Welfare Reform: Searching for a Pattern of Efficiency

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Abstract

With the passage of the Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA), the welfare system of the United States was significantly restructured to allow states a broader discretion than in the past to determine how to distribute funding to their disadvantaged through a program titled Temporary Assistance to Needy Families. Because combating unemployment is one of four primary objectives of PRWORA, researchers have spent the past decade investigating what factors are responsible for higher rates of welfare recipient dependency and unemployment, but little has been done to analyze the way states divide and disburse their block grants. The purpose of this paper is to investigate the differences between the state's allocations of funding and to determine which variables seem to play a more important role in alleviating welfare recipient unemployment by helping people get back to work, and which variables are less significant in this effort.

Much time has been devoted to determining what factors are responsible for higher rates of welfare recipient dependency and unemployment, but little has been done to construct a comprehensive model of the ideal method of welfare disbursement. The purpose of this paper is to investigate the differences between the state's allocations of funding and to determine which variables seem to play a more important role in alleviating welfare recipient unemployment by helping people get back to work, and which variables are less significant in this effort.

This paper will explore and break down the many components pertaining to the use of Temporary Assistance to Needy Families (TANF) funding and state sponsored Maintenance of Effort funding. These components include basic assistance; childcare; funds transferred to a social services block grant; transportation; assistance authorized under prior law; work related activities; income tax credit; independent development accounts; pregnancy prevention; two-parent family formation and maintenance; costs associated with Administration and Systems; and other assistance not meeting the legal definition of assistance.

By this research, I expect to find that states which spend the majority of their TANF and MOE funding on the specific components that facilitate the process of returning recipients to work will have significantly lower unemployment rates than those states that do not. I hope to uncover a pattern of efficiency, that is, a pattern of disbursements demonstrating that spending more on particular components and less on others would increase a state's efficiency at returning TANF recipients to the workforce.

For the purpose of this paper, the aforementioned components will be defined as follows: Basic Assistance are benefits provided in the form of cash, payments, vouchers, or any other form of aid intended to assist families in their struggle to meet essential needs. All funding meeting the definition of assistance is given out in this manner.

Childcare meeting the legal definition of assistance is limited to childcare expenses for families that are not employed, but require childcare so that they may be able to participate in job training and searching, or community service. This definition does not include childcare provided as a single-time, short-term assistance to a briefly unemployed person, pre-kindergarten childcare programs, such as head start, or any other form of educational service, nor does it include childcare provided to employed families (Clasp.org 2005).

Transportation meeting the legal definition of assistance will include expenses for families that are not employed, but require transportation so that they may be able to participate in job training and searching, or community service. Transportation assistance does not include payments such as car payments, auto insurance reimbursements, bus tokens, or public transportation services provided to employed families, because, by definition, TANF funds cannot be received by employed persons (Clasp.org 2005).

Assistance authorized under prior law are expenses that are not outlined in the TANF program, or are not consistent with the purposes of TANF, but are allowable because they were previously approved of by a limited number of states under Assistance to Families with Dependent Children (AFDC). The Social services block grant is a statutorily limited entitlement program created by Title XX of the Social Security Act, and is distributed to the states on the basis of population. These grants are intended to assist states in their efforts to prevent child abuse, increase the availability of child care, and provide community-based care for the elderly and disabled (U.S. House of Representatives 2000).

Work related activities are the broken down into three categories: work subsidies, which are payments made to employers or third parties, in an effort to help cover the costs of employee wages, benefits, supervision, and training, but does not include disbursements to individuals for participation in work experience activities or community service; education and training, which are expenses aimed at preparing an individual for the workplace, including adult education, GED classes, vocational and job skills training, and any other education aimed primarily at equipping a person for employment; and other work activities/expenses, which include work related costs not reported as being linked to education or work subsidies, such as staff costs of providing work preparation courses, job trainers, and non-profit community groups (Clasp.org 2005).

Income Tax credits, and earned income tax credits, are refundable tax credits that offset taxes, and acts as a wage supplement. These benefits can only be taken advantage of by persons who are employed, and are adjustable, depending on the size of the person's family. Individual development accounts are savings accounts set up by TANF recipients, and can be used for educational purposes, the purchase of a first home, or business capitalization (Gariepy 150).

Pregnancy prevention is simply funds spent on programs to aid in the prevention of pregnancy in unmarried persons that are not covered in any other category. Two-parent family formation and maintenance expenditures are expenses aimed at promoting and maintaining two-parent families. Administrative costs are simply expenditures for administrative costs, and Systems costs are expenses aimed at monitoring and tracking within the TANF program (Clasp.org 2005). Other non-assistance expenses are expenditures that do not fall into any other category, and include, but are not limited to, parenting training, substance abuse treatment, domestic violence services, and related case-management services (Clasp.org 2005).

In addition to these definitions, welfare shall mean the aid provided by a government to its people, who, for whatever reason, are unable to support themselves (Mead 2004), but shall exclude social security, because according to the U.S. Social Security Administration, social security falls under the social welfare spectrum, whereas welfare falls under Public Assistance.

Now that the terms used in this paper have been defined, it is important to understand the changes that have taken place in the United State's welfare system over the past decade. Prior to the enactment of PRWORA, the government's welfare system was called Assistance to Families with Dependent Children (AFDC), and was an indirect consequence of The Social Security Act of 1935 (SSA). The SSA was a product of the New Deal, and was intended to facilitate the states efforts to take care of their elderly, blind, disabled, and children in single parent families by federally matching state funds, but in 1972, the Social Security Income (SSI) program was created as a federal program to fund the health care of the elderly, blind, disabled. What was left of the Social Security Act of 1935 came to be known as Aid to Families with Dependent Children (Mead, 2004). Under AFDC, the federal government disbursed assistance directly to the families in need, these most typically being single-parent families. AFDC also extended benefits to aliens, and terminated assistance to persons upon employment (Mead 2004).

