkel, Qin Gao Apr 2004 "Child Support Enforcement Policy and Unmarried Fathers' Employment in the Underground and Regular Economies"
- 2004-02-FF Anna Aizer, Sara McLanahan Apr 2004 "The Impact of Child Support on Fertility, Parental Investments and Child Well-being"
- 2004-01-FF Rachel Kimbro, Scott Lynch, Sara McLanahan Feb 2004 "The Hispanic Paradox and Breastfeeding: Does Acculturation Matter? Evidence from the Fragile Families Study"
- 2003-22-FF Julien Teitler, Nancy Reichman, Lenna Nepomnyaschy Dec 2003 "The Effects of State Policies on TANF Participation"
- 2003-21-FF Nancy Reichman, Hope Corman, Kelly Noonan Aug 2004 "Child Health and Parents' Relationship Status"
- 2003-20-FF Hope Corman, Nancy Reichman, Kelly Noonan Dec 2003 "Mothers' Labor Supply in Fragile Families: The Role of Child Health"
- 2003-19-FF Kelly Noonan, Nancy Reichman, Hope Corman Sept 2004 "New Fathers' Labor Supply: Does Child Health Matter"
- 2003-18-FF Julien Teitler, Nancy Reichman, Irwin Garfinkel, Lenna Nepomnyaschy Dec 2003 "TANF Participation and Marriage"
- 2003-17-FF Nancy Reichman, Julien Teitler, Marah Curtis Dec 2003 "Hardships Among Sanctioned Leavers, Non-Sanctioned Leavers, and TANF Stayers"
- 2003-16-FF Sara McLanahan May 2004 "Fragile Families and the Marriage Agenda"
- 2003-15 Angela Fertig Jun 2004 "Healthy Baby, Healthy Marriage? The Effect of Children's Health on Divorce"
- 2003-14-FF Marcia Carlson, Frank Furstenberg, Jr. Oct 2003 "Complex Families: Documenting the Prevalence and Correlates of Multi-Partnered Fertility in the United States"
- 2003-13-FF Nancy Cohen Oct 2003 "Unmarried African American Fathers' Involvement with Their Infants: The Role of Couple Relationships"
- 2003-12-FF Ariel Kalil Oct 2003 "Fathers' Perceptions of Paternal Roles: Variations by Marital Status and Living Arrangement"
- 2003-11-FF Catherine Kenney Sept 2003 "Hardship in Marriage and Cohabiting Parent Households: Do Cohabiting Parents Underinvest in Household Public Goods?"
- 2003-10 Anne Case, Angela Fertig, Christina Paxson Jun 2004 "The Lasting Impact of Childhood Health and Circumstance"
- 2003-09-FF Cynthia Osborne, Sara McLanahan, Jeanne Brooks-Gunn Sept 2004 "Young Children's Behavioral Problems in Married and Cohabiting Families"
- 2003-08-FF Cynthia Osborne May 2004 "Maternal Stress and Mothering Behaviors in Stable and Unstable Families"
- 2003-07-FF Cynthia Osborne May 2004 "Marriage Following the Birth of a Child Among Cohabiting and Visiting Parents"
- 2003-06-FF Christina Gibson, Kathryn Edin, Sara McLanahan Jun 2004 "High Hopes But Even Higher Expectations: The Retreat From Marriage Among Low-Income Couples"

FRAGILE FAMILIES RESEARCH BRIEF

Center for Research on Child Wellbeing

Wallace Hall, 2nd Fl. • Princeton University • Princeton, NJ 08544

Presorted
First-Class Mail
U.S. Postage
Paid
Princeton, NJ
Permit No. 299

Inside...

This research brief uses data from the Fragile Families and Child Wellbeing Study to examine the effect that state welfare policy variation has on welfare participation and reliance levels.

The Fragile Families and Child Wellbeing Study is following a birth cohort of nearly 5,000 children, including 3,712 children born to unmarried parents and 1,186 children born to married parents. The data are nationally representative of births in cities with populations of 200,000 or more. For more information about the study, visit the Web site of The Center for Research on Child Wellbeing, <http://crcw.princeton.edu/fragilefamilies> or email the CRCW at crcw@opr.princeton.edu

This research brief was adapted from "The Effects of State Policies on TANF Participation" by Julien O. Teitler, Nancy E. Reichman and Lenna Nepomnyaschy. To download a copy of the paper on which this brief was based, visit <http://crcw.princeton.edu>, go to the Fragile Families link, click on Publications, then click on Working Papers Series.

The Fragile Families Research Brief is funded in part by a grant from the Annie E. Casey Foundation.