

A Window on Welfare Reform: Early Impacts on Families and Communities in Los Angeles County



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The evaluation research described in this report was prepared for the Los Angeles County Department of Public Social Services. It is the third report by the CalWORKs Evaluation Services and the first in a series of reports on the impacts of CalWORKs in Los Angeles County.

Preface

This report is part of a multi-year evaluation effort initiated by the Los Angeles County Department of Public Social Services (DPSS). The aim of the evaluation project, which is entitled, *Evaluating CalWORKs in Los Angeles County*, is to analyze the impact of welfare reform in Los Angeles County. The Project follows guidelines established in the CalWORKs Performance Monitoring and Evaluation Plan approved by the Los Angeles County Board of Supervisors in 1998. The Plan's three major objectives are 1) measuring the success of welfare-to-work; 2) monitoring the effectiveness with which welfare reform has been implemented and administered; and 3) evaluating the impact of CalWORKs on families, children and communities in Los Angeles County. This report is one of three that will focus on the third objective of the plan, evaluating the impact of CalWORKs on communities and families in Los Angeles County.

This report focuses on the impacts of welfare reform on families and communities during the first 21 months of its implementation in Los Angeles County. Because the implementation of welfare reform in Los Angeles County coincided with a period of sustained economic growth, it was difficult to analytically separate the effects of the reform program itself from the more general economic expansion. Whatever the underlying causes may be, however, welfare reform at least partially correlated with some positive outcomes for families and communities in Los Angeles County.

In Los Angeles County Temporary Aid to Needy Families (TANF) caseloads are down substantially since the mid 1990s, and the number of single-parent families aided in the county declined by about a third between 1995 and 1999. Although the vast majority of welfare families continue to live in poverty, poverty rates have declined among two-parent welfare families since the implementation of CalWORKs. Moreover, single mothers in the County have entered labor markets at unprecedented rates during the 1990s, even though their wages have remained flat.

The proportion of welfare cases that have been assisted for more than five years increased in Los Angeles County since early 1998 to October 1999 (time-period of current report), as has the proportion of families on aid for two years or less. This suggests that there are segments within the County's welfare population that face barriers in making the transition from welfare to work. In addition, a high proportion of families who have left welfare have not taken advantage of benefits for which they continue to be eligible such as Medi-Cal and Food Stamps.

With time and more research, observers will be able to provide comparative perspective necessary to fully understand the ways in which the implementation of welfare reform policies in Los Angeles County have served the region's families and communities. The significance of this report lies in the fact that it provides an initial basis upon which such a perspective can be built.

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Executive Summary

The California Work Opportunity and Responsibility to Kids (CalWORKs) program has been in operation in Los Angeles County since January 1, 1998. This new program, which replaces Aid to Families with Dependent Children (AFDC), brings a number of changes to the provision of public aid to needy families, including the imposition of time limits on aid receipt, the addition of a broad work requirement for adults, and the provision for a number of supportive services including post-employment services, transportation assistance, and child care. The legislators who created CalWORKs hoped that it would have beneficial effects on aided families and the broader communities in which they live. Those effects, or impacts, are the subject of this report.

The orienting principles for this report come from the legislation that created CalWORKs. The Welfare-to-Work Act of 1997 stated that the intent of the California Legislature in enacting welfare reform was to:

- ◆ Reduce child poverty in the State;
- ◆ Reduce dependence of needy parents on government benefits by promoting job preparation, work, and marriage; reduce out-of-wedlock births; and encourage the formation and maintenance of two-parent families; and
- ◆ Ensure that CalWORKs implementation does not result in unanticipated outcomes that negatively affect child well-being, the demand for County general assistance, or the number of families affected by domestic violence.

Measuring the success of CalWORKs in meeting these broad goals is not simple. First, there are many factors aside from public assistance that affect, for example, the prevalence of poverty, the formation of families, and the incidence of

domestic violence. Changes caused by welfare reform are not easily separable from those caused by other factors, such as economic growth. Second, although CalWORKs has been in operation in Los Angeles County since January 1, 1998, some provisions, such as one-time diversionary payments to keep families off welfare, had yet to be implemented, as of March 2000. Third, some impacts need more time to mature, such as, developing job skills, moving into a viable career, or meeting and marrying a partner. Fourth, scientific approaches to measuring welfare reform impacts, is a complex process, with new methodologies still being tested to measure data at various levels.

These factors place limits on what can be accomplished within the timeframe of data used in this report (i.e., case management data from April 1998 to October 1999). This report is the first in a series of reports on impacts in Los Angeles County, it aims to highlight important positive and negative trends related to welfare reform in Los Angeles County. It also aims to inform program administrators and policy makers about data needed to enhance the usefulness of the evaluation project and allow more precise measurement of impacts in the future.

Following national trends, social indicators in Los Angeles County have improved since the area emerged from the deep recession of the early 1990's. During the recession, unemployment and poverty rose, more jobs were destroyed than created, and poverty and welfare caseloads increased. By late 1995, unemployment, welfare caseloads, poverty among female-headed households, crime rates, teen birth rates, and a number of other negative indicators of family, child, and community well-being had peaked and began improving—with Federal, State, and local welfare reform still in the future.

This report's findings of specific positive and negative outcomes are as follows:

- ♦ For Los Angeles County as a whole, a diverse set of measures of family, child, and community well being either stabilized or improved between 1992 and 1999. To determine whether CalWORKs had either positive or negative impacts on these measures, ten "target" communities were chosen where high proportions of the residents were CalWORKs recipients. These communities were more likely to reveal the effects of welfare reform than by observing the County as a whole. However, in the target communities, the observed measures improved or deteriorated in the same manner as in the County as a whole suggesting that CalWORKs neither facilitated nor impeded progress with regard to family, child, and community well being.
- ♦ Following a national pattern, County TANF caseloads have declined significantly since the mid-1990s. From a peak of 268,000 in March 1995, the number of single-parent families aided in Los Angeles County declined 31 percent, to 185,000 in October 1999. During this period, the County received fewer new applications for aid and also saw an increase in the number of families leaving aid.
- ♦ Between April 1998 and October 1999, the proportion of Los Angeles County welfare cases that had been on aid for more than five years increased, as did the proportion of families on aid for two years or less. By October 1999, 41 percent of single-parent families had been on aid for 8 or more years, an increase of 18 percent from April 1998. The relative increase in long-term cases is, in all likelihood, a reflection of the multiple barriers to independence faced by parents in long-term cases.
- ♦ Although the Federal Welfare Reform Act of 1996 barred many non-citizen legal immigrants from several Federal aid programs, California has chosen to use State funds to provide Medicaid (a medical assistance program), Food Stamps (which provides vouchers redeemable for food), and cash assistance to most eligible legal immigrants. The special immigrant provisions of welfare reform apply only to non-citizen legal immigrants, or to the undocumented, who remain ineligible for most kinds of public assistance and not to naturalized citizens, who have the same rights under the law as native-born citizens. Despite the State's policies, the share of new cash aid cases among legal immigrant families dropped in Los Angeles County between 1996 and 1998, while holding constant for citizen-headed families. Analysts have attributed this drop to confusion and fear regarding the new Federal policies. Many immigrants may fear that using benefits will hurt their chances to become citizens, re-enter the United States, or obtain a green card.
- ♦ Single-mother headed families, make up four-fifths of the welfare caseload in Los Angeles County, and have entered the labor market at record rates during the 1990s. By comparison, married mothers have not changed their propensity to work. Over the last several years, wages have remained flat for single mothers, while married mothers' wages have been growing.
- ♦ It appears that policy changes at the national, State, and local levels are encouraging single mothers to work. The extent to which this is a result of welfare or other reforms, such as more liberal Earned Income Tax Credits, is not known for certain. Between 1995 and 1999, employment among single mothers has increased at a higher rate in Los Angeles County than in the nation as a whole, possibly due to changes in the local economy and

changes in the delivery of welfare-to-work services.

- ◆ Employment rates among aided adults in Los Angeles County did not rise appreciably between April 1998 and October 1999. However, participation in the welfare-to-work program increased significantly in the first two years of reform. Adults who work while continuing to receive welfare are working more hours.
- ◆ Although the vast majority of welfare families are poor, poverty rates declined among two-parent welfare families since the implementation of CalWORKs in January 1998 till October 1999. Among single-parent welfare families, however, those living in extreme poverty (with family income below 50 percent of the Federal Poverty Threshold) increased very slightly, from about 22 percent to about 23 percent. At the same time, extreme poverty declined for two-parent aided families, from about 15 percent to about 13 percent.
- ◆ Los Angeles County welfare leavers are apparently becoming more self-sufficient, with the proportion remaining off welfare increasing between January 1998 and October 1999. Although 23 percent of those who left CalWORKs in April 1998 had returned to aid within 6 months (28 percent within one year), of those leaving in April 1999, only 18 percent had returned within 6 months.
- ◆ Elsewhere in the country, the majority of those leaving welfare report having done so because their incomes had risen. This has yet to be tested with available data for Los Angeles County.
- ◆ As of March 2000, in Los Angeles County, a single parent with three children could have had a family income slightly over the Year 2000 Federal Poverty Threshold of \$17,524, if she worked full-time and year-

round at the then-current \$5.75 minimum wage, if she received Food Stamps (counted at their cash value), and if she took advantage of the Federal Earned Income Tax Credit. However, her family would have been better off if she continued receiving cash welfare, because her total income would have been higher and she could have benefited from a longer period of subsidized child care and other supportive services. (Note that if the family did leave CalWORKs, child care assistance would still be available for up to two years as long as the children were age-eligible and the family income remained under 75 percent of the State median.)

- ◆ Most families leaving welfare through October 1999 were not taking advantage of the Food Stamps program. Only one in seven Los Angeles County families received Food Stamps three months after leaving CalWORKs. The proportion of former CalWORKs families that remain eligible for Food Stamps benefits is unclear, but it is likely to be substantially above the actual level of receipt.
- ◆ Many families, due to lack of knowledge of program eligibility after leaving CalWORKs regarding Medi-Cal and Food Stamps, end up with no coverage even though they typically remain eligible for benefits. Nearly two in five Los Angeles County families leaving CalWORKs in April 1999 were no longer covered by Medi-Cal six months later. Among low-income persons in Los Angeles County as a whole, the proportion uninsured has been rising for several years, mostly because the proportion covered by Medi-Cal has been falling.
- ◆ During the period for which data is available, indicators of social and health problems such as teen births, low birth weight, infant mortality, and child abuse/neglect have differed little among CalWORKs families and

among Angeleno families as a whole. At the County level, the incidence of teen births, infant mortality, and child abuse/neglect have been declining; an increasing proportion of births have been low birth weight. Trends in these indicators among high-CalWORKs communities have generally followed countywide patterns. All of these trends began prior to welfare reform.

The main tenor of the findings in this report is cautious optimism. In the context of rapidly growing economy during most of the late 1990s, welfare reform in Los Angeles County does not appear to have had the disastrous effects that some critics anticipated. In fact, there have been some improvements for CalWORKs families and the County as a whole between January 1998 and October 1999. However, there are serious reasons for concern, such as the rapid decline in participation rates in the Medi-Cal program and especially Food Stamps after families leave CalWORKs. Furthermore, the recession of the early 1990s was hard on area residents and resulted in large increases in the welfare rolls. With another recession having begun in early 2001, and further deteriorating economy due to the events of September 11, 2001, job opportunities are expected to further decline. Therefore, efforts to help CalWORKs participants find employment are likely to be difficult. For

parents that have reached their lifetime aid limits, the current recession will also increase their families' risk of extreme impoverishment. On the topic of continued research, The Service Integration Branch CalWORKs Evaluation Services (SIB/CES) strongly suggests the following:

- ♦ Distinguish between the individual and neighborhood effects of the reform process on CalWORKs families, while tracking key social and economic indicators, such as child and family well-being, development of job skills, neighborhood quality and homelessness. This would help better understand the extent to which self-sufficiency among CalWORKs families can be attributed to the overall economy versus changes in the new welfare reform.
- ♦ DPSS should endeavor to track the job and skill characteristics of all adults in CalWORKs families, not just those who participate in the welfare-to-work program. CES recommends that DPSS determine the reasons for CalWORKs terminations and carefully monitor the status of families after they leave aid.

Introduction

In late 1996, the United States Congress and President Clinton officially ended welfare, as it had long been known in the United States. Ever since, interested Americans have been asking whether or not the welfare reforms then set in motion are "working." To answer this question, the results of the reforms must be compared against their overall objective. But the architects of welfare reform had multiple objectives that were inexplicit. Some observers will judge the success of the reforms based on the degree to which they decrease reliance on public assistance and promote two-parent families, while others are more concerned with reductions in child poverty and increases in employment levels among welfare parents. Thus, there is no simple answer to the question of welfare reform success.

The popular media have heralded welfare reform as a success, but have focused single-mindedly on drops in welfare caseloads. It is true that welfare caseloads have declined steeply since the enactment of the 1996 reform, but in doing so they have moved along a trajectory that started well before the law was changed and follows the growth of the American economy more generally. In any event, the Federal welfare reform law defined success more broadly, including among its primary goals ensuring that children are cared for within their families, promoting marriage and family stability, and helping families to support themselves without need to rely on public aid.

In contrast to the media focus on caseloads, the State of California and the County of Los Angeles have asked that the success of welfare reform be judged on a specific range of outcomes. These outcomes fall into two major categories: desired goals, such as a decrease in child poverty; and undesirable side effects, such as an increase in the number of homeless families. By understanding the impacts of welfare reform on a range of outcomes, such as poverty, employment,

health insurance coverage, and domestic violence rates, policymakers will be better able to embark on additional reforms and to make any necessary mid-course corrections.

