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More to Welfare Reform than a Big Caseload Decline

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Welfare recipients currently represent less than 2 percent of the population in the Southern region.

Virginia is currently implementing state and federal welfare reform measures that were enacted in 1995 and 1996. The federal program Aid to Families with Dependent Children (AFDC) was replaced by Temporary Assistance for Needy Families (TANF). Under TANF, states are allowed significantly greater autonomy in setting program benefit levels and eligibility requirements. In this context, the Virginia Initiative for Employment not Welfare (VIEW), the Virginia welfare reform program, contains some of the strictest work eligibility requirements in the country. Most welfare recipients must now begin work within 90 days of receiving benefits or face the loss of program eligibility. They are also limited to 24 months of benefits in any five-year period and to a 60-month lifetime limit. Many single female heads of households with children, the primary recipient group of public cash assistance payments, stand to be significantly impacted by these new eligibility requirements.

Nationally and within the South, welfare caseloads dropped dramatically between 1993 and 1999. The drop can be interpreted as evidence of the success of the welfare reform program, but alternative explanations exist as well. For instance, during the period in which the number of welfare caseloads dropped, the economy experienced expansion and an unprecedented increase in low-skilled and service jobs. Economic growth might be largely responsible for the observed declines.

Even with the decline in caseloads, evidence suggests that families leaving welfare are engaged in jobs that pay wages insufficient to lift them out of poverty. Such jobs are also of uncertain duration and likely to be the first to be eliminated

during an economic downturn. Thus, while reforms are associated with reductions in program participation, they may have only had a minimal impact on long-term poverty.

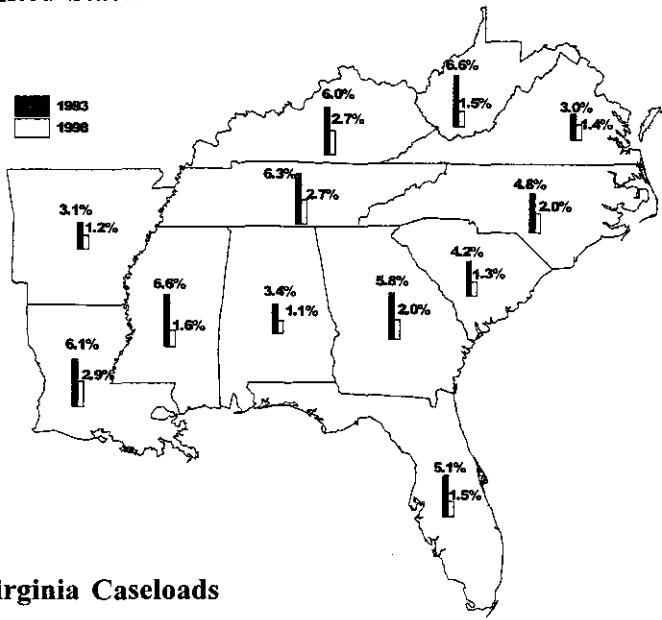
Two studies have recently been conducted at Virginia Tech. The first was designed to document the welfare caseload decline in Virginia and compare it with trends in the southern region; to compare caseload declines in rural and urban areas of Virginia; and to examine the relationship between caseload declines and economic conditions. The second study examined constraints to workforce participation among single female heads of household in Northern and Southwestern Virginia.

Southern Region Caseloads

Welfare caseloads declined in all southern states between 1993 and 1998 (Figure 1). At the beginning of the period, 3 percent or more of the population of each state received benefits. By the end of 1998, all southern states had percentages below 3 percent. West Virginia has shown the largest drop in the percentage of the population on welfare, going from 6.6 percent in 1993 to 1.5 percent by late 1998. Virginia began the period with 3 percent of the population on welfare, due in part to the economic strength of the state. As a result, Virginia has shown relatively modest reductions compared to other states in the region.

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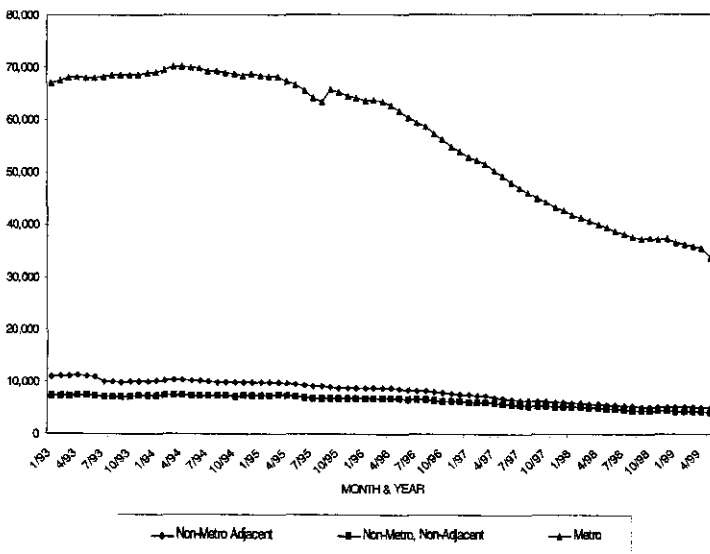
Figure 1. Percent Population on Welfare: Southern United States