In the late 1960's and early 1970's, the number of AFDC dependent persons grew dramatically, causing great concern among the taxpayers of the United States. By the late 1970's, AFDC began to draw much criticism, because the program provided assistance to many adults whom the taxpayers felt should be required to work. Clearly, a transformation in the system was needed, but how should it be done? Who should engineer the new program? These were challenges in which politicians would struggle with for another two decades. Under the Democratic leadership of the late 1960's and early 1970's, the term 'welfare reform' typically referred to increasing benefits while expanding coverage (Barth 1974). The more conservative Republican Party fought this proposal, instead favoring reductions in the amount of money spent through AFDC. By the mid 1980's, the ambiance of welfare had taken a conservative turn. Some conservatives were calling for reform to force adult recipients to work, others wanted to devolve the enforcement of welfare restrictions to the individual states, some wanted to abolish AFDC altogether, and many strongly argued that promoting marriage would be the most effective means of reducing the welfare rolls.

With the 1992 election of a Republican congress and a Democratic president who had an atypical welfare-conservative ideology (Mead, 2004), the stage was set for the largest and most significant overhaul of the nation's welfare system in history. When President Bill Clinton signed into law "The Personal Responsibility and Work Opportunity Reconciliation Act of 1996", the world of welfare was forever changed (Lens 2002). One of the major changes of PRWORA was the invention of TANF. TANF proposed that instead of the federal government directly assisting the needy, the government would disperse block grants to the individual states, based on what they had spent on welfare the previous year, with the condition that they use at least 75% of the grant in the form of welfare assistance. Another provision was that under AFDC, there were no time restrictions limiting the length of time a family could receive benefits, but under the new law, a family could only receive government assistance for a total of sixty months (Parisi 2003).

Another significant change was that under the existing Family Support Act of 1988, persons who qualified for benefits were able to seek, and more frequently sought, education and training, rather than taking available jobs, but under PRWORA, program participants were strongly urged to enter the actual work force. TANF also further extended benefits to two-parent families, and allowed participants to keep a portion of their benefits, even if they entered the workforce. TANF also terminated benefits to aliens, but was later revised to provide for aliens who entered the United States prior to the enactment of PRWORA.

The PRWORA, while granting states wide discretion in how to use their funds, requires that states maintain their welfare spending to a level equal to at least 80% of their 1994 welfare spending, a program known as the states maintenance of effort (MOE) obligation (Greenberg, 2001). It further required that states be working towards achieving the four primary objectives outlined in the creation of TANF. These objectives include providing economic assistance to needy families; ending government dependency among needy parents by encouraging job preparation, employment, and marriage; reducing the number of pregnancies among unwed mothers; and encouraging the formation of two-parent families.

It is interesting to note that the early MOE obligation figures from 1994 are not annually adjusted for inflation (Friedman, 2002), so inflation erodes their original value (Rand 2000). It is because these figures are not adjusted for inflation that the TANF block grant's inflation-adjusted value fell by more than 11% between 1997 and 2002. Fortunately, the number of cash-assistance recipients has continually decreased at such a high rate that the extra accumulated money can be used to make up for the inflation (Neuberger 2003).

There are three ways in which a state can meet its maintenance of effort obligation; the states can combine their MOE and TANF funds into single program, segregate MOE funds from TANF funds, even if the funds are in the same program, or separate their MOE funds into state programs. The only differences are that in the combined arrangement, recipients are automatically subject to the federal time limit, and in the other two, they are only subject to federal restrictions if they receive federally funded assistance (Greenberg 2000). States must also maintain 100% of the total amount spent on childcare in the year 1994 or 1995, depending on which total is higher (USDHHS 1996). In addition, all surplus funding must be used on basic assistance (Duval-Diop 2000).

Being that welfare reform has been highly researched, it is important to consider the findings of others. According to Lawrence Mead's "State Political Culture and Welfare Reform", following the enactment of TANF, "few states changed their benefit levels, but the vast majority strengthened work requirements, work incentives, or sanctions meant to move recipients into jobs". Mead's <u>A Summary of Welfare Reform</u> discusses 'welfare reform' through the years, and points out that the definitions are ever changing and dependent on the needs of society at a given point in time. It proceeds to discuss the implications of changing the welfare system from the AFDC to TANF, then moves on to the elaborate on the actual changes that took place, as I discussed on page four. He also covers the role of reformation and the consequences of the changes.

According to Mark Greenberg, in <u>Welfare Reform and Devolution</u>, families who receive benefits are still facing barriers that keep them from being able to work. These barriers include insufficient education, little or no work experience, and the inability to speak English. Greenberg further states that "it appears that family structure has not changed dramatically since 1996" (Page 2). In Greenberg's <u>Spend or Transfer, Federal or State</u>, he concludes that the most advantageous way for a state to invest in the future of it's children is not by directly disbursing the funds to the families, but by transferring the funds to the Child Care and Development Fund, so that it may be indirectly spent in the same manner. By doing this, he explains, families are able to receive benefits for longer periods of time, while avoiding problems with child support requirements, and states can avoid turning over child support to the federal government, while reducing their TANF caseloads. This is also an effective way of ensuring that funds intended for use on children are used in that manner.

Daniel Lichter and Rukamalie Jayakody focus on the outcomes of welfare reformation in "Welfare Reform: How Do We Measure Success?". According to Lichter and Jayakody, people shouldn't herald the PRWORA as being a success just yet. They point out that many aspects of the Act have been negative in nature, and have not been beneficial to the people who receive benefits. To reassert this assumption, they point out that the "PRWORA provides cash bonuses to states with the largest reductions in unwed childbearing that are not accompanied by more abortions". These 'illegitimacy bonuses' were as high as twenty million dollars per state in 1999, and were awarded to four states, and the District of Columbia. They further suggest that PRWORA sought to eliminate benefits to teens that leave home after childbearing. This is problematic, they suggest, because rather than relinquishing their independent living, teen mothers may sign over the rights to their children to others. They claim that unlike the "new regime" (PRWORA), AFDC sought to keep mothers and their children together, regardless of the circumstances.

Lichter and Jayakody also bring up a viewpoint that indicates that TANF increases mental health problems in both single parents, and children living in TANF families. This increase in psychological problems is blamed primarily on TANF restrictions that force single parents to seek out jobs, often for very low pay, forcing parents to work long hours, meaning that they have less quality time with their families. This increased stress, they claim, can lead to child abuse, neglect, and parental drug dependency. Also, if a parent is unable to find work during the sixty month period, and is forced off of welfare, the financial burden could adversely affect his or her children's psychosocial development.