The intent of this investigation is to analyze trends in a range of behavioral areas that might have been affected by welfare reform. By documenting trends over the five years preceding local welfare reform and the two years following initial implementation, the report provides a baseline for future evaluations. In addition, the evaluation team sought to identify dramatic positive or negative changes of which policymakers would need to take notice. Many critics and social commentators thought that welfare reform would have devastating effects, while some supporters hoped for spectacular successes overnight. The evaluation team examined the following questions: Are domestic violence rates going up because the threat of losing assistance is pushing mothers into untenable situations? Is the extreme poverty rate (the proportion of all families whose income falls at or below 50 percent of the Federal Poverty Threshold) rising because those who leave welfare are unable to support themselves? Are poverty rates dropping because more parents are working in stable, full time jobs? Are child abuse rates declining because fewer families are suffering severe stress?

This report presents research on the context for and results of welfare reform in Los Angeles County. Trends are shown in the following areas: 1) welfare caseload dynamics and composition; 2) the labor market, income, and poverty; 3) health insurance coverage; and 4) several social and health indicators including domestic violence, child abuse and neglect, teenage pregnancy, and infant mortality. The voices of welfare recipients are presented in regard to how welfare reform has changed their lives. Finally, the way in which potential impacts can be measured over the coming years is explained. Special emphasis is

placed on both measurement techniques and the data needs for an optimal evaluation effort. Key findings of this report are listed in the Executive Summary and in the Conclusion.

This is primarily a baseline report, describing trends over several years prior to and immediately following implementation. Future trends may diverge from or continue the trends presented; in either event, the comparison will be informative. This report is also analytical, seeking to tentatively link the broad social and economic trends associated with policy and program changes. While cause and effect relationships cannot be definitively demonstrated, such relationships can and will be suggested here when it is felt that the data adequately bare them out.

To best address the evaluation team's charge, it was decided that there were three populations that warranted special attention. The first is poor families who are welfare-eligible, but are not presently on aid. This is the larger pool from which welfare-aided families are drawn, and learning what distinguishes the aided from the unaided population is essential. For instance, there is strong evidence suggesting that legal immigrants who were otherwise eligible for aid refrained from applying for aid during 1997 and 1998 for fear of endangering their current status and possible future citizenship. Likewise, as a result of time limits, some welfare-eligible families that are not able to support themselves above the poverty line may still be choosing not to receive aid, saving their benefits for future days when job prospects may not be so ample.

The second population is single-mother headed families as a whole. Not all are poor, and not nearly all are on welfare, but single-mother headed families make up four-fifths of the welfare caseload in Los Angeles County. This report focuses, in particular, on unmarried mothers because they have headed and continue to head the great majority of welfare-aided families. CES expects to see few dramatic trends among two-

parent families, because they are much less likely to qualify for and use the welfare system. When the focus is on two-parent families in the countywide population, CES expects that the proportion eligible for welfare will be rather small.

The third and final window used to observe impacts of reform is a set of communities where welfare recipients tend to live. Roughly 650,000 County residents (parents and children) are aided by CalWORKs, accounting for about 7 percent of the total population.¹ CalWORKs-aided persons, including both parents and children, account for about one-third of the County's poor population. Families receiving CalWORKs assistance are not spread randomly across the County; housing costs, availability of public transportation, and other factors combine to restrict aided families to a relatively small set of local areas.² It follows that the local communities in which current, former, and, likely, future CalWORKs recipients are concentrated ought to be much more sensitive to the impacts of CalWORKs than the County as a whole. For that reason, trends in ten communities were selected because of their high concentration of CalWORKs participants.

Approximately 52 months have elapsed since the welfare reforms became effective in Los Angeles County. The current report provides a historical background and analysis of trends related to the welfare reform among Los Angeles County residents between 1992 and 1999. To examine the trends among CalWORKs families, eighteen months of case management data from April 1998 to October 1999 was examined. With the limited window of post-reform observation, causality is difficult to establish. To measure impacts, a causal linkage must be established—it must be demonstrated that the outcomes were the result of program changes, and not due to unrelated events. Researchers around the country are developing appropriate tools to distinguish true impacts of the reforms from other simultaneous factors, such as the state of the economy and changes in other social policies.

The reader of this report should be cautioned not to assume that changing trends are only due to the reforms. Only in the case of the most direct program impacts can it be assumed that reform has played a role. Simply because welfare caseloads have been falling since Los Angeles County began implementing reform does *not* mean that reform has caused welfare caseloads to fall. Welfare policy changes and outcomes have taken place in the context of a robust economy, with rapid economic growth and unprecedented drops in unemployment during mid to late 1990s. It is not only possible that the economy is responsible for the positive outcomes observed so far, but it may also be that the strong economy is masking program impacts that, on balance, may be negative. Political events, not just economic trends, are also important to consider. For instance, a noted decline in the AFDC application rates of legal immigrants in late 1990s (discussed in more detail below) could be linked to the passage in the early 1990s of Proposition 187, a Statewide initiative that aimed to reduce undocumented immigration by barring the undocumented from receiving public services.

Information about the data employed in this report is available in Appendix A. A discussion of the data needs for CES's ongoing evaluation research is located in Appendix D.

Road Map

An attempt has been made to organize this report for maximum convenience and readability. Areas that are most likely to have been affected by welfare reform—"primary impacts"—are those related to background information. These pertain to changes in CalWORKs caseloads; labor market experiences of CalWORKs recipients; and income, poverty, and hardship among CalWORKs recipients, followed by broader areas of concern—"secondary impacts." These include family structure, children's school performance, and family dysfunction (domestic violence and child abuse). Following the secondary impacts is a section based on CES focus group research,

featuring welfare recipients who relate the impacts of welfare reform in their own words. Finally, this report's conclusions and a set of appendices with a wealth of supporting materials are presented.

In greater detail:

The next major section, "Background," includes information that is useful, but not essential, for understanding the rest of the report. Of the three subsections presented, the first, "The New Policy Environment," discusses welfare policy changes, and illustrates how the incentives offered to welfare recipients to convince them to seek employment have changed over time. That subsection is followed by "Data Context," which helps provide a basis for understanding the tables and figures presented throughout the report. The third subsection, "Background on Local Communities," describes the ten local communities that were selected to aid in understanding the impacts of CalWORKs within the County.

"CalWORKs Caseload Dynamics and Composition" follows next. This section discusses the components of CalWORKs caseload decline. It presents data on the likelihood of families leaving CalWORKs to return and changes in the likelihood of return over time. It also shows how the composition of the CalWORKs caseload has changed over time, including the proportions of families headed by legal immigrants, children-only cases, or families aided for five years or more.

In the "Labor Market" section, the focus is on job and wage growth in the County, unemployment fluctuations, and the meaning of these trends for the working poor and less-skilled job seekers. Questions asked include: Are there adequate job opportunities for welfare recipients in the Los Angeles County area? Have welfare impacts reduced the number of jobs available to the working poor? What are the chances that accessible jobs will pay enough to keep a family out of poverty?

Another question—Has CalWORKs affected the County poverty rate?—is addressed in the next section, "Income, Poverty, and Hardship." This report shows how poverty has changed among CalWORKs-aided families, single-mother headed families, and others.

The "Families and Children" section covers trends in family health care coverage, family headship, teen births, and infant mortality. This section looks at the incidence of domestic violence, child abuse and neglect, and school attendance and achievement. Among the questions addressed, if not answered, are: Have marriages or teenage birth trends been impacted by CalWORKs? What is the residual effect of CalWORKs on children? How might their school attendance or achievement be affected?

This report then explores the impacts of CalWORKs on recipients of cash assistance and their families, with emphasis on access to housing and health insurance, children's educational achievement, child abuse, and trends in teenage births and infant health.

To illuminate this data, in the section, "In Their Own Words," this report also presents data collected from focus groups conducted with actual CalWORKs participants. This section looks at how new welfare policies have influenced participants' daily lives.

This is followed by a brief conclusion and a set of appendices for the reader.

Background

The New Policy Environment

Federal welfare reform has given rise to a new, short-term system of public assistance to poor families with children. Recent welfare policy changes have modified not only the cash assistance program, but also affected the other major components of a poor family's assistance package: tax credits, Food Stamps, and health insurance. This section discusses the broad changes in the policy environment that affect the choices and opportunities available to welfare recipients.

What Is Welfare?

The term "welfare" has traditionally been used to refer to cash assistance for families with children. The original impetus for welfare was "to provide mothers and their children a means to survive when breadwinning fathers either died or abandoned their families."³ Welfare was first conceived in the 1930s, and was championed by progressive reformers who thought it desirable "to relieve poor mothers of the necessity of wage-earning so that they might engage in the full-time care of their children."⁴ Over the years, divorce and never-married parenthood became increasingly common, and the welfare system grew with the ranks of single mothers. As mothers' labor force participation increased—and welfare caseloads as well—support for welfare as a subsidy for stay-at-home mothers declined. Serious welfare-to-work efforts date back to at least 1967.⁵

Children and their related adult caretakers are eligible for cash welfare assistance when they have low incomes and few economic resources. Adults supported by welfare are typically the parents of aided children, but they may also be grandparents, aunts, or uncles. Undocumented

immigrants have never been eligible for cash welfare assistance, but legal immigrants have traditionally been treated the same as citizens.

The single-parent aided family receives aid under the CalWORKs "Family Group" classification, which is often abbreviated as "FG." Two-parent families become eligible when the primary wage earner for the family is unemployed or has been working less than 100 hours monthly, and the family meets income and resource limits similar to those for single-parent families. The two-parent family receives CalWORKs "Unemployment Parent" aid, often abbreviated as "UP" or simply "U."

In Los Angeles County in 1999, a typical family comprising of a single mother and two young children must have a monthly income below \$793, and less than \$2,000 in savings, to qualify for cash assistance.⁶ Even when they are working, many parents continue to qualify for welfare because they make low wages or work few enough hours that their incomes are below eligibility thresholds. The cash grants are small and will not by themselves lift a family out of poverty. For the prototypical single-parent family, the cash grant would be, at most, \$626 per month, and would be less if the family had other sources of income. However, poor families have access to other assistance programs that supplement this cash grant with resources for buying food and with health insurance. Some aided families may also qualify for housing subsidies or Earned Income Tax Credits, and some family members may qualify for Supplemental Security Insurance (SSI), a program supporting the disabled.

In the late 1980s and early 1990s, DPSS, through its welfare-to-work program Greater Avenues for Independence (GAIN), focused on helping long-term welfare recipients build their employment-

relevant skills through, for example, adult basic education, General Educational Development (GED) test preparation, and English as a Second Language classes. Based in part on the findings of an influential 1994 Manpower Demonstration Research Corporation (MDRC) report on the implementation of GAIN in six California counties,⁷ the Los Angeles County program was revamped after seven years in operation. The program was then renamed Jobs First GAIN to emphasize the new goal of rapidly moving recipients into the labor force.⁸

How Was Welfare Reformed?

Federal welfare reform legislation adopted in August 1996 fundamentally changed welfare in America. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) repealed the AFDC program and implemented a new program: Temporary Assistance to Needy Families (TANF). This new Federal program eliminated the historic cash assistance and long-term maintenance aid programs and instituted a jobs-linked incentive and support system. These new regulations required mandatory work and provided a cap on lifetime benefits.

The temporariness of support under the new Federal welfare program is enforced through a strict five-year time limit on lifetime receipt of aid. The drafters of the legislation crafted a combination of incentives and sanctions to convince the great majority of welfare parents to become wage-reliant rather than welfare-reliant. The reformers assumed that most welfare parents could become stable wage earners, able to support their families without reliance on public assistance in fewer than five years.

By funding the new aid program through block grants and opening up many new options, PRWORA has enhanced flexibility. States and local welfare departments are now able to design many of the features of their cash assistance programs and decide how to implement supportive services such as childcare, substance abuse

counseling, and transportation assistance. PRWORA also subjects states to a reduction in Federal funds if they fail to meet work participation requirements.

Each state needed to adopt legislation implementing TANF locally. California legislators responded in August 1997 by replacing AFDC with CalWORKs. Unlike many other states, California chose to apply five-year time limits only to adult recipients, meaning that the portion of a family's cash aid intended for the children does not decrease when time limits are reached. Because CalWORKs did not reach the implementation stage until January 1998, California families' five-year clock started later than in most other states.

Although welfare reformers revamped the basic structure of the welfare system, many of its features have remained unchanged. Eligible families receive cash aid, Medi-Cal, and, typically, Food Stamps just as they did before the reforms were instituted. In Los Angeles County, the GAIN program continues to provide employment-related services to CalWORKs recipients to help them find employment, stay employed, and move on to better jobs that will lead to independence. Some program elements that were left unchanged in 1996 and 1997 are, nonetheless, regarded as part of the newest wave of welfare reform. One example is California's Maximum Family Grant program ("family cap"), enacted in 1994 and effective in 1997, which bars welfare agencies from increasing cash aid payments to support children conceived while the mother is on aid.⁹

CalWORKs has brought a larger, coordinated system of services to support the transition of aided parents from welfare to self-supporting work. Child care expenses are covered for participants who work or are in approved welfare-to-work activities, such as basic education or training programs. Transportation and clothing allowances can be provided to job seekers who demonstrate need. Special supportive services are to be made available for participants to deal with barriers to

employment, such as problems with substance abuse, depression/mental health, and domestic violence.

Prior to welfare reform, legal immigrants and their foreign-born children were entitled to health care and other public benefits on more or less the same terms as citizens. The Federal Welfare Reform Act of 1996 considerably restricted the availability of Federal aid programs to legal immigrants, especially those arriving after the law's passage. (Note that these restrictions do not affect children born in the United States, whatever their parents' immigration status.) Although the Federal government prohibits the use of TANF funds to benefit many legal immigrants, it does allow the State of California to offer—and pay for—CalWORKs for legal immigrants. California sponsors a Food Assistance Program (CFAP) for most legal immigrants, but Food Stamp benefits are not available for most post-1996 legal immigrants elsewhere in the United States. Supplemental Security Income (SSI) disability payments are also no longer available to many legal immigrants. These policy changes are of special concern in Los Angeles County where so many families are headed by immigrant parents.

What Are the Incentives to Work?

