

DISAGGREGATING THE IMPACTS OF WELFARE REFORM: REFLECTIONS ON FIVE STUDIES

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INTRODUCTION

The five informative, well-crafted papers in this symposium address important but disparate questions about the effects of the 1996 welfare reform using a range of data and indicators. Yet if we look at them as a group, a theme emerges. Taken together, they advance the vital task of *disaggregating* the impacts of welfare reform. Weber et al. examine rural-urban differences in impact. Michalopoulos and Chernick and Reimers focus on race and ethnic differences. Reichman et al. look at experiences across four categories of TANF eligibles. And Gennetian examines how impacts differ by family sibling composition.

In pursuing disaggregated analyses, which have received relatively little attention in research about recent welfare reforms, these studies contribute valuable evidence. They are in the vanguard of an emerging second generation of studies of welfare reform's effects.

Table 1 summarizes the approaches taken by these studies and the gist of each one's findings. Michalopoulos and Gennetian use data pooled from multiple random assignment social experiments conducted by MDRC. Such data are attractive because they allow stronger causal inferences as well as investigation of the effects of specific elements of reform such as time limits or earnings supplements. The other three rely on observational data from the Current Population Survey (Weber et al., Chernick and Reimers) or the Fragile Families and Child Wellbeing Study (Reichman et al.). Causal inferences are much harder to make with these data sets. And researchers are restricted to assessing the impact of the whole package of policy changes encompassed under "welfare reform."

Three examine traditional indicators of welfare reform's impact: employment, earnings, welfare use, poverty, etc. Two help push the envelope on impact measures by examining material hardship and physical and mental health (Reichman et al.) or schooling outcomes (Gennetian).

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I first overview each study's main findings that compare impacts across groups. I then ask: if we believed its findings, what are the implications for welfare reauthorization legislation? ¹

Suppose there are no significant differences in impact across subgroups. Then policymakers need not be concerned that the new welfare regime has disparate impacts, nor worry about whether and how to design reauthorization legislation to help mitigate disparities. If there are significant differences across subgroups and policymakers want to redress them, policy making becomes more complicated. One option, in principle, is to offer different programs to different subgroups while avoiding unequal treatment of protected classes of recipients. This approach runs the risk of inducing some potential recipients to alter their behavior (or appear to alter it) to qualify for the program they find most desirable. A second option is to give case managers wide latitude to provide clients with a variety of services, with the mix of services depending on the manager's assessment of what would best suit each client. This is more in line with current practice in many states. But it runs the risk that case managers may abuse their discretion and discriminate against some types of clients.

MAJOR FINDINGS AND THEIR POLICY IMPLICATIONS

Weber et al. use difference-in-difference methods to compare the impacts of welfare reform in rural and urban areas. They examine employment and poverty among single mothers with children under age 18, relative to single childless women. They present findings based first on directly observed differences from pre-reform (1989-90) and post-reform (2000-01) samples from the Current Population Survey (CPS). They then report on multivariate regressions that adjust for rural-urban differences in several demographic characteristics.

With the latter, more rigorous approach, they find that welfare reform is associated with more employment and lower poverty among single mothers in rural areas relative to their counterparts in urban areas. Is this mainly because women in rural areas received more intensive or higher quality services from TANF offices? Or did clients in rural and urban areas receive roughly equal services, but economic and social conditions made it harder to improve urban employment and poverty? CPS data do not allow us to discriminate between these or other possible reasons. If it is the latter, which *a priori* seems more likely, one might recommend that federal policy channel more funds to states with higher concentrations of urban residents, and that state welfare agencies direct more spending on TANF services to their urban offices.

Michalopoulos conducts a thorough analysis of welfare reform's impacts on whites, blacks, Hispanics, and "others" (mostly Asians). He draws on data from 26 experimental welfare-to-work demonstrations conducted in the 1980s and 1990s in ten states and Canada, classified into five general reform models: job search first, education first, employment-focused mixed activities, education-focused mixed activities, and earnings supplements. His analysis reveals large effects on earnings, welfare income and total income for some models and small ones for others. The core result

of this meticulous study is “In general, there were few differences in the effects... across racial groups. Programs with large effects overall generally had large effects across the three [white, black, Hispanic] groups, while programs with small overall effects generally had small effects across the three groups.”

Using meta-analysis techniques, Michalopoulos also examines how impacts by race and ethnicity vary as a function of specific major provisions of welfare-to-work programs, the effect programs have on clients’ job search and use of education and training, and other factors. He shows that these variables differentially affect earnings, welfare use and incomes of blacks and others relative to whites. He cannot reject the hypothesis that Hispanic and white response functions are the same. This suggests that members of different race and ethnic groups would each be likely to benefit more if they were to participate in programs with different structures.

The policy implications of this interesting result are not clear. Setting up different programs for different races and ethnic groups is out of the question. Providing a program with many options that can be tailored to each client, using these findings and other criteria as guides, is another possibility. Such an approach runs the risks of being unfocused, of lacking a clear message to clients and staff, and of case managers abusing the wide discretion that such a program would allow them to exercise.