Jason DeParle, a senior writer for *The New York Times,* and author of <u>American Dream: Three Women, Ten Kids, and a Nation's Drive to End Welfare</u>, followed three women, and their families, for seven years after the enactment of the PRWORA. From his study, he suggests that forcing a single mother into the workforce has negative repercussions on her children, because due to lack of supervision, they will begin to skip school more frequently, and experiment with sex and drugs. This is in contrast to points made in the introduction of Is Welfare Reform Working, by Alexandra Starr. Starr, a writer for *Business Week*, points out that many conservative Republicans felt that forcing a single mother into the workforce would cause her to benefit economically, as well as gain a new sense of purpose, thus inspiring her children to establish their place in the middle class as adults.

Vicki Lens' article, "TANF: What Went Wrong and What to Do Next" appeared in Social Work, and criticizes TANF as being overly hard on single mothers, claiming the assertion 'that work, not education and training, leads to self sufficiency' is wrong, and unacceptable. Her point is reiterated by K.M. Harris' "Life After Welfare: Women, Work, and Repeat Dependency" in the American Sociological Review, which states that studies have demonstrated that education was the single most important factor for those seeking self-sufficiency. Francis Piven and Richard Cloward's book, Regulating the Poor, further expresses that the TANF program simply creates a mass of low wage workers who perform menial labor, such as working in the cooking, cleaning, or service sectors, but do not earn nearly enough money to adequately take care of their own families.

Kristina Holub's "Marriage Promotion" (2002), points out that only 10 % of women living in poverty who marry will ever experience a family income above the poverty line, and 40% of children living in poverty already live in two-parent homes. From these findings, she argues that funding encouraging the formation of two parent families would be more effective if directed towards education and job training, because these areas do directly improve the economic security of single mothers.

For the aforementioned research, and others, it seems both reasonable and expectable that the work barriers preventing most TANF recipients from entering the workforce are insufficient education or lack of other work experience, lack of adequate childcare, and lack of transportation. Being that the promotion of marriage and encouragement of two-parent family formation is for the sole benefit of children born into such families, I expect this variable to be less significant in assisting people in their efforts to rejoin the work force.

The Center for Law and Social Policy has compiled state by state charts to make information available online about the use of TANF and Maintenance of Effort Funds for the fiscal year 2003. The chart has a complete distribution of funds, based on all of the aforementioned categories, and will be the source of the majority of my data.

Being that all of the states are receiving proportionate amounts of money based on their welfare spending in 1994, how are some states getting such better returns on their dollar? Due to the fact that states have such broad discretion over the disbursement of its TANF funds, this is an interesting question. It seems inherently obvious that some states must be doing something in particular to cause them to get so much greater results than other states, but what is it? What are the negative impacts of certain disbursement decisions? Do states that focus their financial efforts towards proven methods of getting people back into the workforce actually have lower TANF recipient unemployment rates? All of these questions will be answered as I dig into the disbursement of TANF and Maintenance of Effort Funds on a state by state basis, for the fiscal years of 2002 and 2003.

Before proceeding further, it is necessary to explain this paper's working definition of the term 'unemployment'. It seems plausible that to be unemployed would mean that one is not actively engaged in the workforce, but being that states are allowed to determine their own meaning of the term unemployed, this is not always the case. Some states, such as Oregon, Pennsylvania, South Carolina, and Texas limit the definition of unemployment to anyone who is not either actively working or in search of work. Other states, such as California, Colorado, and New Hampshire are more lax, in that they allow recipients pursuing training to be considered employed. The vast majority of the states give broad latitude to the TANF recipients, allowing any form of training, education, job search, or any other related activity that could possibly improve the chances of that person entering the workforce to count as employment (Gariepy 2005).

As an example of the effects of a state's discretion upon the term 'unemployed', the state of Illinois determines a recipient's employment status monthly, based on whether or not that person has worked an average of 30 hours a week for the month. In the months in which a recipient is engaged in 'work related' activities for an average of 30 hours a week, he or she may still receive TANF benefits, but that month is not counted towards the recipient's total of 60 months of TANF eligibility, and that recipient is classified as being 'employed' (Moffitt 2002) . This helps to demonstrate both the variations in TANF recipient unemployment rates across the country as well as how the definition of the term 'unemployment' is determined by a particular state.

Across the United States, the TANF recipient unemployment rates vary greatly, ranging from 15.2% in Kansas to 91.8% in Georgia for 2002 and from 12.1% in Kansas to 90.9% in Maryland in 2003. Tables 1 and 2 show the states with the ten highest and ten lowest TANF recipient unemployment rates for both 2002 and 2003. The nationwide average TANF recipient unemployment rate per state was 61.2% in 2002 and 63% in 2003. In addition, three-fifths of the states had unemployment rates between 50 and 75% in 2002, and at 29 states in 2003, it lacked one state reaching three-fifths mark. Although these numbers may seem to be curiously high, the national average TANF recipient unemployment rate has actually dropped 15% since 1998, when it sat at 77% (World Almanac 1999). Appendices 1 and 2 demonstrate the randomness of unemployment rates across the country for 2002 and 2003, respectively.

Table 1:
TANF Recipient Unemployment Rates, 2002

Low Ten			High Ten	
KS	15.2		MO	74.6
MN	15.8		RI	75.4
WY	17.1		NV	78.4
WI	30.6		AR	78.6
IN	37.4		VT	78.6
OR	38.9		WV	80.8
MA	39.9		MS	81.5
HI	41.2		PA	89.6
IL	41.6		MD	91.7
OH	43.7		GA	91.8

Table 2:
TANF Recipient Unemployment Rates, 2003

Low Ten			High Ten	
KS	12.1		CA	76
MT	14.1		AR	77.6
WY	17		NV	77.7
CO	32.5		DE	81.8
WI	32.8		MS	82.8
HI	34.2		WV	85.8
OH	37.7		AZ	86.6
MA	39		GA	89.1
OR	40		PA	90.1
IL	42.2		MD	90.9

Since it is inherently obvious that spending on some factors is likely to be more effective in getting TANF recipient back into the work force than spending on others, the component breakdown will be divided into three categories. Primary factors will be those elements that the Center for Family & Policy Research at the University of Kansas deems to be the most important in helping unemployed TANF recipients reenter the workforce, and those consist of transportation, childcare, and mastery, which cannot be altered, so will be addressed as work related components (U. of K. 2003).