Welfare reform has brought with it both incentives and consequences designed to encourage recipients to work and to meet various other requirements. The incentives allow welfare parents to significantly increase their total monthly income when they add child support payments or earnings from work. The consequences include time limits and threats of benefit reductions. In this section, the way in which these positive and negative incentives function in practice will be discussed. To do so, reference will be made to a "model" family, one consisting of a native-born, non-disabled single mother in her twenties and her two young children. Calculations will be based on the minimum wage in 2000 (\$5.75) and benefit calculations current in March 2000.

It is sensible to begin with a discussion of noncompliance with program requirements: sanctions, penalties, and time limits. Parents who do not comply with CalWORKs work requirements are *sanctioned*¹⁰—they lose the adult portion of their CalWORKs cash grant. For the model family, a sanction would have reduced their monthly grant by \$121 (from \$626 to \$505).¹¹ When an adult is sanctioned for a period of three consecutive months or more, the County may convert the grant into a voucher to cover rent and utilities. Parents may be penalized if they fail to assign to the County their rights to child and spousal support payments. Failure to cooperate in the County's efforts to establish paternity and collect child support payments from an absent parent results in a penalty, the loss of either a percentage of the family's cash benefits or a parent's portion of the grant. Parents also face a penalty if they are unable to document that their children have been immunized and are attending school.

The five-year lifetime limit on aid receipt—a Federal policy not unique to CalWORKs—was clearly meant to encourage parents to meet their economic needs either through the labor market or through marriage to a partner of sufficient means. CalWORKs also imposes its own time limit: recipients must find full-time employment within 18 months (24 months for recipients who were on aid before January 1, 1998) after entering the welfare-to-work program. For recipients who make a good-faith effort to secure employment, but are not fully employed after the 18/24-month "work trigger" time limit, CalWORKs has created a Community Service employment program. Community Service employment is typically inferior to employment in the general labor market in two important respects: first, it is unwaged, and thus will not raise family incomes;¹² and second, it does not offer mobility opportunities. Thus, the work trigger not only requires recipients to work, it also encourages them to find work in the general labor market.

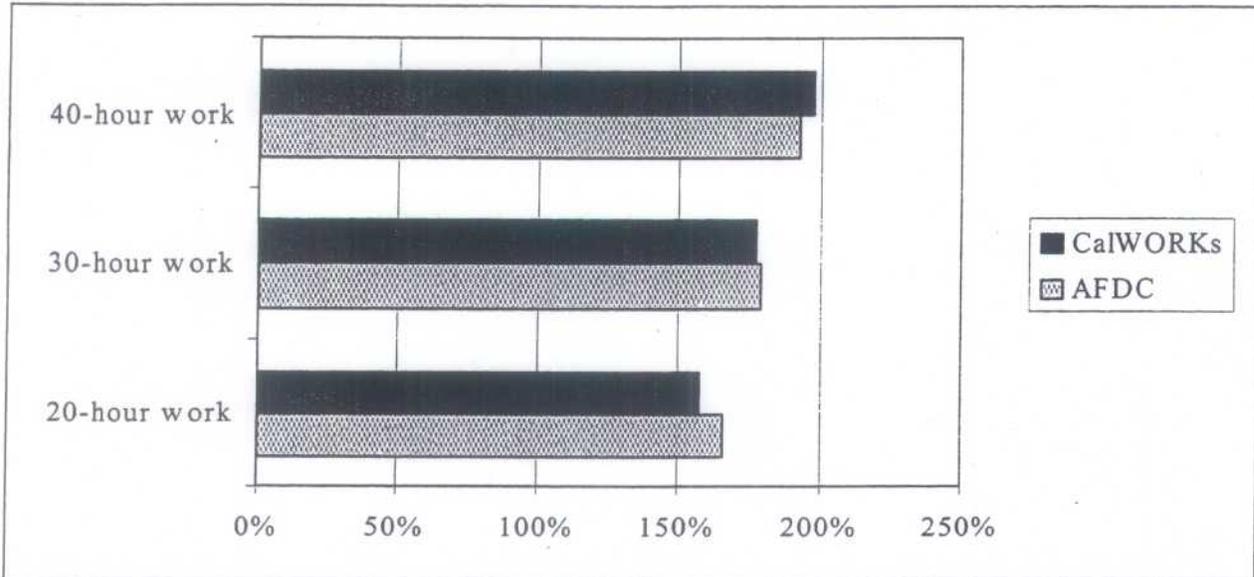
Noncompliance factors aside, CalWORKs was structured to provide some very attractive incentives—positive encouragement for parents to work. California gives recipients financial incentives to work by allowing them to boost their total income substantially through earnings from employment. When an aided single parent earns wages, she can earn \$225 per month without decreasing her family grant, and only half of what she earns beyond \$225 will be subtracted from the grant. That is, if she works a bit more than half time at a minimum wage job, taking home \$500 in a month, none of the first \$225, and only half of the remaining \$275, counts against the family grant. For the model family, the total cash income would rise from \$626 (without earnings) to \$989.¹³

To further quantify work incentives, the total amount of income a welfare parent can bring home when she works is compared with the welfare check she would receive if she did not work at all. This comparison appears in Figure 1 for the model family of a single mother and two children. The computation was made by looking at the welfare rules that were in effect before CalWORKs (under the AFDC program) and comparing them with the subsequent CalWORKs benefit calculation rules. In both instances, the cash benefit amounts current in March 2000 were used.

When the model family parent works only 20 hours weekly at minimum wage, her total family income (including both earnings and cash aid) is more than 150 percent of the income of an equivalent family where the parent is not working. Her income is, in fact, nearly twice that of a sanctioned parent (not shown in Figure 1) with no job and a family of the same size. However, the work incentive declines with higher earning levels. When a parent works 40 hours weekly at the minimum wage, she has a total cash income nearly twice that of the non-working parent. This is only 25 percent more (\$239) than the income of the parent working half as many hours. The work incentive of \$225 will also decline slightly over time.

Returning to the comparison between AFDC and CalWORKs rules displayed in Figure 1, CalWORKs is slightly less effective at rewarding low-wage and low-hours work than was its predecessor. For a single mother working 20 hours or more at minimum wage, she would take home 5 percent more income under AFDC rules than she does under CalWORKs rules. On the other hand, when she reaches 40 hours per week, she takes home 3 percent more than she would have under AFDC. In other words, the work incentive power of CalWORKs earned *income disregards* is essentially the same today as it was under AFDC.

Figure 1. Working Single-Parent Cash Income Compared with Non-Working Income, March 2000



Source: CalWORKs Evaluation Services (CES) calculations based on California Legislative Analyst's Office, *CalWORKs Welfare Reform: Major Provisions and Issues*, ([Internet, WWW] http://www.lao.ca.gov/012398_calworks.html] [January 23, 1998] [Accessed March 9, 2000]).

Although cash income is clearly important, economists expect welfare parents to make their decisions about employment based on how it will affect their total family resources. These resources potentially include benefits from many public assistance programs, but the most common and important benefits to consider are Food Stamps and refundable tax credits. Almost all welfare families qualify for Food Stamps, with the amount of benefits depending on their incomes and expenses. Both before and after welfare reform, Food Stamps benefit formulas have discounted work-related expenses like taxes and child care from income.

An aspect of tax policy that has favored low-income working parents whether or not they receive welfare is the Earned Income Tax Credit (EITC). The EITC provides refundable tax credits to low-income families with earnings. Although the EITC can be obtained on a monthly basis, most of those who take advantage of the program receive

the EITC in an annual lump sum. Families with two children may receive a check as large as \$3,816, depending on their earnings. The model single-parent working full-time at the California minimum wage would qualify for the maximum benefit; net of the payroll taxes deducted from her paychecks, she would end up with a \$3,000 income supplement. And since this credit is not counted as income for either CalWORKs or Food Stamps purposes, it does not result in benefit reductions.

In California, a single parent with up to three children could have a total family income above the Year 2000 Federal Poverty Threshold of \$17,524, if she worked full-time and year-round at the \$5.75 minimum wage, if she received Food Stamps (and counted them as if they were cash), and if she took advantage of the Federal EITC. (The Federal Poverty Threshold is widely regarded as an inadequate measure of family needs, especially in areas like Los Angeles County where

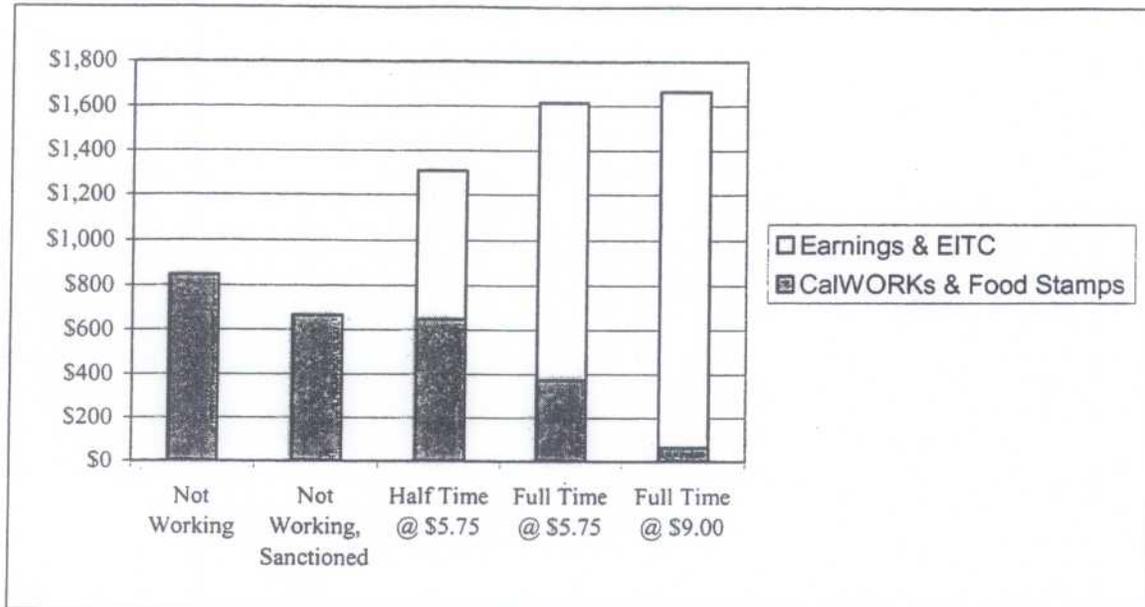
the cost of living is relatively high, most welfare families do not exceed this low bar.)

When taxes, Food Stamps, cash welfare, and earnings are all taken into account, an aided parent is significantly better off combining work and welfare rather than simply receiving welfare. Under current policies, the model family would end up with only \$626 in monthly resources if the parent does not meet work requirements and incurs a sanction (see Figure 2). If she were enrolled in job search or training activities and she were meeting work requirements, she would receive \$847 in total monthly resources. By working half-time at the minimum wage, however, she would boost her resources by more than 50 percent. She would also be generating more than half of her income through her own employment, as Figure 2 shows. The income benefits of working increase even more for a welfare parent who works full-time at the minimum wage.

As parents work more, the welfare check becomes a less important component of their

income package. For the mother working full-time at minimum wage, 15 percent of her resources are provided by the welfare grant. In other words, this parent would lose 15 percent of her family income if she were to leave the welfare system. (She would lose an additional 8 percent if she were to terminate her Food Stamps participation.) The benefits do not improve significantly for those who earn wages significantly above the minimum wage, however. Parents earning higher wages have little reason to remain on welfare under current policies. In Los Angeles County, a parent working full-time at \$9 hourly receives only 4 percent of her income from public assistance (see the last column in Figure 2; note that this is a Food Stamp benefit only, no CalWORKs aid is available at this income level). Parents relying on their wages alone at this level are somewhat better off in terms of total income than are minimum-wage workers still on welfare, but the difference is not particularly profound. However, at \$9 hourly or more, the parent has few incentives to remain in the welfare system, and, all else being equal, it would be prudent to "bank" the benefits for later use.

Figure 2. Single-Parent Family After-Tax Monthly Resources, March 2000



Source: CES calculations based on CalWORKs and Food Stamps program rules, and Internal Revenue Service tax rules.

Note: Family income is the income for a single-parent family with two children in the State of California based on program rules current in March 2000, and 1999 tax policy. Income includes cash TANF assistance, Food Stamps, Federal EITC, less Federal income and payroll taxes. Food Stamps calculations assume a \$150 monthly housing expense deduction and, for full-time workers, an additional \$150 monthly child care deduction (\$75 for half-time workers). The "Earnings and EITC" dollar amounts shown are net of payroll taxes and income taxes, if any.

Work incentives among actual welfare families are more complicated than for the model family. Parents with young children or with larger numbers of children face high child care costs that CalWORKs can help with; and parents with unhealthy family members may place a high value on the Medi-Cal health insurance benefits that normally come with CalWORKs aid. Most families qualify to continue receiving these benefits for a limited time after leaving welfare, but in the long run they have no guarantee that they will continue to receive subsidized medical care (depending on their income and other factors) or subsidized child care (regardless of their needs). If the work supports that CalWORKs provides were available indefinitely to low-income families like these, they would have significantly higher incentives to move off the welfare rolls.

In sum, CalWORKs offers both incentives and consequences to encourage parents on welfare to find work. Sanctions and time limits threaten those who do not seek and find employment. Those who do secure employment can enjoy significant boosts in their total income, even with only half-time employment at the minimum wage. The Federal EITC provides CalWORKs families with part of this income. It boosts their incomes without costing them any benefits, and it also helps some parents with minimum wage jobs bring their family incomes above the Federal Poverty Threshold. These facts, and the ways in which current and potential CalWORKs recipients respond to them are a key part of producing the social and economic impacts that we are seeking to identify and explain.

Data Context

The background material relating to data presented in this report is provided to clarify for the reader why the data is presented as it is. For details about specific data sources and methods used in this report, please refer to Appendix A. For recommendations about data needed for future evaluation research, please see Appendix D.