Chernick and Reimers also analyze race and ethnic differences in the effect of welfare reform. They also compare the effects on citizens and non-citizens. Like Michalopoulos, the outcomes of interest are earnings, welfare receipt, and income. They rely on observational data from the CPS collected before and after the 1996 reform legislation and narrow their geographic focus to New York City.

In contrast to Michalopoulos, Chernick and Reimers find pronounced race and ethnic differences in program impact. Post-reform, Hispanics had higher earnings and total family income, and used welfare less. The decline in welfare use was particularly pronounced for Puerto Ricans and Hispanic non-citizens (but not for other non-citizens). All three outcomes showed little change for (non-Hispanic) blacks. Relative to blacks, Hispanics had poorer outcomes before reform, but roughly equal outcomes after. Further analysis suggests that improved labor market conditions was the main driver of caseload reductions and that administrative “push,” especially for Puerto Ricans, also played a role.

The different findings may reflect two obvious differences in the studies. Michalopoulos’ data are national in scope (and even extend to Canada); Chernick and Reimers’ are for one city. Michalopoulos has the advantage of experimental data, which are more likely to yield unbiased estimates of program impact. With Chernick and Reimers’ reliance on pre- and post-reform CPS data, it is difficult to sort out the net effects of changes in New York’s welfare policy from the effects of many other variables that also changed between the time periods.

Reichman et al. compares the well-being of four categories of TANF-eligible mothers and their one-year-old children using recent data from the Fragile Families and Child Wellbeing Study. The categories are based on mothers’ use or non-use of TANF during the year before the interview that collected the outcome measures. The outcomes include indicators of material hardship, mothers’ physical and mental health, and children’s physical health. One major finding is that families who left TANF

involuntarily are much more likely to experience material hardship. The second is that involuntary leavers also tend to have poorer maternal mental health than the other groups. Findings on child health are puzzling, even perverse.

The finding on material hardship makes good sense and is credible. One can easily believe that families forced off welfare, who had few economic resources to start with (which is why they went on welfare), would quickly find it hard to make ends meet. Such an effect poses a classic policy tradeoff. Forcing women off welfare for failure to comply with expectations or because they hit time limits reflects this society's desire to punish "irresponsible" welfare recipients and discourage long term welfare use. But this "tough love" risks the well-being of the children. Reichman et al. show the risks are quite real.

Where to strike the balance in this tradeoff is a question that never goes away and will be addressed in reauthorization legislation one way or another. This study's finding suggests caution in shortening time limits and passing provisions likely to increase sanctions, both of which will increase involuntary exits from TANF.

Changes in health status occasioned by a change in use of welfare may take more than one year to occur. So findings based on one year of follow-up data are tantalizing, but should be viewed as preliminary. Analyses of data for a longer period may clarify the findings on child health outcomes. If adverse mental health effects persist when there are outcome data for a longer period, the balance tips further against legislation likely to increase involuntary exits.

Research has shown that in families where mothers work more because of welfare reform, adolescent schooling outcomes worsen. Gennetian's paper carefully probes the behavioral mechanisms that may lead to this troubling result by examining the role of sibling composition. She uses data from seven experimental demonstrations representing 14 welfare-to-work programs conducted in the United States and Canada during the 1990s. Having a younger sibling is associated with more negative outcomes on suspensions/expulsions and dropping out. All adolescents from families in welfare-to-work programs, whether they have a younger sibling or not, tend to score lower on mother's rating of the adolescent's school performance and are more likely to repeat a grade. Further analysis provides weak support for the theory that the negative impacts of program participation arise because teens take on greater responsibilities in the home when parents' work increases.

Work-oriented welfare is here for the foreseeable future, even if it has unintended negative impacts on adolescent schooling. The most feasible way to mitigate these impacts, therefore, lies outside the welfare system. It makes sense to provide effective remedial services and other types of assistance to *all* teens who are faltering in school, regardless of their families' welfare status. Such programs would help redress any negative educational impacts of welfare without singling out (and perhaps stigmatizing) teens from TANF families. As Gennetian notes, expanded federal support for child care could reduce the need for teens to supervise younger siblings and thereby also reduce the negative impacts.

TABLE 1
Summary of Analytic Approaches and
Findings of Five Studies of Welfare Reform's Effects

Analytic approach	Main finding	
	Effects differ across groups	Effects similar across groups
Experimental data		
Traditional outcomes		Michalopoulos
Other outcomes	Gennetian	
Observational data		
Traditional outcomes	Weber et al. Chernick-Reimers	
Other outcomes	Reichman et al.	

CONCLUSION

These five instructive studies expand our understanding of welfare reform by analyzing how its effects differ across important subgroups. Four report differences across groups defined by location (rural or urban), types of TANF-eligible family, type of family structure, and race and ethnicity. The fifth reports few differences across race and ethnic groups.

As our experience with TANF-style welfare grows and opportunities arise to reshape it incrementally, it is important that policy makers understand both the overall impact of this approach, whether its impacts differ among subgroups, and why any differences exist. Such information is the necessary precursor to policy and program design that tries to take differences into account. These studies begin to provide this information and provide useful points of departure for future research on these important policy issues.

NOTES

1. Several of the papers contain other interesting findings that are not based on cross-group analysis. This comment, though, will only focus on the cross-group results and their policy implications.