Secondary factors shall include those essential expenditures that are known to have an impact, though one of lesser importance, on the TANF recipient unemployment rate. These secondary factors shall include basic assistance, funds transferred to Social Services Block Grants, prior authorized assistance, and other non-assistance. The final category, generally viewed as being of lesser significance, shall include the remainder of the components.

Primary Factors

Are the factors so many researchers have regarded as being the primary reasons TANF recipients are unable to return to work as imperative as their advocates suggest? Will increasing the funding of these few components cause a significant decrease in the amount of TANF recipients who are unemployed? To answer these broad questions, there are many smaller questions I must first address.

Considering that insufficient transportation is one of the four primary indicators for predicting how likely a person is to remain unemployed after receiving TANF benefits, one would expect that with reimbursements to offset transportation expenses, TANF recipients would be better able to search for a job, thus more likely to enter the workforce. Also, with improved transportation, once a job was secured, the employed person would stop receiving benefits, but could still retain the vehicle purchased with the help of these funds.

Despite the fact that transportation is has been declared a major obstacle for those seeking to reenter the workforce, the states spend very small amounts on transportation. While three states paid in nothing to transportation in 2002, and four states followed suit in 2003, a total of 41 states paid in less than 5% in 2002, and 42 states matched that in 2003. On the upper side of the scale, only two states spent more than 15% in 2002, but none spent more than 20.1%. In

2003, the same two states, Delaware and Mississippi, paid in between 15 and 20%, but none exceeded that amount.

Considering the small percentage of funds appropriated to this component of the TANF block grant, I expected that there would be a no significant relationship between the amount of money spent by the states on transportation and the unemployment rates for the given year. At the .05 level, there is a slight, but significant, positive relationship between these variables for both 2002 and 2003. The relationship is stronger in 2002 at .331 than in 2003 at .317. This finding is highly unexpected, as it indicates that as the amount of money spent on transportation increases, the TANF recipient unemployment rate for that state also slightly increases, which is the opposite of what researchers elsewhere have thought to be true.

It is also critical to point out that the uniformly low levels of spending on transportation do not provide enough meaningful information to make valid assumptions about relationship. Interestingly, Mississippi, while paying the most to transportation, had a TANF recipient unemployment rate of 81.5% in 2002 and 82.8% in 2003, both being approximately 20% above average. Similarly, Delaware, which paid in the second highest amounts to transportation, experienced a TANF recipient unemployment rate of 74.2% in 2002 and 81.8% in 2003, both being about 16% above average.

The lack of adequate childcare is cited in a survey of Missouri TANF recipients to be the most recurrent reason for 57% of recipients with transportation barriers to not enter the work force (U. of K. 2003). Also, it only makes sense that a single parent would be more likely to enter the workforce or job training more hastily if the government were to assist in the provision sufficient childcare services.

Interestingly, New Jersey spent less than one percent (0.6%), and thirteen other states spent less than ten percent on childcare in 2002. In the same year, Delaware spent over one third (35.6%) of it's funding, and was joined by nine other states that spent between 30% and 40% of their funding on childcare. In 2003, New York spent the lowest amount at 3%, and Wisconsin spent nearly half (42.4%) of their available money on childcare. On average, states spent 18.4% on childcare in 2002 and increased that amount to 18.6% during 2003.

Based on my understanding that childcare is a major barrier to persons seeking to enter the workforce, I predict that there would be a negative relationship between the amount of funds spent state by state on childcare and the number of TANF recipients who are unemployed in the same state. Simply stated, I expected that as the percentage of funds spent on childcare in a given state increase, the number of TANF recipients who are unemployed in the given state will generally decrease, and vice versa. What I found, however, is that the relationship between the percentage of money spent on childcare and the TANF recipient unemployment rate is not significant at the .05 level for neither 2002 nor 2003.

One would think that work related activities, such as preparing a person to enter the workforce through continued education and training, would be a priority for all states.
It seems obvious that such actions could only, and would drastically, improve a states ability to assist its TANF recipients in their efforts to rejoin the workforce. As I investigated this matter, I found that it, as with most components, receives a varying amount of funding from the different states.

In 2002, nearly half of the states (24) appropriated less than 15%, and in 2003, forty states did the same. Three states allocated between 25 and 35% of their funding to work related activities, but the number was down to one state in 2003. On average, states spent 10.5 % in 2002, and 9.9 % in 2003 funding work related activities.

Due to the broad range of work related activities this element of the block grant includes, I anticipated uncovering a negative relationship between the TANF recipient unemployment rates and the amounts of money spent on work related activities. On a .05 level, I was surprised to find no significant relationship between the variables.

With great deference for the researchers who have found otherwise, I acknowledge that my study consisted of only two years, and therefore offers but a snapshot of the sixty months a person is afforded to search out a job. However, based on my findings, two of the three primary indicators for determining how successful a person will be in his or her efforts to rejoin the workforce are not significant. I do also concede that it would be unethical, if not impossible, for a state to eliminate or drastically decrease any of these three components, because they may seek to accomplish one of the other three goals of PRWORA. At the same time, states spend an average of approximately 1/3 of their allocated funds (32.5% in 2002, 31.7% in 2003) on these primary factors, yet only one offers any significant statistical evidence of accomplishing any of the primary objectives of the PRWORA.

Although I conclude that spending on these variables does not appear to be making a substantial difference, I conversely contend that if these primary factors are indeed significant in assisting people in their efforts to rejoin the work force, states are spending two-thirds of their money inefficiently. It could be that if more money was spent on the primary factors, and less on the secondary and supplementary, the results would demonstrate a more significant relationship between the primary factors and the states TANF recipient unemployment rates.

Secondary Factors

These secondary factors are the ones that I feel are significant for one of two reasons, and sometimes both. These features either appear to be effective at assisting TANF recipients in their efforts to rejoin the workforce or they are spent on in such large amounts that they cannot be ignored, regardless of speculation about their significance. The latter of the two is in itself interesting, because a great deal of money is spent by the states on areas that have no significance upon the work participation rates of TANF recipients.