Time Frame of Data Presented

Throughout this report, tables and figures tracking a variety of trends over time are provided. The time periods used are not uniform, sometimes due to data availability and sometimes because of the particular context. For data describing Countywide trends among Los Angeles County residents or the low-income population, this report typically tracks trends from 1992 through 1999. For these County-level trends, this report relies primarily on publicly available data sources. Typically, these sources had data available as early as 1992 and as late as either 1998 or 1999. CES chose to look backward in time to 1992. For this time frame, County and community trends using administrative records from diverse sources, including vital records data and child abuse data are also reported. Some sources were unavailable for specific years, so some indicators "start" in 1993, while others "end" as early as 1997.

Although the CalWORKs program was implemented in January 1998, this report tracks trends for CalWORKs participants for the time period between April 1998 and October 1999. This three-month lag in the data was introduced in order to observe program effects a few months after they had been implemented. This time period also had the advantage of being easily divided into six-month periods: April to October 1998, October 1998 to April 1999, and April to October 1999.

Some aggregate caseload data collected by the State was available through the 1980s. This was

useful because caseloads were lower in early 1989 than they are at present, even though caseloads now are lower than at any point in the 1990s. In general, data goes back farther than 1992 when it was available and added something meaningful to the report. There are also some very-short-duration comparisons in the text, like the year of 1998 and the year of 1999. In these cases, there were only one or two or three time points to work with.

Recipient Coverage in Tables

Most of the tables in this report with data from DPSS administrative records exclude CalWORKs families served by the Pasadena and South Family District Offices because data on these recipients for the period from April 1998 through October 1999 was not available.

Data for this report came primarily from two longstanding DPSS case management database systems called Integrated Benefit Payment System (IBPS) and Case Data Management System (CDMS).

As the older systems were being phased out in favor of Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER), CES was supplied information on the proportion of the DPSS caseload. Selection bias and other data issues are discussed in Appendices A and D.

Background on Local Communities

The population of Los Angeles County was 9,639,037 as of 1998, constituting 3 percent of the nation's population. It is also "the nation's poverty capital,"¹⁴ with the largest poor population in the nation and a poverty rate of approximately 22 percent. Los Angeles County is a diverse metropolis where no racial/ethnic group is in the majority. Hispanics are the largest population group (44 percent), followed by Whites (34 percent), Asians (13 percent), and African

Americans (10 percent).¹⁵ Roughly one-third of County residents were born outside the United States.

It is the opinion of CES that the County as a whole is far too large and heterogeneous to be considered a "community," and the same is true if the County is broken down into the five Supervisorial Districts or eight Service Planning Areas. Some cities are small enough to be considered communities, but some—particularly Los Angeles and Long Beach—are substantially oversized. CES's (practical) vision of community was an area that had a recognized identity, was home to between roughly 10,000-50,000 residents, and was relatively homogeneous in terms of race/ethnicity or social class composition. To choose among the many communities in the County meeting this definition, CES relied upon two primary criteria: 1) each selected community had to have high or moderate numbers of CalWORKs recipients; and 2) the communities selected needed to be, when taken together, representative of the County's geographical diversity.

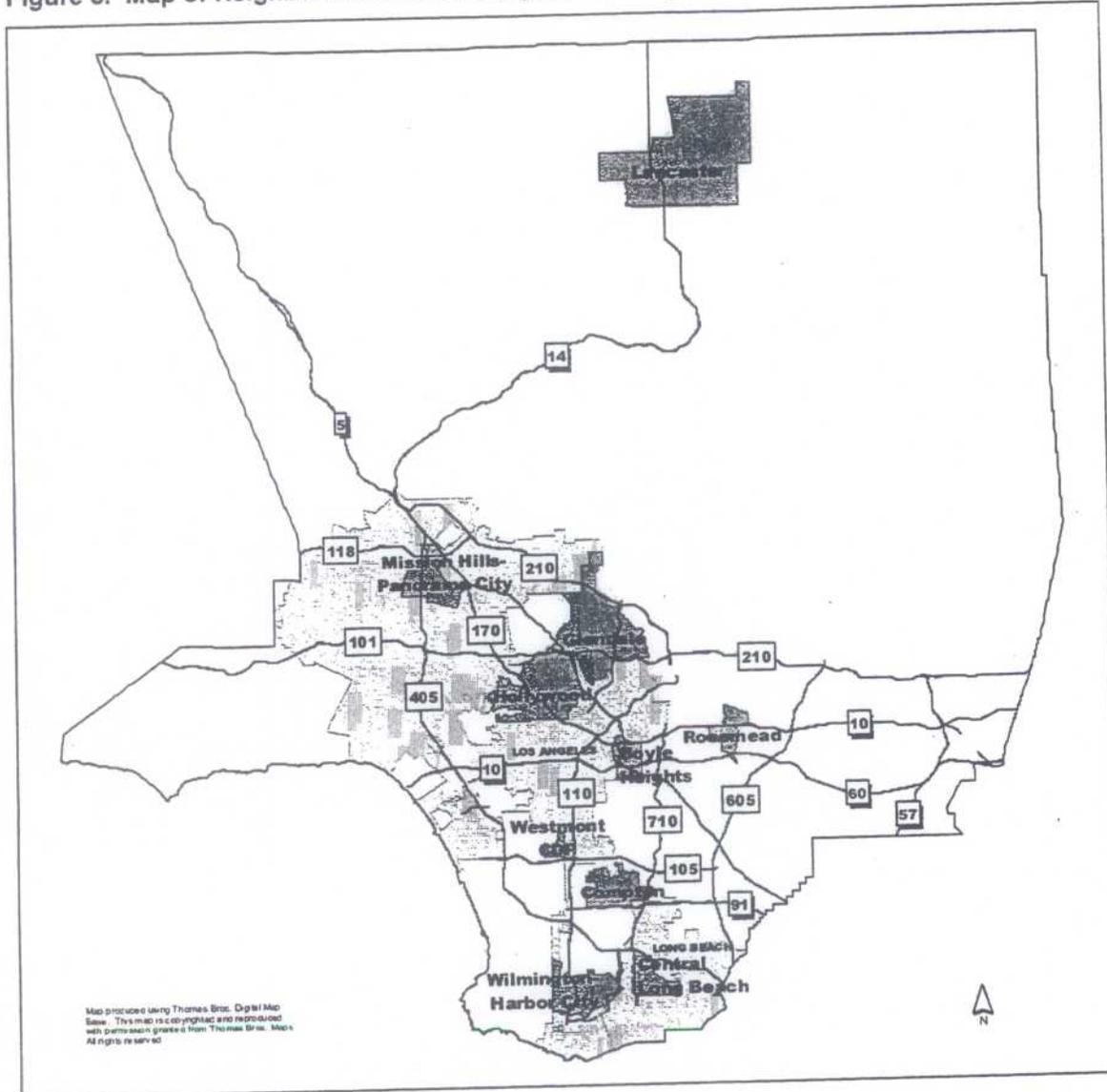
CES selected a small number of areas that met these criteria and were strategic research sites in other ways. Some of them are independent cities, others are planning areas within the City of Los Angeles, and some are unincorporated areas within the County.¹⁶ The areas selected to study are profiled here. (See Figure 3 for the location of each community.)

Boyle Heights. District of the City of Los Angeles, First Supervisorial District. Boyle Heights is one of the most residentially segregated areas of the

County; 97 percent of Boyle Heights residents are Latino or Hispanic.¹⁷ This is one of the County's poorest communities, with 43 percent of residents in poverty. Although nearly half of the areas' residents fall below the poverty line, only about one-eighth of them were aided by CalWORKs as of August 1998. One reason for this is that many of the poor in this area are legal immigrants who may be leery about seeking aid and undocumented immigrants who are ineligible for aid. Another reason—and this applies to all of the communities, not just Boyle Heights—is that CalWORKs only aids families with minor children—excluding both young and elderly childless adults. Located just east of downtown Los Angeles, Boyle Heights has an ethnic past that was much less homogeneous than its present.

Central Long Beach. Area within the City of Long Beach, Fourth Supervisorial District. Unlike Boyle Heights, no single racial/ethnic group is dominant in this mixed area, but Latinos still form the largest group at 44 percent. Asians, many of them recent immigrants, form the second largest group (21 percent), and is one of the largest pockets of Asian poverty in the County. Although at 40 percent, the concentration of poverty is slightly less than Boyle Heights, this is still a very poor area. Twenty-five percent of area residents receive CalWORKs assistance, the highest proportion of the 10 selected communities.

Figure 3. Map of Neighborhoods in Los Angeles County



Source: SIB Urban Research

Note: Solid gray areas denote selected communities; hatched areas denote cities of Los Angeles and Long Beach, as marked. Boxed numbers indicate Interstate and local Highways.

Compton. An incorporated city at the southern and western edge of South Central Los Angeles, Second Supervisorial District. Just over one-half of Compton residents are Latinos, and most of the remainder are African American. The city's transition from majority Black to majority Latino created significant intergroup tension and conflict. Its poorly managed school district remains under State control. Roughly 40 percent of Compton

residents are poor, but only 17 percent receive CalWORKs assistance.

Glendale. Glendale is a relatively affluent incorporated city in the Fifth Supervisorial District. About 20 percent of Glendale residents have incomes below the poverty line, and 9 percent of residents receive CalWORKs cash assistance. This is one of two studied communities where a

Table 1. Demographic Characteristics of Selected Communities

Area	Total Pop.	Super. District	% in Poverty	% Cal-WORKs	% Black	% White	% Latino	% Asian/PI
Boyle Heights	96,258	1	43	12	0	0	97	3
Central Long Beach	115,157	4	40	25	19	15	44	21
Compton	107,720	2	40	17	42	1	55	2
Glendale	187,728	5	20	9	1	57	25	17
Wilmington-Harbor City	78,041	4	28	9	4	19	69	8
Hollywood	200,493	3	30	8	4	48	37	11
Lancaster	121,103	5	16	10	9	63	23	5
Mission Hills-Panorama City	121,271	3	25	8	5	23	60	12
Rosemead	60,355	1	27	11	0	9	44	47
Westmont	31,070	2	43	23	61	1	37	1

Source: 1998 CES population and poverty estimates; DPSS administrative records.

Note: "% CalWORKs" gives the percentage of local residents who were CalWORKs-aided in August 1998 based on a geocode of DPSS administrative records. The "Total Pop.," "% in Poverty" and "% Black" (etc.) were calculated from 1998 SIB population and poverty estimates. Note that a significant number of persons in poverty may not be eligible for CalWORKs assistance, e.g., elderly and other adults without minor children.

CalWORKs Caseload Dynamics and Composition

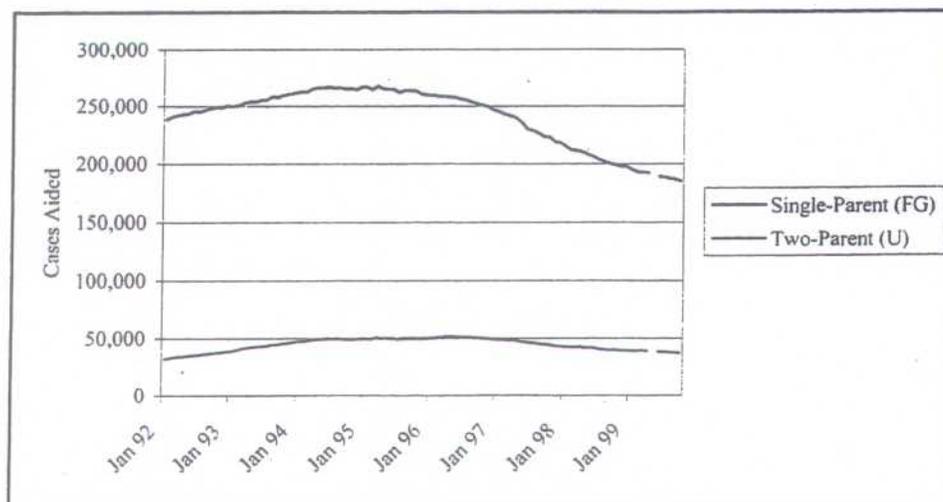
How have CalWORKs caseloads changed in the wake of welfare reform? The answer is complex. Nationally, AFDC caseloads began decreasing even before the Federal Welfare Reform Act passed. This was also true in Los Angeles County (see Figure 4). AFDC/FG (single-parent) caseloads reached their peak of 268,000 in March 1995. By December 1997, however, FG caseloads had decreased to 218,000, nearly 20 percent below the peak. Caseloads continued to decline after January 1998, shrinking by another 14 percent to 185,000 in October 1999, the lowest level since December 1989.

What are the mechanisms by which caseloads have declined? Are more people leaving welfare, are fewer people applying for or being approved for aid, or is it some combination of the two? To answer these questions, CES looks at applications and approvals—the main source of new cases—and then terminations.