Virginia Caseloads

Welfare caseloads declined in all areas of Virginia, including metropolitan counties, nonmetropolitan counties adjacent to a metropolitan area, and nonmetropolitan counties not adjacent to a metropolitan area (Figure 2). Because nearly 80 percent of Virginia's population resides in metropolitan areas, the metropolitan declines appear more impressive than declines in nonmetropolitan areas. But in percentage terms, these declining caseloads are of similar magnitude across county types. Nonmetropolitan nonadjacent areas saw caseloads decline by 53.5 percent between January 1993 and April 1999. Percentage declines in caseload were 42.5 and 47.4 percent for nonmetropolitan adjacent and metropolitan counties, respectively. The caseload declines became larger following 1995, which was the year when welfare reforms became more widespread in the state.

Figure 2. Virginia Welfare Caseloads, 1993 to 1999



Attributing the changes in caseloads to welfare reform alone is difficult as a close correlation exists between caseload declines and the growth of job opportunities. In all nonmetropolitan counties, unemployment rates remained relatively high during the recovery from the recession of the early 1990s (figures 3 and 4). In mid-1996, unemployment rates in nonmetropolitan areas began a sharp decline. At about the same time, caseloads in these areas started to fall. In metropolitan Virginia, unemployment rates fell more steadily throughout the decade, but a noticeable correlation still exists between declines in welfare caseloads and improved economic conditions (Figure 5).

Figure 3. Nonmetropolitan, Nonadjacent Counties

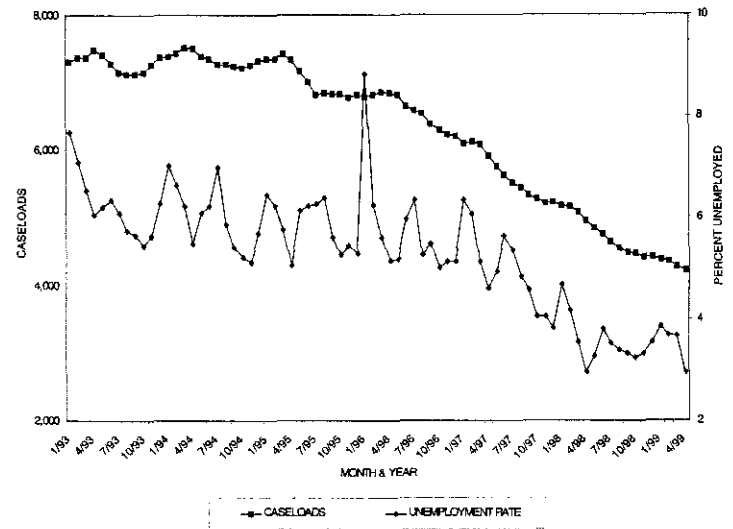


Figure 4. Nonmetropolitan, Adjacent Counties

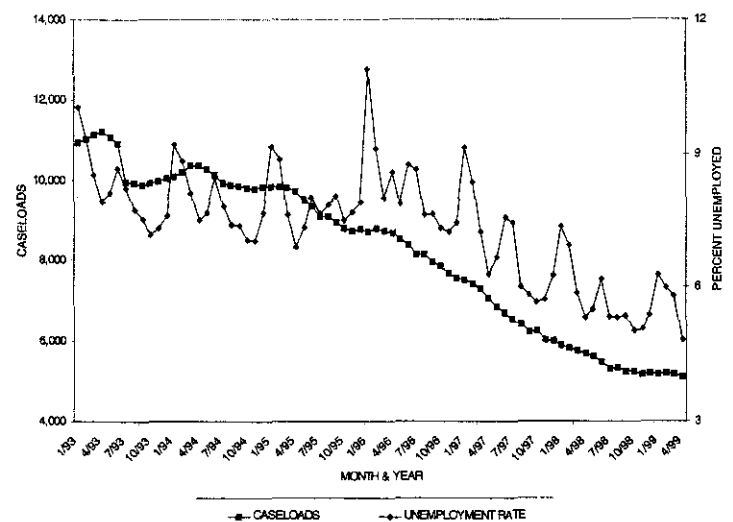
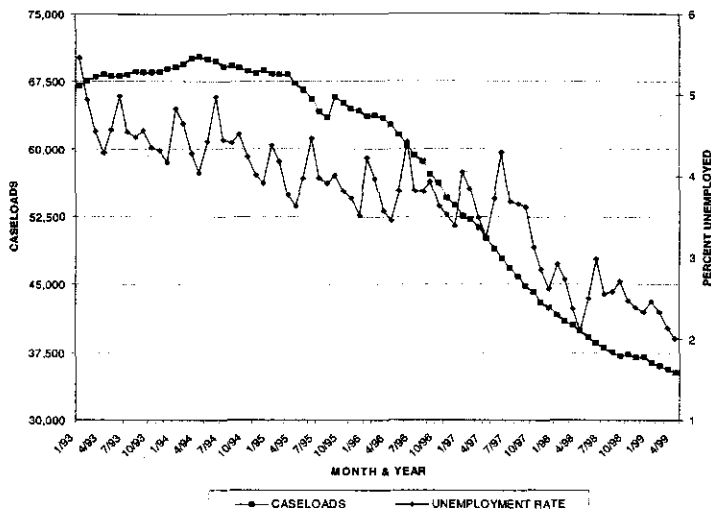


Figure 5. Metropolitan Counties



Caseload declines have been associated with improved economic conditions throughout Virginia.