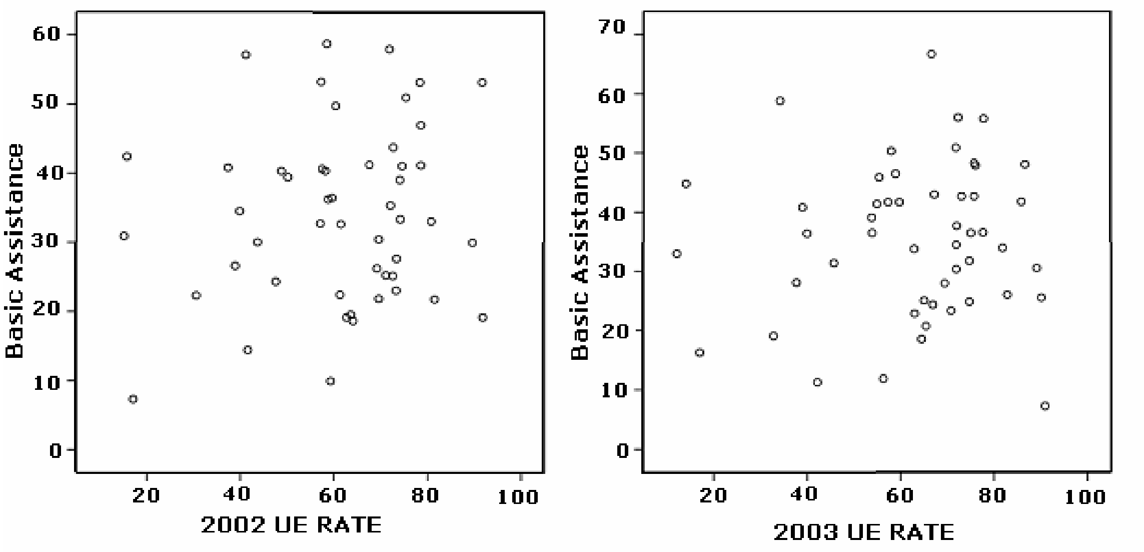
Does the amount of revenue set aside for basic assistance play an important role in assisting people in their efforts to rejoin the work force? Very little research has been done on the topic, but I speculate that it does not, based on the assumption that by distributing cash benefits to unemployed TANF recipients, the government is encouraging, if not rewarding, them for not working. The recipients may eventually enter the work force out of fear of losing benefits, but I expect that the majority will choose not to work until their benefits cease.

States spend a varied amount on basic assistance, with on average, about a third of available funding going towards basic assistance. In 2002, Wyoming spent the least at 7.3 %, while Maine spent the most at 58.7%. In 2003, the variation ranged from Maryland's 7.3% to Nebraska's spending of over two-thirds (66.7%) of their TANF funds on basic assistance.

Although I hypothesized that there would be a positive relationship between the amount of funds spent in each of the 50 states on basic assistance and the numbers of TANF recipients who are unemployed in the same state, the relationship between the variables is not significant at the .05 level for neither 2002 nor 2003. Figure 1, on page 17, represents the lack of any meaningful relationship in the data:

Figure 1:

Percentage of funds spent on Basic Assistance vs. TANF Recipient Unemployment Rates, 2002-2003



Due to the vague humanitarian nature of the social services block grant, it is not surprising that all but four states contribute funding to this area, but none contribute an excess of 10%. On average, states spent 3.9% and 3.5% on these grants in 2002 and 2003 respectively. Due to the small amount of money invested into these programs, it is also not unexpected that at the .05 level, this funding does not have any significant effect on the unemployment rate of any state.

I fully expected that the variations for prior authorized assistance would be many because eligibility for this segment of the block grant is dependent from state to state upon what regulations that state had in place prior to the enactment of PRWORA. States that had no qualifying laws or programs prior to the enactment PRWORA are not able to spend their money in this way, and accordingly, twenty seven states spent nothing on prior authorized assistance in 2002, and the number increased to twenty eight in 2003. Conversely, of the states that did spent money on prior authorized assistance, most spent very little, with five spending between 15 and 25% in both 2002 and 2003, and none exceeding 25% in either year.

Given that the majority of states did not, for reasons of eligibility or otherwise, contribute to this component of the block grant, I did not expect to find a significant relationship between the amounts of money that the permitted states spent on assistance authorized under prior law and the unemployment rates for those states. As expected, at the .05 level, there was no significant relationship between the variables.

I anticipated, in regard to other non-assistance, finding a significant negative relationship between the amount of funds spent on ‘other’ non-assistance and the TANF recipient unemployment rates for each state. Since this factor hinges upon the states ability to demonstrate that a non-approved task is relevant to achieving one of the end results of TANF, I expected great variation. I was correct in my assumption the amounts would vary; six states failed to contribute to non assistance programs in 2002, and five states ignored the program in 2003. In fact, 2002 saw 19 of the states spending less than 5%, and 22 states followed suit in 2003. Two states, in 2002, spent between 35 and 40%, and 1 state spent that amount in 2003. On average, states spent 10.9% on other non assistance in 2002, and 10% in 2003.

As expected, at the .05 level, there is a significant negative relationship between these variables, at .033, for the year 2003. Also worth mentioning is the fact that the relationship for 2002 was just over two-hundredths shy of significant at the .05 level, coming in at .077, so a larger data sampling, which could be done by simply adding more years as the data becomes available, may actually provide a significant relationship.