If applications increase, the number of new cases will increase, assuming that denial and approval

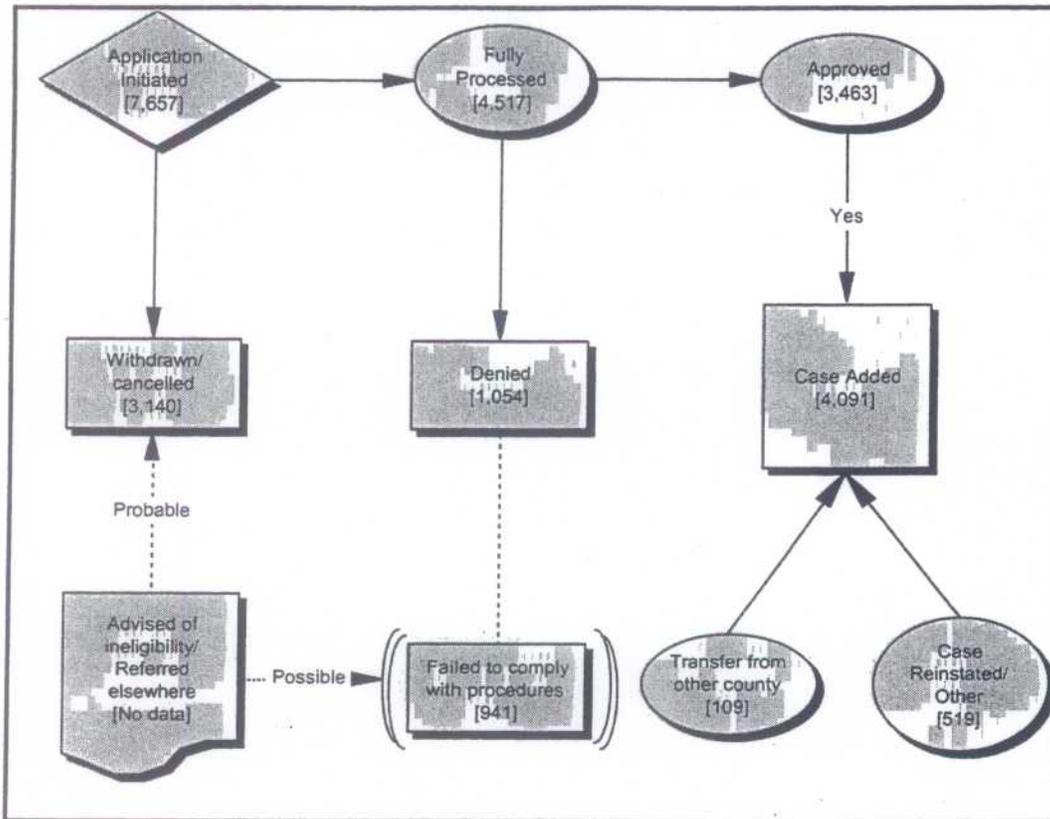
rates remain relatively steady. Figure 5 illustrates the CalWORKs application process, showing the way in which applications are diverted from the path leading to approval. At each point in the flow the figure shows counts (of applicants, denials, etc.) for October 1999. In brief, the process begins when a new or returning applicant parent travels to a DPSS CalWORKs district office where he or she begins completing an application for aid. A designated DPSS eligibility staff member, a *screeener*, often informally reviews the application before being sent on for official approval/denial processing. If the screener determines that the applicant is not eligible for aid, the screener may advise the applicant of that fact. The applicant is entitled to pursue an official determination, however, regardless of what the screener finds. Moreover, the screener is required to refer ineligible CalWORKs applicants to Medi-Cal, Food Stamps, or other programs for which they appear to be eligible.¹⁸ Almost half of all applications are withdrawn or cancelled at this point. Three-fourths of the remaining cases are approved.

Figure 4. Families Receiving AFDC/CalWORKs Aid, 1992–1999



Source: DPSS Statistical Reports.

Figure 5. CalWORKs Application Flow, October 1999

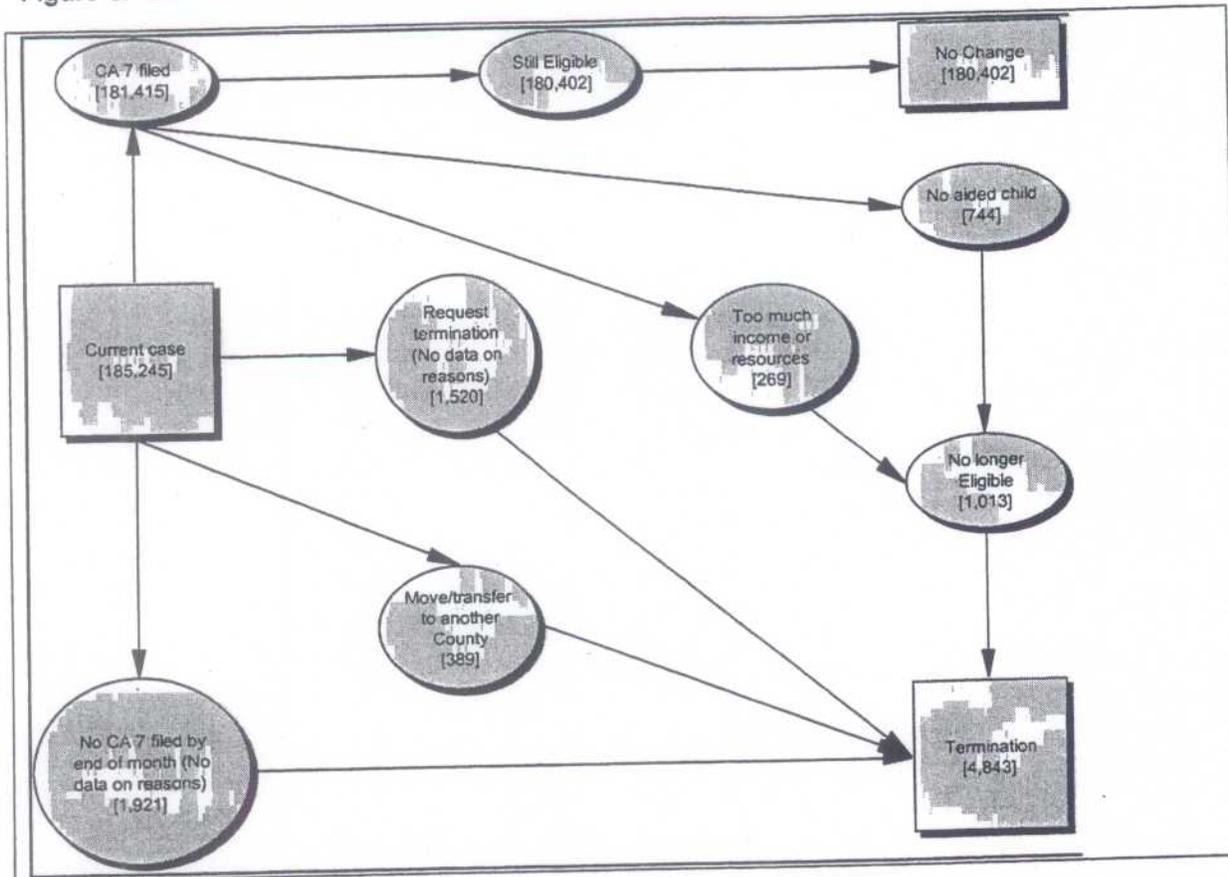


Source: DPSS Report, October 1999, and CalWORKs Report on Reasons for Denials and Other Non-Approvals of Applications for Cash Grant, October 1999 (CA 255 CalWORKs 10/99) for Los Angeles. Both reports use estimates for Pasadena and South Family District offices.

The number of applications submitted for cash assistance each month has declined significantly since the early 1990s. In August 1992, for instance, there were 14,805 applications for AFDC/FG assistance and 4,249 applications for AFDC/U (two-parent). Similar numbers of applications also came in monthly during 1993. By October 1999, there were only 55 percent as many CalWORKs/FG applications (8,038) and only 42 percent (1,789) as many CalWORKs/U applications monthly as there had been seven years before. Most of this decline in applications (and new cases monthly) took place before the beginning of 1997, although there has been an additional, smaller decline since early 1998.

Declining applications is thus one component of the declining local welfare caseload. Because CalWORKs has more eligibility restrictions than the previous rules,¹⁹ it might be expected that, in addition, fewer applications would be approved each month than had been the case under AFDC. As shown in Figure 5, applications are typically either approved or withdrawn/never completed, as opposed to being denied outright. Some proportion—unknown, but probably large—of withdrawn/never completed applications would have been denied if they had been fully processed. It would thus be expected that new rules would affect withdrawals and denials more or less evenly.

Figure 6. CalWORKs/FG Terminations and Continuations, September 1999



Source: DPSS Statistical Reports.

In fact, there is no evidence supporting increased numbers of denials or withdrawals. The proportion of applications not approved remained remarkably consistent over the years. In each month, very close to half of all FG (single-parent) applications were not approved, and in each month just about two-thirds of U (two-parent) applications failed to be approved. Only a small proportion of these applications were denied outright: just about one-quarter of FG applications and under one-fifth of U applications. The remaining 75-80 percent of applications were withdrawn by applicants, some of whom were told informally by DPSS staff that they were not eligible for aid.²⁰ In August 1992, 53 percent of AFDC/FG applications were not processed, with

27 percent of the total denied. In October 1999, 52 percent were not processed and 25 percent were denied. If this small decline in non-approvals is at all meaningful, it might indicate that a portion of the ineligible people who would have applied in the past have been scared away by the rhetoric or reality of welfare reform. In any event, the high consistency in the proportion of applications that are approved means that there is a very close relationship between trends in applications and trends in new cases. Figure 6 illustrates some of the components of monthly case terminations using data from September 1999. Given the emphasis of welfare reform on the attainment of self-sufficiency through employment, it might be expected that a large number of case terminations would come about because family incomes or resources have

The substantial decline in caseloads from mid-1996 through late 1997 may in large part represent "anticipatory" behavior, with the ablest recipients taking the Federal legislation as a cue to get a job right away, and those averse to the new red tape staying away before implementation. These could be seen as "early" results of CalWORKs. Many analysts attribute much of the national decline in welfare caseloads to job growth relative to the early 1990s. Los Angeles County was hit particularly hard by the recession in the early 1990s, but unemployment began dropping substantially during 1996, continuing to date. If welfare constitutes "unemployment insurance" for less-skilled single mothers whose previous employment did not qualify them for UI benefits, or whose UI benefits have run out, then it makes sense that decreasing unemployment and decreasing welfare use go together.

CalWORKs Leavers and Returns

Past research indicates that a large proportion of welfare recipients who leave public assistance return, often after only a few months. For some families, welfare serves as short-term transitional assistance, while the wage earner is between jobs or the family is changing living arrangements. For other families welfare is a long-term means of support. It has often been observed that the exit rate for welfare recipients declines as their time on welfare increases. Of these long-term welfare recipients, however, some receive long-term continuous support, and some are "cyclers" who regularly move on and off welfare. Some cycling is caused by administrative actions, as when recipients fail to submit their monthly financial statements (which are used for benefit calculation and verification of continued eligibility) and are consequently cut off of aid. Another source is the difficulty less-skilled women experience in establishing and maintaining economic independence.²² The distinction between cyclers and other long-term welfare users is important for policy makers. As two prominent researchers

conclude, "If most people leave welfare, only to fall back into it, then perhaps the focus of policy ought to be not only on getting people off but also on making it possible for people to stay off."²³

Past research on AFDC recipients throughout the United States identified a number of factors that are associated with the length of periods of continuous welfare receipt ("spells") and with returns to welfare ("recidivism"). These include race, marital status, education, work experience, and disability status. (While substance abuse, mental health problems, and domestic violence have been identified as serious barriers to stable employment and self-sufficiency, CES is not aware of any systematic research documenting their effects on the length of welfare spells or the likelihood of returns to welfare.) Women who had never been married at the time they began their first welfare spell experienced a longer than average initial spell and were more likely to return to welfare (51 percent) compared to married or divorced women. Women who were more educated had shorter spells and less likelihood of recidivism. African Americans women had longer spells than Whites and their recidivism rate was also higher.²⁴

A recent study based on a 1997 national survey²⁵ found that a majority of welfare leavers left because of work (69 percent). The jobs they entered, however, corresponded to the low end of the labor market in terms of hourly wages, monthly earnings and job characteristics. Welfare leavers typically found themselves in the same types of jobs as low-income mothers who had not been on welfare recently. The study also estimated that 2.1 million adults left welfare for at least a month between 1995 and 1997 and that 29 percent of them had returned to welfare and were receiving benefits in 1997.

Why Do They Leave?

Administrative data does not contain information on the reasons why participants leave the CalWORKs program. Therefore, there is a great deal of uncertainty surrounding the reasons for which CalWORKs families leave aid. Studies of welfare leavers in other parts of the country have typically found that a large majority reported leaving welfare because they had found work. Many of these studies, however, are subject to selection bias, since the most economically successful families are likely to be the most stable and, therefore, the easiest to contact.²⁶ In addition, evidence suggests that most leavers remain eligible for aid.

According to a standard report submitted to the State by DPSS regarding case terminations in September 1999,²⁷ only 5 percent of single-parent families and 13 percent of two-parent families who left welfare in Los Angeles County had exceeded income limits. A larger proportion of families (15 percent of both FG and U cases) were eliminated because they no longer included an eligible child—the last child in the household became too old, left the household, or became ineligible for some other reason. Failure to submit or correctly complete a CA 7 statement of the family finances led to termination of 40 percent of FG cases and 37 percent of U cases. Another 31 percent of FG and 29 percent of U cases were terminated because the head of the family either failed to comply with some other procedural requirement or because he or she requested that DPSS close the case.

This means CES knows *how* 71 percent of FG cases and 66 percent of U cases came to be closed, but does not really know *why*. Did the parent fail to mail the family's CA 7 because they were about to reach income limits and they wanted to "bank" some months of eligibility for a bleaker time in the future? Was it because they moved out of State? Did the parent fall ill or

became too depressed to function?²⁸ Without further research it is impossible to tell.

When Do They Return?

This report examined return rates among CalWORKs families that left welfare in any of three different months and who remained off aid for at least one month. The target months were April 1998, October 1998, and April 1999. Of those leaving aid in April 1998, 20 percent had returned to aid within 4 months, a little over 25 percent had returned in 8 months, and about 28 percent had returned at the end of a full year (see Figure 8). In other words, nearly three-quarters managed to stay off of aid for at least one year. The return rates for those leaving in October 1998 were slightly higher but otherwise quite similar to those for the April leavers. In contrast, those leaving in April 1999 were substantially less likely to return in the first six months after leaving aid. This pattern, if it holds up over time, will lead to additional caseload decreases. Whether or not increased income through employment is the reason for a family leaving welfare, there are reasons to believe that families headed by a wage earner will have more resources to stay off welfare for longer periods of time. Figure 9 supports this idea. In April 1998, 30 percent of FG cases (33 percent in April 1999) had some earned income. For each of the two target months shown in the figure, the FG families without earned income were more likely to return to aid than those with earned income. The figure also shows the same decrease in return rates over time that was observed in Figure 8.