Statistical analysis shows that as unemployment goes down, welfare caseloads decline faster. For all three county types, caseloads were reduced, even when economic conditions were held constant, that is not allowed not to change. The evidence suggests that welfare reforms are having an effect on caseloads, and these effects are in addition to those created by economic opportunity. In addition, nonmetropolitan nonadjacent counties have a faster rate of caseload decline than the other two county types. Thus, welfare reforms are having an effect in all county types, holding economic conditions constant.

Northern and Southwestern Virginia Compared

Differences between Southwestern Virginia and Fairfax County and the independent cities of Fairfax and Falls Church (Northern Virginia) were also compared. Counties in Southwest Virginia generally show lower rates of employment (Table 1).

Monthly earnings by former welfare recipients vary dramatically, ranging from a low of \$505 in Norton, Southwestern Virginia to a high of \$847 in Northern Virginia. Overall, monthly earnings for former welfare recipients in Southwest Virginia averaged 79 percent of those in Northern Virginia. Thus, while nonmetropolitan areas across the state appear to be successfully implementing welfare reform measures, movement into the workforce does not appear to lift households out of poverty, nor are quality jobs being obtained.

Child care, transportation, and a living wage are bigger barriers to employment in rural areas than urban areas.

Table 1: Welfare to Work: Employment and Earnings

Area	Employed	Average Monthly Earnings
Northern Virginia	71.3	847
Bland	71.4	708
Carroll	75.0	722
Dickenson	42.9	555
Grayson	71.8	714
Lee	19.5	642
Scott	36.7	788
Smyth	66.7	676
Washington	70.8	716
Wise	36.4	603
Wythe	66.6	687
Bristol	77.9	708
Galax	65.9	684
Norton	45.8	505

Source: Va. Dept. Social Services 1998

Barriers to Workforce Participation

The explicit goal of welfare reform measures in Virginia is to move heads of recipient households off welfare and into the workforce. Access to affordable child care and transportation, as well as employment opportunities that provide a living wage, are often cited as major constraints to workforce participation. Analyzing workforce participation and earnings of single female heads of household in the predominantly metropolitan Fairfax County area of Northern Virginia and predominantly nonmetropolitan Southwestern Virginia reveals that child care, transportation, and living wage all pose far greater barriers to workforce participation in nonmetropolitan areas than they do in metropolitan areas.

Welfare reforms by themselves are unlikely to reduce poverty.

Monitoring Welfare Reform

The faster declines in welfare caseloads in more rural areas do not indicate successful transitions into the workforce, only that welfare rolls are being pared more rapidly in the most rural areas of the Commonwealth. As welfare reform programs are implemented, differences in the success of welfare-to-work transitions in nonmetropolitan and metropolitan areas must continue to be carefully monitored. Given the barriers to workforce transition, differential assistance to nonmetropolitan areas facing the greatest difficulties in fostering successful transition will likely be warranted.

The studies show that all areas of the Commonwealth have been successful at moving people off welfare rolls. Welfare recipients now represent an extremely small proportion of the general population. Nonmetropolitan counties have been at least as successful as metropolitan counties in reducing welfare rolls. However, the jobs obtained by former welfare recipients are not high quality, and the reforms themselves are unlikely to reduce poverty. Growth in decent quality employment opportunities is needed in conjunction with the reforms. The studies show that favorable economic conditions have contributed to welfare reduction. Future economic downturns may lead to rapid increases in caseloads. Agencies, both governmental and nongovernmental, need to be prepared for such eventualities because federal and state budgets will become tighter at the same time as assistance is needed for these vulnerable groups.

Notices

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****How to reach us:** REAP, Department of Agricultural and Applied Economics 0401, Virginia Tech, Blacksburg, VA 24061; by phone: (540) 231-9443; by email: reap01@vt.edu; or on the web at <http://www.reap.vt.edu/reap>

****At the printer:** *How Welfare Reform Impacts Non-Metropolitan and Metropolitan Counties in Virginia* by Sarah Bosley and Bradford Mills. This publication is part of the study described in this edition of *Horizons*.

Economic Impacts of the College of Veterinary Medicine by Binzhang Liu, Shukla Kshirsagar, Thomas Johnson, Craig D. Thatcher, and George Norton. This report presents methods for evaluating a veterinary college and applies them to the Virginia-Maryland Regional College of Veterinary Medicine. Short-run impacts on income and employment are assessed as well as the long-run benefits of the research, extension, teaching, and clinical services of the college.

****Coming soon:** At press time, details of the strategic planning advisories for farmers facing financial difficulties are still being developed. We will keep you informed.

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