Supplementary Factors

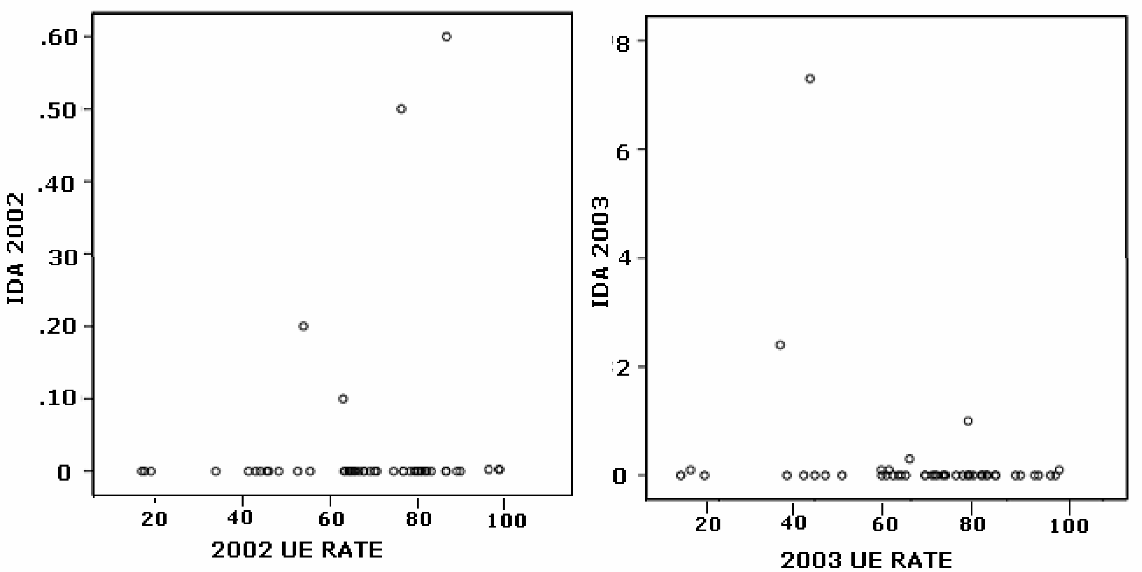
Supplementary factors are viewed by me as being supplemental assistance to the assistance covered in the previous two categories. It is these components that are not necessarily expected to significantly impact the TANF recipient unemployment rate, or appear to be spent on in such a negligent manner that a statistical relationship would be highly unlikely. These components include pregnancy prevention in unwed mothers, independent development accounts, earned income tax credits, two-parent family formation, and administration and systems.

When it comes to pregnancy prevention, as troubling as it is for me to believe that this would be an accomplishable goal, I was not surprised to see that most states virtually ignore this component of the block grant. I was surprised, however, to see that New Jersey spends a surprising one third of their available funds on preventing pregnancy among unwed mothers. This outlier is likely in response to New Jersey's current situation, where the birthrate among married mothers steadily decreased 10% from 1982 to 2002, and the birthrate among unwed mothers has steadily increased 18% from 21.7% in 1982 to 29.1 % in 2002 (New Jersey DHHS, 2003). The effects of their choice of disbursement are yet to be ascertained, but regardless, it is interesting to note that New Jersey spent a third of its budget in both 2002 and 2003 on a component that the others states, on average, spent less than one percent addressing, and nearly two-fifths ignored completely.

Having seen that, with the exception of New Jersey, such a small percentage of money had been invested into this area, coupled with this components unlikelihood of impacting the TANF recipient unemployment rates, I suspected to find no significant relationship. I was correct that at the .05 level, there was no significant relationship between the variables.

It should come as no surprise that Independent Development Accounts are highly unpopular areas for spending among the states. It would make little sense to appropriate money to be given to persons not capable of surviving without government assistance, and then ask them use to it to improve themselves through education, investment and capitalization. Apparently, I'm not alone in that assumption, as in 2002, 46 states contributed nothing to IDA's, followed by 42 in 2003. The most any state spent in 2002 was 0.6%, but that number increased to 7.3% in 2003. Accordingly, the significance of the independent development accounts, at the .05 level, was not significant for the year 2002. Unpredictably, in 2003, although the relationship between the variables was not significant, it was four hundredths away (0.098) from establishing a significant negative relationship at the conventional level (0.05). As with before, additional data may push this relationship into the significant level, but it may just as easily drive the significance further from the conventional level. Figure two illustrates the data:

Figure 2:
Percentage of funds spent on Independent Development Accounts vs. TANF Recipient Unemployment Rates, 2002-2003



As stated, the only substantial finding is that a minute number of states spend money on IDA's, and those that do are just as prone to have high unemployment rates as those that do not.

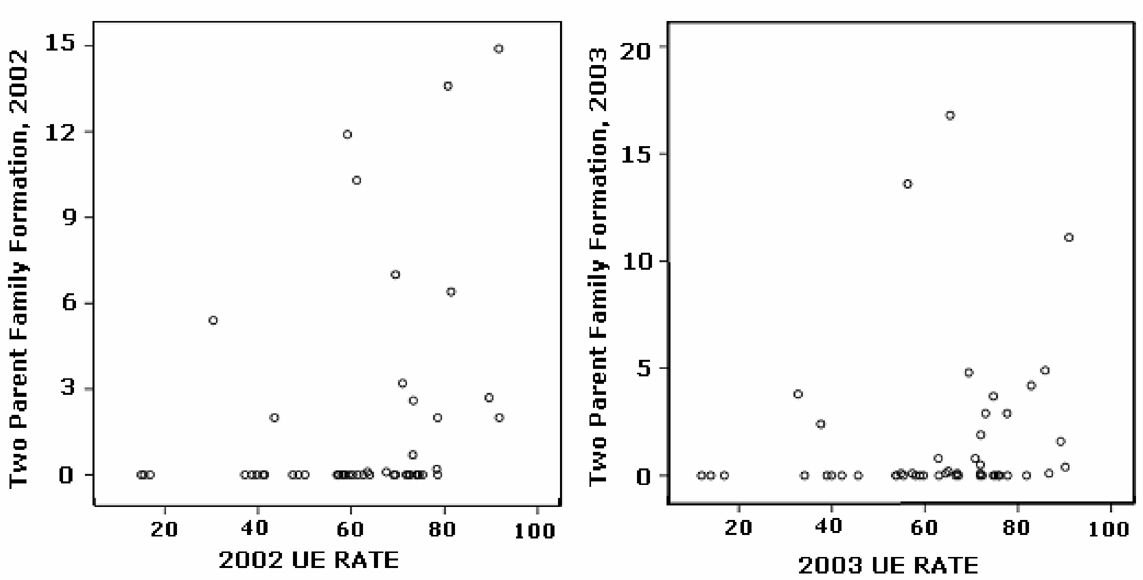
I expect the amount a state contributes to their earned income tax credit fund to make a significant impact on the TANF recipient unemployment rate because it is only available to persons who meet their home state's definition of employed. It is my belief that people who desire a little extra money would work towards reentering the workforce more hastily if they knew there was free government based financial incentive for doing so. However, the states must view this credit as a 'handout', because most states choose not to fund EITC at all. In both 2002 and 2003, 40 states neglected the EITC program. The largest amount vested into this program in 2002 was 10%, but increased to 23.8% by 2003. At the conventional level of .05, there is a significant negative relationship in 2002 between the variables at .043. In 2003, there is no significant relationship between the variables.