Because past studies have used a variety of different methodologies and come up with widely differing estimates for return rates over time, it is difficult to say whether the return rates that have been observed are unusually high or low compared to those in other areas. Without historical Los Angeles County data to compare against, it is difficult to say how unique the current return rates are. It is clear, however, that in the last two years the rates have been decreasing somewhat. This either means that an increasing

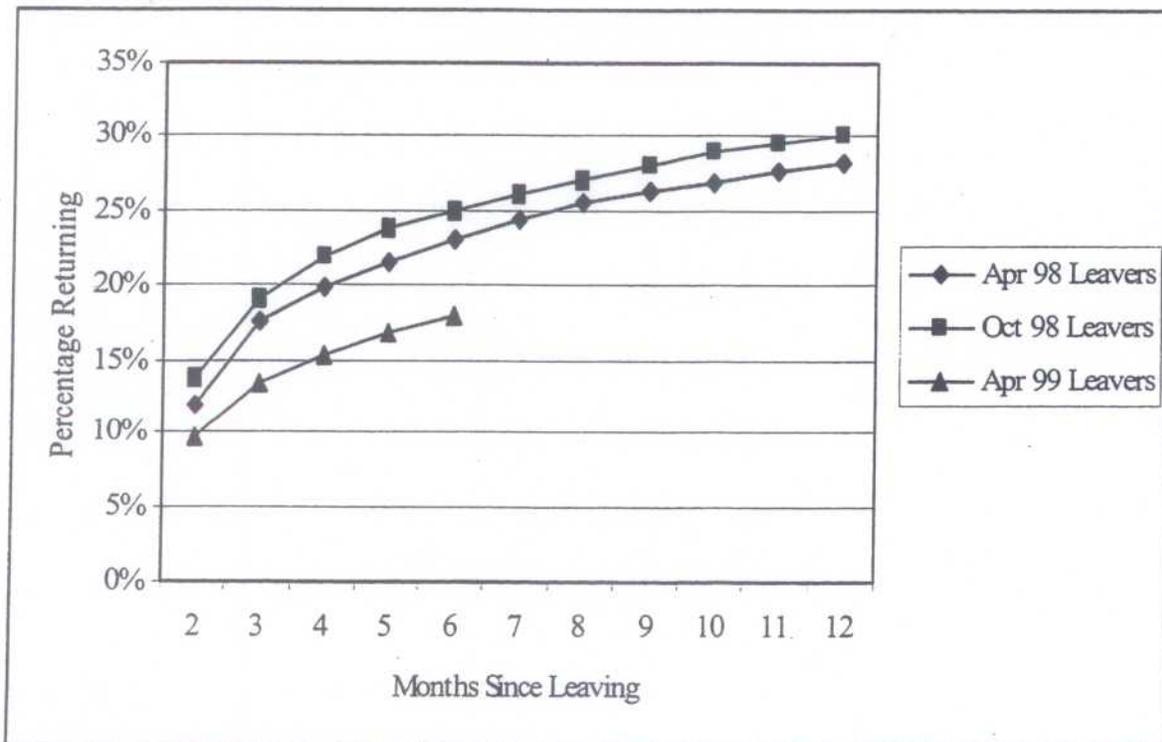
proportion of former CalWORKs families are doing well, or that other conditions are increasingly convincing former recipients to stay away from welfare.

Caseload Composition

The recent changes in eligibility and requirements related to welfare receipt may have led to differences in the makeup of the CalWORKs caseload. Federal changes in immigrants' eligibility for benefits (most of which do not now hold in California) could, because of confusion,

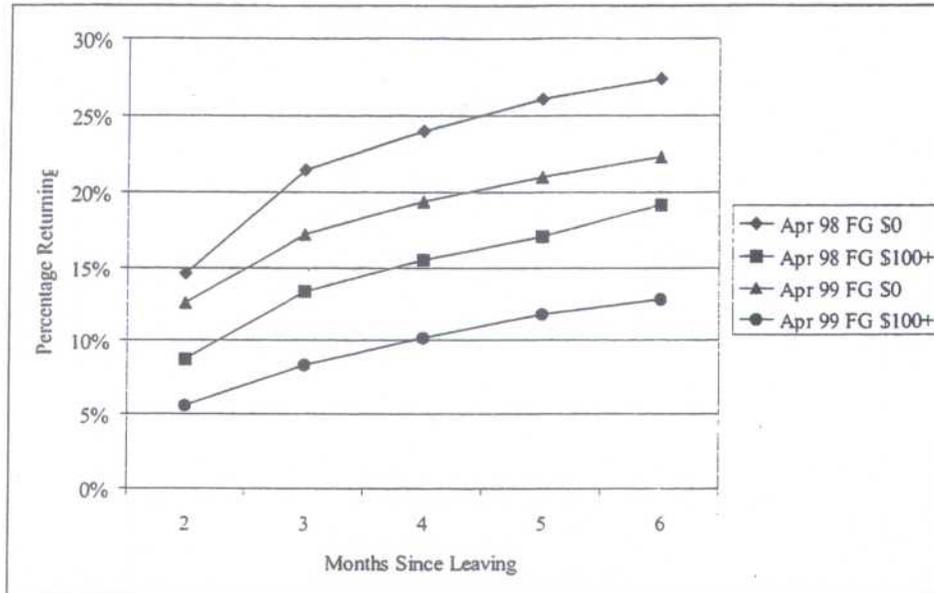
decrease the number of immigrants applying for welfare. Work requirements and time limits should result in some changes in how long people stay on welfare. The enforcement of sanctions on non-compliant parents should increase the proportion of cases where only children are aided. All of these new rules have implications for what kinds of cases are present. Ideally, the way in which recent developments have led to changes in caseload composition could be observed. CES has only recently secured access to some of the data necessary for comparison with caseloads of the past.

Figure 8. Percentage of CalWORKs Leavers Returning Over Time, 1998–1999



Source: CES tabulation from DPSS administrative records.

Figure 9. Return Rates for CalWORKs/FG Leavers With and Without Earned Income



Source: CES tabulation from DPSS administrative records.

Headship

Headship is an area of great interest to State lawmakers. The law includes as a goal the transition of single-parent households into two-parent households in order to fight poverty. Though the tracking of marriage formation among CalWORKs single-parent families (and separation and divorce among two-parent families) are of clear interest, little data exist. If a single parent chooses to leave CalWORKs shortly before an impending marriage, the welfare agency is unlikely to be informed of the reasons behind the client's request for termination. If the welfare agency does not know, researchers can find out only by conducting costly independent studies. Since relatively few recipients leave because they have become ineligible, there are compelling reasons for welfare agencies to do more to uncover the complex of factors that lead former participants to leave aid. In particular, a focus on those who leave due to marriage might provide insight into

how to facilitate marriage formation among this population.

Racial Composition

Partly because of disparities in the prevalence of single-parent and two-parent headed families between racial/ethnic groups, there are parallel differences in the composition of FG vs. U caseloads (see Table 2). Blacks, who have the highest prevalence of single-parent families, are much more likely to be receiving CalWORKs/FG aid (29.5 percent in April 1998) than CalWORKs/U aid (3.6 percent in April 1998). The opposite is true for Whites; over one-quarter of CalWORKs/U families were headed by a White person in April 1998, compared to 12.2 percent of CalWORKs/FG cases during the same month. Hispanics, who comprise over half of both the CalWORKs/U and CalWORKs/FG caseloads, were almost equally represented under both aid categories (55.6 percent vs. 52.9 percent in April 1998).

Table 2. Race of Head of CalWORKs Case, April 1998-October 1999

	CalWORKs/FG				CalWORKs/U			
	Apr 98	Oct 98	Apr 99	Oct 99	Apr 98	Oct 98	Apr 99	Oct 99
	%	%	%	%	%	%	%	%
White	12.2	11.7	11.5	11.0	25.9	24.1	23.5	22.4
Hispanic	52.9	53.0	53.1	53.4	55.6	58.2	59.0	60.0
Black	29.5	30.1	30.1	30.3	3.6	3.7	3.7	4.0
Cambodian	1.5	1.4	1.5	1.5	2.1	2.0	1.9	1.9
Vietnamese	1.2	1.2	1.2	1.1	7.3	6.7	6.7	6.4
Other Asian/PI	2.5	2.4	2.5	2.4	5.3	5.1	5.0	5.0
Native American	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CES tabulation from DPSS IBPS/CDMS data.

Note: Figures for October 1999 are based on straight-line projections for Pasadena and South Family offices and actual reports for all other offices. "Other Asian/PI" includes any Asian origin or Pacific Islander groups not explicitly mentioned.

While the ratio of FG to U cases within each group remained relatively constant over time, there have been some striking changes in the overall composition of CalWORKs caseloads. As CalWORKs caseloads have declined, a decreasing proportion of families aided are headed by Whites. This is especially true for U cases, where Whites dropped from 25.9 percent to 22.4 percent between April 1998 and October 1999. An opposite but even more modest trend can be seen in Table 2 among Blacks and Hispanics. The main finding of interest, however, is that Whites are decreasing across the board among CalWORKs recipients.

Time on Aid

Numerous studies conducted prior to welfare reform have shown that continuous periods of receipt are often quite short, lasting less than two years.²⁹ In fact, it was estimated that that half of all welfare cases lasted less than 2 years, while only 14 percent of the welfare cases lasted 10 years or more.³⁰ Most recipients had more than one spell of welfare use, however, when spells were added together the median length of total welfare receipt was close to four years.³¹ In addition, long-term

recipients tend to accumulate in the system and, therefore, are more likely to be part of the caseload at any given point in time.³² It has been estimated, based on national data, that over 75 percent of the AFDC caseload at any point in time was in the process of a welfare "career" lasting 60 months or more.³³ In a national study of families on aid between 1983 and 1995, researchers concluded that a "relatively large number of low-income families may face sanctions or benefit cutoffs as a result of the time limits mandated by the 1996 welfare legislation." The researchers estimated that 41 percent of the current welfare caseload would reach the limit within 8 years.³⁴ This projection only holds, however, if welfare reform does not cause changes in the behavior of potential long-term recipients; the actual number of recipients hitting the 60-month time limit could, thus, be significantly lower.

Looking at the time on aid among CalWORKs families in the County, we see that at the time of CalWORKs implementation, more FG and U cases had been on aid more than five years than in any other category (see Table 3). These long-term FG cases have remained relatively stable

between April 1998 and October 1999—constituting about 40 percent of the caseload. In contrast, U cases that have been on aid more than five years have increased by almost four percentage points. The increasing share of long-term cases does not overshadow the increases we have seen in shorter-term cases. Among single-parent and two-parent cases, the proportion of families that have been receiving aid for less than two years has increased by more than two percentage

points. A related development is the decreasing proportion of cases that have been on aid two to five years. Within the FG and U caseloads, this category has decreased by four percentage points and about six percentage points, respectively. Thus, the caseload is becoming increasingly bifurcated; that is, the proportions of both short- and long-term cases are growing while those of middling length are becoming less common.

Table 3. CalWORKs Time on Aid

	CalWORKs/FG				CalWORKs/U			
	Apr 98	Oct 98	Apr 99	Oct 99	Apr 98	Oct 98	Apr 99	Oct 99
Under two years	32.9	33.1	34.4	35.3	27.3	26.7	28.3	29.4
Two- five years	27.9	26.7	24.9	23.8	31.3	29.8	27.2	25.4
More than five years	39.3	40.3	40.6	40.8	41.3	43.5	44.6	45.1
Total Percentage	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Number	198,622	189,099	180,770	173,411	40,948	38,335	37,499	35,750

Source: CES calculation from DPSS IBPS/CDMS data.

Note: Categories are based on continuous time on welfare with allowances for short breaks in aid receipt. Figures for October 1999 are based on straight-line projections for Pasadena and South Family offices and actual reports for all other offices.

The finding that long-term cases have been relatively slow to leave welfare is consistent with predictions that welfare caseloads will increasingly consist of the hardest-to-serve populations—those welfare recipients who are least educated, have the least work experience, and must overcome barriers like mental health disorders and substance abuse problems. It remains to be seen how effectively special supportive services, welfare-to-work services, and the strict enforcement of work requirements will help these families become self-supporting before they reach their lifetime limits.

Immigrants

Prior to welfare reform (1996), legal immigrants and their children were entitled to health care and other public benefits on more or less the same terms as citizens. The Federal Welfare Reform Act of 1996 considerably restricted the availability

of Federal aid programs to non-citizen legal immigrants. Three major changes occurred with the reform of welfare: 1) eligibility for receiving full public benefits is determined by an immigrant's citizenship, not legal status; 2) states have greater power to determine which immigrants qualify for Federal and state public services; and 3) immigrants who arrived in the United States after the law's enactment (August 22, 1996) have fewer claims to services than those who arrived before this deadline.³⁵ In particular, the bill made many immigrants ineligible for SSI, Food Stamps, TANF and non-emergency Medicaid. The bill created a two-tiered system, making aid receipt most difficult for immigrants arriving after 1996. The bill did not prohibit states from filling the gap, spending state money to aid immigrants ineligible for Federal assistance. Many states have partly filled the void left by the Federal government's removal of safety net programs for immigrants. Furthermore, Congress has also restored Food Stamp and SSI

eligibility to specific groups of immigrants, particularly among children and the elderly. The result, however, is a confusing array of separate programs and requirements that the Urban Institute has deemed "patchwork policies."³⁶