The issue of encouraging two-parent family formation is, to me, troubling to say the least. Naturally, if you encourage two poverty level people to tie the knot, you are also encouraging them to have children of their own, which simply increases their financial burden, the number of TANF recipients, and the need for childcare. Given what I've covered about the lack of economic benefit after marriage, this encouragement seems to be a reciprocal process of encouraging self destruction. At best, it undermines a recipient's ability to determine what is best for his or her family, and bestows upon the government the role of matchmaker, which mayor may not be welcoming (Solot 2002). I suspect that there will not be a negative relationship between the amounts sent on two parent family formation and the unemployment rates among TANF recipients.

Apparently, the majority of states share my views on two parent family formation, as in 2002, 33 states contributed nothing to this component, and 26 duplicated that amount in 2003. In fact, only four states spent an excess of 10%, with none spending more than 15%. 2003 saw only 3 states put in more than 10%, with the highest amount given being 16.8%. For states spending less than 5% on this element of the block grant, there were 43 in 2002 and 47 in 2003.

With such negligible amount spent in this area, I was unsure of how the relationships would unfold. For 2002, using the conventional level of significance, there is a significant positive relationship (0.046) between the variables. That is, for every percentage of funds spent on the formation of a two parent family, the TANF recipient unemployment rate increased. For 2003, the relationship was far from significant at the conventional level of .05, coming in at 0.252. Figure 3 illustrates the data:

Figure 3:
Percentage of funds spent on Two Parent Family Formation vs. TANF Recipient Unemployment Rates, 2002-2003



Administration and systems funding, which encompasses a broad range of government jobs, technological databases, and maintenance of the TANF program, should have very little impact on the TANF recipient unemployment rate. Still, Administrations and systems in a necessary expenditure, so it is of little surprise that all states contribute to this component for both years. It is, however, surprising that some states appear to be far more efficient than others, as they require a substantially smaller portion of their budget to complete these operations.

Knowing that some states should naturally require more funding for administration and systems, because they serve a larger area and greater populous than others, I took a look at how states were spending their money on this component.

On average, states spent roughly 10.2% of their budget on administration and systems in 2002, and approximately 8.9% in 2003. Amazingly, California, being not only exceptionally large, but also the most populous state, spent 10.6% and 8.9% on administration and systems in 2002 and 2003 respectively. New York, the second most populous state, spent 10.2% in 2002 and 9.8% in 2003. Nebraska, being substantially less densely populated, spent a massive nation leading 22.1% in 2002 and 20.8% in 2003 in the same area. In 2002, Utah spent 17.9%, but by 2003, it had stepped to the national lead, distributing over one quarter (26.6%) of its funding to administration and systems. Other than possibly creating employment for government workers, amount of money a state pours into administration and systems bears no significant relationship at the conventional level to the TANF recipient unemployment rate for that state.

Conclusions

In summary of my findings, I recap on what items were found to significantly relate to the TANF recipient unemployment rate and which ones were not. The amount spent on transportation, despite the hype about it being one the major hindrances between TANF recipients and employment, actually turned out to have a positive relationship with the TANF recipient unemployment rates. Childcare, which is considered one of the primary obstacles TANF recipients must overcome to rejoin the workforce, turned out to bear no significant relationship upon the TANF recipient unemployment rates. Earned income tax credits in 2002 demonstrated a significantly negative relationship to the TANF recipient unemployment rates, but the EITC percentages for 2003 did not. Two parent family formations proved to be disappointing, having no significant impact on the unemployment rate for 2003, but actually establishing a positive relationship with the TANF recipient unemployment rates for 2003. Other non-assistance was significantly negatively related to the TANF recipient unemployment rates for 2003, and came exceptionally close to establishing a significant relationship in 2002.

What does this mean for the future of welfare reform? First and foremost, it means that the Temporary Assistance to Needy Families program, as well as The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, have not been completely successful at ending government dependency among needy parents by encouraging job preparation, employment, and marriage, nor by providing economic assistance to needy families. They have been somewhat successful though, as evidenced by the decrease in the TANF recipient unemployment rates from 1998 to 2003, but take into consideration that not receiving TANF benefits does not necessarily mean that a person is no longer living in poverty or that a person is even employed.