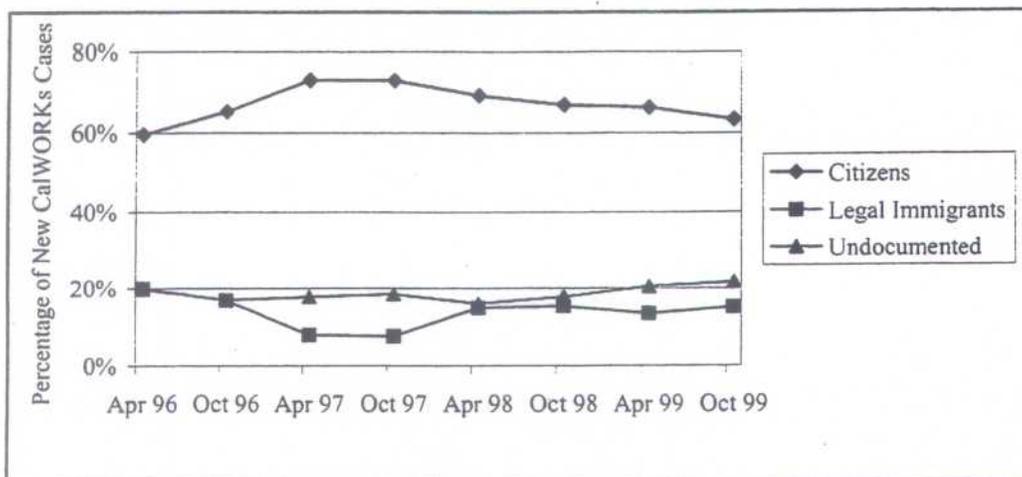
Researchers at the Urban Institute attempted to determine whether the Federal Welfare Reform Act of 1996 and subsequent changes at the State level have caused legal immigrants and their citizen children to fail to take advantage of benefits for which they remain eligible. Under California law, most legal immigrants and their children can be eligible for CalWORKs assistance. In addition, California uses State funds to pay for Food Stamps for income-eligible immigrants. Despite California's relatively generous policies, the Urban Institute still found that the number of newly approved cases for legal immigrant families had dropped even while there was no change for citizen-headed families. They attributed this to confusion and fear about the new policies.³⁷

The Urban Institute looked first to the number of new AFDC or CalWORKs cases added each month in Los Angeles County during the period January 1996 through January 1998. Their data are shown in Figure 10, supplemented by equivalent data compiled by CES for April 1998 through October 1999.³⁸ The Urban Institute found that while the proportion of cases approved each month that were headed by United States citizens increased by a relatively small amount between 1996 and 1998, the proportion of new cases headed by legal immigrants had shrunk by 71 percent by 1998.³⁹ At the beginning of this period, 56 percent of new cases were headed by United States citizens, 21 percent by legal immigrants, and 22 percent by undocumented immigrants (undocumented immigrants are not eligible for aid, but their children born in the United States are citizens who *can* be eligible for aid). At the end of the period, 72 percent were headed by citizens, 8 percent by legal immigrants, and

19 percent by undocumented immigrants. By late 1999, the share of new cases headed by legal immigrants had crept back up to 15 percent, still well below the 21 percent share of January 1996. The meaning of these trends will be discussed below.

As the vast majority of the children aided in legal immigrant-headed families are citizens, these trends may have important consequences for the economic well-being and physical health of many young natives. The pattern among children in new cases is very similar to that for the heads of their families; the proportion of children new to CalWORKs who were in families headed by legal immigrants dropped during late 1996 and early 1997, rising in 1998 (see Table 4). Families headed by undocumented parents seemed to be relatively unaffected by this trend.

Figure 10. Citizenship Status, Heads of New AFDC/CalWORKs Cases, 1996–1999



Source: Data for April 1996–October 1997 taken from Table 1, Zimmerman, Wendy and Michael Fix. 1998. "Declining immigrant applications for Medi-Cal and welfare benefits in Los Angeles County," Urban Institute, Washington, D.C. Data for April 1998–October 1999 from CES tabulations of DPSS administrative data.

Note: Headship determined by "first adult" for Urban Institute, "Applicant" status for CES. Percentages do not sum to 100 due to the omission of cases with missing data for citizenship of the case-head. Total monthly approvals do not equal official DPSS figures because they were compiled using different methodologies.

Table 4. Citizen Children in New AFDC/CalWORKs Cases by Citizenship Status, Heads of New AFDC/CalWORKs Cases, 1996–1999

	Children in New AFDC/CalWORKs Cases	Citizen Children of Citizens	Citizen Children of Legal Immigrants	Citizen Children of Undocumented	
			%	%Immigrants	%
April 1996	12,330		56	22	19
October 1996	12,606		62	18	16
April 1997	9,085		70	9	17
October 1997	10,714		70	9	19
April 1998	6,381		66	16	16
October 1998	6,016		64	16	18
April 1999	6,546		64	13	21
October 1999	5,172		62	15	21

Source: Data for April 1996–October 1997 taken from Table 2, Zimmerman, Wendy and Michael Fix. 1998. "Declining immigrant applications for Medi-Cal and welfare benefits in Los Angeles County," Urban Institute, Washington, D.C. Data for April 1998–October 1999 from SIB tabulations of DPSS administrative data.

Note: Headship determined by "first adult" for Urban Institute, "Applicant" status for CES. Percentages do not sum to 100 due to the omission of cases with missing data for citizenship of the case-head. Total monthly approvals do not equal official DPSS figures because they were compiled using different methodologies. Not adjusted for the move in October 1999 of the Pasadena and South Family District Offices to LEADER computer system.

Table 5. CalWORKs Cases Aided by Citizenship Status of Case-Head

	Apr 98	Oct 98	Apr 99	Oct 99
Cases Aided	239,564	227,432	218,262	190,490
Cases Headed by Citizen	58%	58%	57%	57%
Cases Headed by Legal Immigrant	23%	21%	21%	20%
Cases Headed by Undocumented Immigrant	18%	20%	21%	22%
Persons Aided	688,120	647,918	616,372	531,360
Cases Headed by Citizen	59%	59%	58%	58%
Cases Headed by Legal Immigrant	27%	26%	25%	24%
Cases Headed by Undocumented Immigrant	12%	14%	15%	16%

Source: CES tabulation from DPSS administrative data.

Note: Not adjusted for the move in October 1999 of the Pasadena and South Family District Offices to the LEADER computer system.

Researchers at the Urban Institute also found that after welfare reform, fewer non-English speaking families have applied and been approved for benefits. Families were classified by the self-reported primary language of the "head" of the family, usually the person who originally applied for welfare benefits. In January 1996, 60 percent of newly approved families were English-speaking, 36 percent were Spanish-speaking, and 4 percent spoke some other language. By January 1998, 72 percent of the newly approved families were English-speaking, 25 percent were Spanish speaking, and 3 percent spoke other languages.⁴⁰

While CES did not conduct an analysis of newly approved cases by primary language of the head of family, CES did look for changes in the total number of CalWORKs cases by language. Of CalWORKs families aided in Los Angeles County in April 1999, most family heads spoke English (59 percent), followed closely by Spanish-speaking (33 percent). The three other languages spoken by comparatively large groups of welfare recipients were Armenian (3 percent), Vietnamese (2 percent), and Cambodian (2 percent). Examining cases by primary language during the period April 1998 to April 1999, it was found that the net rate of change for families speaking each language was essentially the same as that for all

CalWORKs cases. If the tilt towards English-speaking and away from Spanish-speaking among new cases noted in the Urban Institute report did continue through 1998 and 1999, then it must also have been the case that English-speaking were leaving CalWORKs more rapidly than others.

Urban Institute researchers consider that these declines in immigrant use of welfare owe more to the "chilling effects" of the welfare reform than to actual eligibility changes.⁴¹ Legal immigrants may mistakenly believe that they and their families are no longer eligible, may be afraid of being reported to the INS, or that the use of public benefits will affect their ability to become residents or to naturalize.⁴² Current welfare policy divides the immigrant population into qualified and unqualified immigrants; these two broad categories are intended to simplify the law, but also expressly relegate several classes of immigrants lawfully in the United States to the same unqualified status as the undocumented, contributing even more to the confusion as to who is and who is not eligible.⁴³

Welfare reform may be inhibiting legal immigrants' use of welfare benefits. As most children of legal immigrants are citizens, new policies may affect the well-being of a group of citizens without intent.

A possible outcome is that the citizen children of needy legal immigrants will be raised in poorer households and grow up to be less self-sufficient than would otherwise be the case.

Sanctions

The repeal of AFDC involved the inclusion of a series of new requirements, sanctions, and penalties. In California, sanctions are applied only to adults; that is, only the adult's and not the child's portion of the grant may be cut off. A sanctioned adult is considered ineligible for aid, at least temporarily. Penalties result in either a percentage of the grant or the adult's portion of the grant being held back. Penalties do not result in anyone being considered ineligible for aid. When families are approved for CalWORKs, or when they attend their annual redetermination meeting

(a session to reestablish eligibility in detail), they must show proof of the following in order to avoid penalties: immunization of their preschool-aged children; regular school attendance of their school-age children under 16; and cooperation with the District Attorney's office in the pursuit of child support from an absent parent. Adults participating in CalWORKs may be sanctioned and prevented from receiving aid if they have not assigned their child and spousal support rights to the County or if they refuse to agree to a welfare-to-work plan or fail to show proof of satisfactory progress in an assigned welfare-to-work activity.⁴⁴ The absence of the adult portion of the grant or the decrease in the grant due to penalties may result in economically leaner circumstances for poor families. It is important to see the extent to which this is occurring.

Table 6. CalWORKs Sanctions in Effect, 1998–1999

CalWORKs Sanctions	Apr 98	Oct 98	Apr 99	Oct 99
Drug Felon	0	0	0	5
Child Support Assignment	3	8	14	15
Parole Violation/Fleeing Felon	0	0	3	5
Failure to Meet Work Requirements	4,215	7,955	11,730	12,903
Total	4,218	7,963	11,747	12,928

Source: CES calculation from DPSS IBPS/CDMS data.

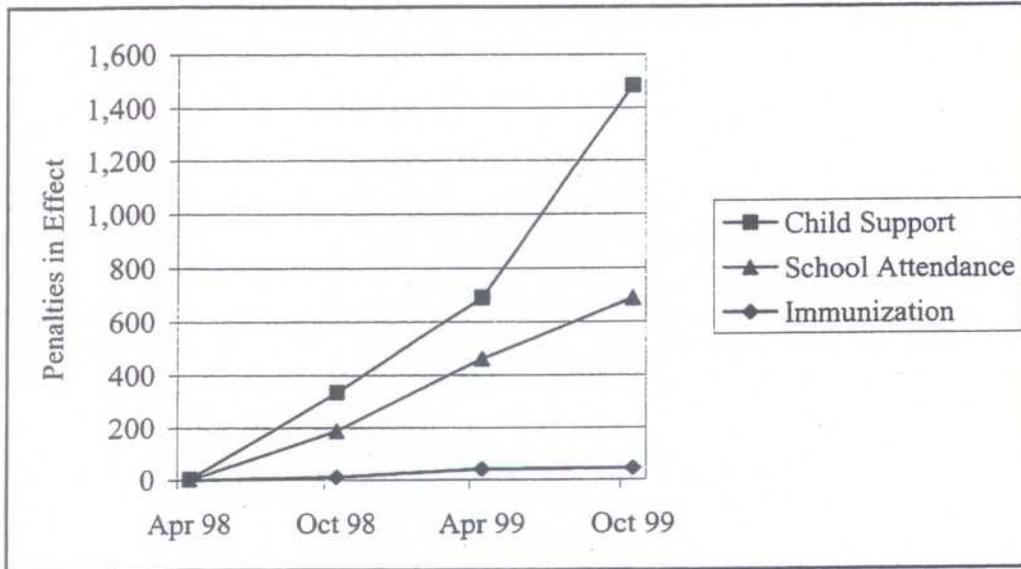
Note: Figures for October 1999 are based on straight-line projections for Pasadena and South Family offices and actual reports for all other offices. Drug felons are not sanctioned, but are ineligible for aid.

Table 6 illustrates that a small but significant number of sanctions are being applied to CalWORKs adults. (This report also includes counts of convicted drug felons, and parole violators because, while not technically sanctioned, these persons have become ineligible for aid under CalWORKs.) Most sanctions applied relate to meeting welfare-to-work program requirements. About 8 percent of all aided adults—one in 12—had a current sanction applied to them in October 1999. More striking is the fact that the number of sanctions in effect in each month more than tripled between April 1998 and October 1999. The number of sanctions in effect

in each month increased from about 4,000 to almost 13,000 over this period. Over the same period, the number of welfare-to-work participants more than doubled, explaining most, if not all, of this increase.

Penalties applied since CalWORKs implementation, while not as numerous as the work requirement sanctions, follow a similar trend (see Figure 11). Penalties relating to child support cooperation more than quadrupled between October 1998 and October 1999 (350–1,500), and those related to child's school attendance more than tripled (200–700) during the same period.

Figure 11. CalWORKs Penalties in Effect, 1998–1999



Source: CES tabulations from DPSS administrative data.

Note: Adjusted for Pasadena and South Family District Offices.

This slow start and rapid increase in the application of penalties must be understood within the context of program implementation. Although the penalties officially became effective on January 1, 1998, there was some delay in the development and promulgation of implementing policies at the State and local levels. Moreover, CES's interviews with CalWORKs eligibility and welfare-to-work staff indicated that the workers' understanding of how to detect penalty conditions and apply penalties to cases grew over time.⁴⁵ It seems reasonable to speculate that increased staff knowledge and confidence added to an increase in the number of persons penalized.

Child-only Cases

Children can only be aided under CalWORKs when they live with at least one related caretaker. An aided child's caretaker or caretakers need not be CalWORKs-aided themselves, however. When

no adults are aided on a case, it is considered a "child-only" case. If a caretaker adult is unaided, it is usually for one of three reasons: 1) the adult is legally excluded from receiving aid, 2) the adult is receiving SSI/CAPI (disability) assistance, or 3) the adult is temporarily ineligible for aid because they have been sanctioned as a result of program noncompliance.

In Los Angeles County, the most common reason for a parent or caretaker to be legally excluded from aid is that the adult is an undocumented immigrant. Welfare reform increased the number of legally excluded adults by denying aid to drug felons and fleeing felons, as discussed above. It is through CalWORKs sanctions, however, that welfare most directly contributes to the child-only caseload. Adults are most frequently sanctioned for failing to meet work requirements, but they may also be sanctioned for refusing to assign child support and spousal support rights to the County.

The great majority of cases that have aided adults are subject to welfare-to-work requirements. This includes adults in about 108,000 one-parent and 25,000 two-parent families as of October 1999. Eventually, many adults will become ineligible for aid because they have exceeded program time limits, but no adult will surpass the CalWORKs five-year time limit until 2003.