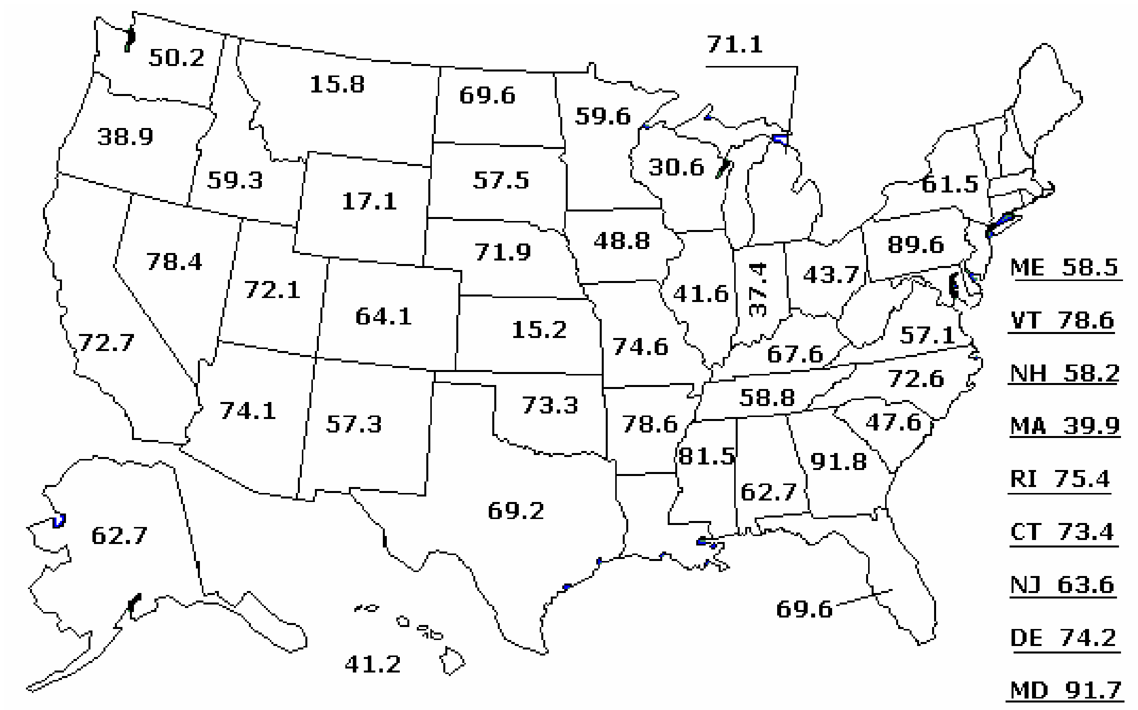
The other objectives of the reforms, which included reducing the number of pregnancies among unwed mothers and encouraging the formation of two-parent families, both seem to make the same suggestion: ‘Offering financial incentives for people to marry will radically change their lives, free them from poverty, and cause them to be happier and more productive citizens’. I believe that this is a flawed assumption on the government’s part, because marriage is not necessarily the right answer for all persons in every situation, but by rewarding married couples, the government is essentially penalizing unmarried individuals. In brief, the encouragement of two parent family formation should be eliminated as an objective of the welfare reforms, because it actually leads to an increase in government dependence, and with a child, it can hinder job preparation and employment.

In addition, the giving of ‘illegitimacy bonuses’ to the states with the lowest annual number of illegitimate childbirths, not offset by an increase in abortions, should be reconsidered because the program distributes $100 million annually to five states as an award for having the lowest number of illegitimate births. This system is flawed because it does not take into account that many single mothers are self-sufficient, thus not reliant on government assistance, and make the informed decision to have a child. Nor does it require a specific change in illegitimate birth rates to qualify a bonus, and as a result, eight of the last thirteen times the award has been given, the change in the birthrate was less than 2% (Solot 2002).

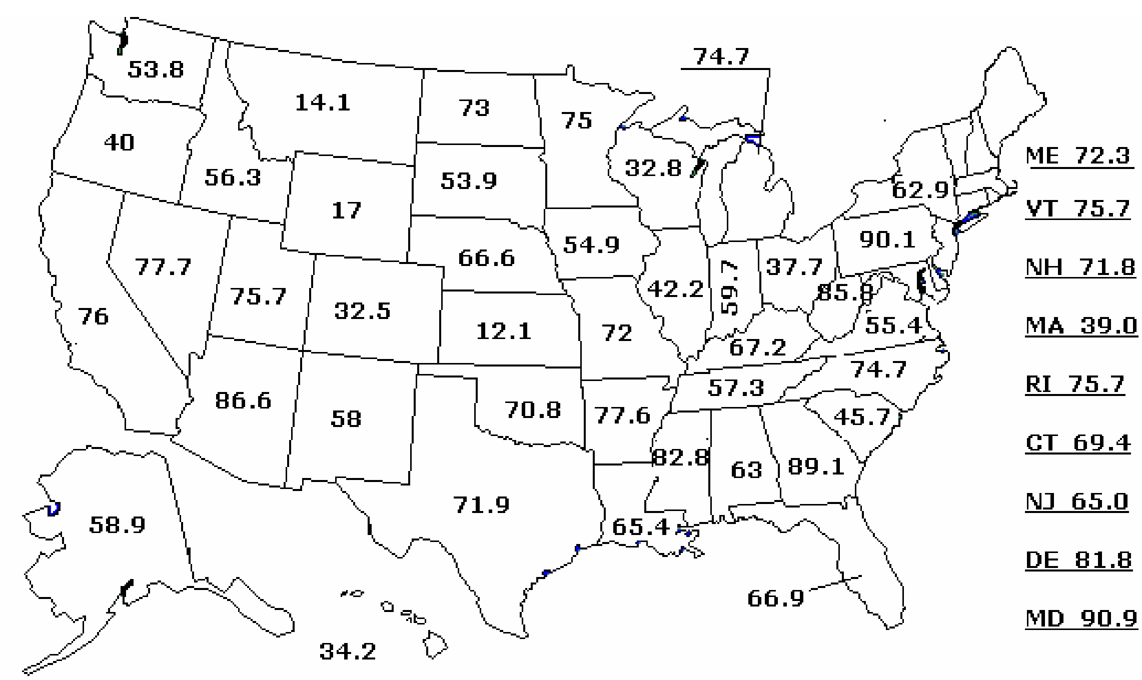
Another possible improvement upon the current system would be to educate TANF recipients about the nature of their benefits. Surveys suggest that the majority of TANF clients know little about their eligibility for transitional Medicaid or their continued potential eligibility for food stamps (Quint 2001). Fearing the loss of healthcare, many people simply cling to their existing coverage and do not attempt to enter the workforce. This fear could be averted by explaining to recipients that while they are in the transitional period between receiving TANF benefits and achieving full time employment, they are still eligible for Medicaid and possibly even food stamps.

In conclusion, I feel that amidst pressure to reform the welfare system, government officials tried something, which is often deemed better than trying nothing at all, but in this case the outcomes were not entirely beneficial. I believe that with the constant adjustments being made to the program over the years as they become evidently necessary, such as the relinquishing government influence over marriage related issues, the PRWORA, under the direction of the states, will continue to exist. However, due to the broad scope of its agenda, it is highly unlikely that it will ever fulfill its initial primary objectives.

Appendix One: TANF Recipient Unemployment Rates: 2002*



Appendix Two: TANF Recipient Unemployment Rates: 2003*



*Data Source: U.S. Department of Health & Human Services

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