According to an inquiry conducted by the Federal government, the child-only caseload nationally increased by almost 150 percent between 1988 and 1997.⁴⁶ Both child-only and aided-adult cases grew between 1988 and 1994, but child-only cases more than doubled in number. Welfare caseloads have been falling nationally since the mid-1990s, and child-only cases fell by about 27 percent between 1997 and 1998. The overall TANF caseload has declined more rapidly than have child-only cases, however, the latter have increased their fraction of the total caseload.

Across the country, nearly one-quarter of the welfare cases open during 1996 and 1997, were child-only cases, and 61 percent of these child-only cases had at least one parent present in the home. The child-only share of the caseload was the same in California as in the rest of the nation, but about 80 percent of child-only cases in California had at least one parent present in the home. Another way in which California stood out from the national average was that of the cases with parents present in the home, immigration status was the reason for the parent's ineligibility 58 percent of the time—more than double the national average. This is not surprising, given that more undocumented immigrants live in California than in any other state. On the other hand, parents in California's child-only cases were less

likely than the national average to be ineligible because of SSI receipt (25 percent vs. 38 percent) or because of a welfare-related sanction (9 percent vs. 15 percent).

Federal researchers have suggested a number of possible causes for the growth in child-only caseloads. These include increasing local efforts to enroll eligible adults in SSI programs, the greatly increased number of adult aid recipients subject to welfare-to-work requirements and therefore vulnerable to sanctions, and social ills that have led to increasing numbers of children being placed with caregivers who are not their parents.⁴⁷ In California, the increasing numbers of ineligible immigrants is very likely another cause for the growth of the child-only caseload.

Data on CalWORKs families in Los Angeles County show that since the implementation of CalWORKs, the number and proportion of child-only cases has increased in both FG and U cases (see Table 7). In fact, the percentage of all FG cases that were child-only increased by 6 percentage points over a year and a half; similarly, the proportion of child-only U cases increased by 5 percentage points between April 1998 and October 1999. This was paralleled by an equal increase in the proportion of all aided children who were in child-only cases. Furthermore, while the total number of aided children has decreased since the implementation of CalWORKs, in both FG and U cases the absolute numbers of children who are in child-only cases have actually increased. This is in contrast to the situation nationwide, where the share of child-only cases has been increasing, but absolute numbers have been in decline.

Table 7. CalWORKs Cases in Los Angeles County by Child-Only Status, 1998-1999

	CalWORKs/FG				CalWORKs/U			
	Apr 98	Oct 98	Apr 99	Oct 99	Apr 98	Oct 98	Apr 99	Oct 99
Total number of cases	198,604	189,008	180,694	172,509	40,945	38,322	37,489	35,638
Number of child-only cases	61,002	61,715	64,286	64,468	9,720	10,034	10,381	10,409
Child-only cases as percent of total	31%	33%	36%	37%	24%	26%	28%	29%
Total number of aided children	393,895	376,155	359,888	342,719	100,128	93,796	91,903	87,343
Number of children in child-only cases	117,155	120,010	126,025	127,127	22,849	24,171	25,198	25,581
Children in child-only cases as percent of total	30%	32%	35%	37%	23%	26%	27%	29%
Average number of children, child-only cases	1.9	1.9	2.0	2.0	2.4	2.4	2.4	2.5
Average number of children, all other cases	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5

Source: CES tabulation from DPSS IBPS/CDMS data.

Note: Figures for October 1999 are based on straight-line projections for Pasadena and South Family offices and actual reports for all other offices.

Labor Market

If there is one phrase that sums up the thrust of welfare reform, it is this: "Get a job!" Through a combination of financial incentives and support services, reformed welfare programs aim to make workers out of almost all adult welfare recipients. In California and in most other states, the incentives and support services are intended to "make work pay," allowing parents to increase their total monthly incomes without having to absorb all of the costs (transportation, child care, etc.) associated with employment. Welfare time limits are an added encouragement to parents, urging them to work *now* and to "bank" their months of welfare eligibility against potential joblessness in future years.⁴⁸ Welfare reform includes one additional reason to work: sanctions—the threat of having some or all of a welfare grant withheld when program requirements are not met.

If these measures—the incentives, supports, and sanctions—function as planned, increased employment among welfare recipients and among similar parents who would otherwise be eligible for welfare could be expected. The effects of the incentives, supports, and sanctions, however, could be muted if the incentives, supports, and sanctions are not sufficiently strong, if job opportunities are not plentiful, or if there are other applicants contending with welfare recipients for the same jobs.

Had the work requirements been implemented for all recipients on the first day of reform, a dramatic rise in local unemployment could have been expected. However, since policymakers shaped a program allowing recipients to enter the labor market gradually, this may have given the region's dynamic economy time to create jobs to help absorb welfare parents into the workforce. (Reference is made here to *net* job creation—an increase in the total supply of jobs—which occurs when more new jobs are created than older jobs destroyed.)

There are some pressing questions to ask about job creation and welfare reform. Can Los Angeles County create enough jobs to absorb all welfare recipients? Will another recession halt or even reverse progress in moving recipients into the labor market? Will the Los Angeles County economy create the types of jobs that welfare recipients can fill? Will the jobs welfare recipients take pay above-poverty wages?

Some of these questions are answered in this section, while others are deferred to CES's next report on the success of welfare-to-work. In addition, we discuss how welfare recipients' labor force participation may affect the working poor parents and individuals with whom welfare parents are competing for jobs. Finally, we present and analyze Los Angeles County employment trends among single mothers and welfare participants in the aftermath of welfare reform.

Recession

Welfare researchers throughout the country have documented how a booming economy facilitates recipients' transition off welfare and into the workforce. Although certain researchers believe that declining welfare caseloads are unrelated to job prospects,⁴⁹ there is broad consensus among researchers that the booming economy has been a significant cause of falling welfare dependence. On the eve of welfare reform, a study by the Council of Economic Advisers estimated that 31-45 percent of caseload changes through 1996 were due to economic factors.⁵⁰ In the aftermath of welfare reform, researchers have found declining unemployment rates to be responsible for 9-19 percent of the decline in caseloads.⁵¹

Although a strong economy has greatly aided recipients in becoming workers, the role of an expanding economy in facilitating the transition of welfare parents into work may decline over the coming years. Should a recession occur in the

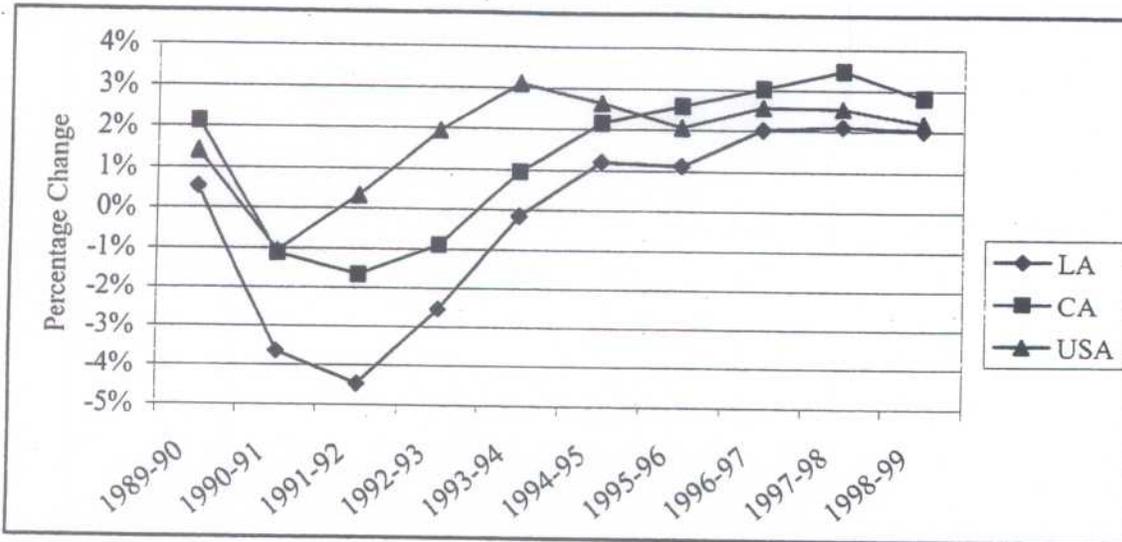
near future, job prospects for welfare recipients will decline. The labor market becomes much less competitive when the economy is booming, making it easier for welfare recipients to find and retain jobs. Conversely, during periods of slow growth and recession, welfare leavers are more likely to lose their jobs, and recipients will face stiffer competition for job openings. Further, the economic support provided by a recipient's partner would also tend to decline during periods of slow growth. Thus, recession will tend to drive up the welfare caseloads by making it difficult to leave the welfare system, and will cause unemployed parents to remain dependent on welfare.

The Los Angeles County economy has been steadily creating jobs—both skilled and unskilled—for several years. In the past year, local economic growth has finally caught up with the national trend for the first time in ten years. Although the national and local economies continue to expand, labor growth has slowed in the last several years. The State and national labor growth rates displayed in Figure 12 indicate that economic

growth has already slowed somewhat in the labor market. Similarly, national income (Gross Domestic Product) growth began to slow in 1997.⁵²

Since the earliest economic monitoring efforts in 1854, new business cycles have started in the United States roughly every five years. If history is a guide, it would appear inevitable that a recession will occur sometime in the next few years. The current economic expansion is already the longest peacetime expansion in recorded American history. History also indicates that Los Angeles County has experienced each of nine post-war recessions along with the rest of the country. Recently, Los Angeles County spent longer in recession than did the rest of the country; it nonetheless went into recession at roughly the same time.

Figure 12: Employment Growth, 1989–1999



Source: United States Bureau of Labor Statistics

Note: Employment growth is the percentage change in annual average employment. The reader should be cautioned that declining *growth rates* do not imply that employment levels have fallen, only that they are growing more slowly.

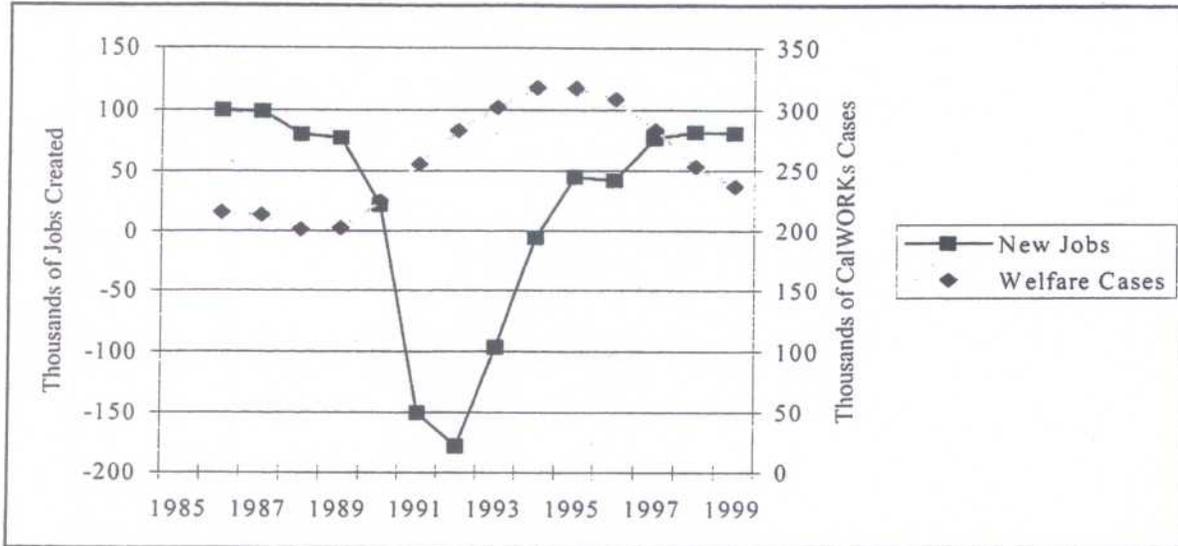
When a recession occurs, there is an expectation that job opportunities in industries particularly sensitive to the business cycle will diminish. Marginal workers will have greater difficulty finding and retaining jobs in an increasingly competitive labor market. A more competitive labor market will cause decline or stagnation in real wage growth, particularly for unskilled jobs.⁵³

The extent to which a recession will reverse caseload declines will depend on the timing of the recession, access to unemployment benefits, and the competitiveness of single mothers in the recessionary job market. Although unemployment insurance will cover some of the mothers and their partners, if any, unemployment benefits do not completely replace lost earnings and provide no coverage for those former welfare recipients who had just begun to work in the 12-18 months prior to being laid off. Clearly, single mothers will apply for welfare when the cyclical jobs they often hold,

such as department store cashier and hotel maid positions, are eliminated. When the cyclical jobs that working class men tend to hold begin to disappear, this is also likely to affect single mothers. For many low-income mothers with nonmarital partners, especially live-in nonmarital partners, a downturn in men's employment may mean a loss of vital income. Thus, a recession is likely to have both direct and indirect effects on the propensity of poor single mothers to apply for aid.

Although recession will clearly create temporary setbacks in the success of welfare reform, it may not *necessarily* undermine reform over the long run. Prior to the recession of the early 1990s and during the last few years, Los Angeles County has on net created between 50,000 and 100,000 jobs annually (see Figure 13). The problem is that welfare recipients are not necessarily competitive with other applicants for these jobs.

Figure 13. Welfare Caseload and Net Job Creation, Los Angeles County, 1985–1999



Source: United States Bureau of Labor Statistics; California Department of Social Services.

Note: Net job creation is the net change in the number of jobs held by Los Angeles County residents. Welfare cases are AFDC/CalWORKs cases including both single- and two-parent families.

Unskilled Job Creation

Even if Los Angeles County creates an adequate quantity of jobs, this does not mean that welfare recipients are qualified for these jobs. In order to assess how economic growth can help move welfare recipients into the workforce, it is important to focus on the types of jobs available to welfare recipients. Because of their low basic skills, welfare recipients cannot access the vast majority of jobs.⁵⁴ Los Angeles County welfare recipients have particularly low basic skills, partly because many have limited education while others have limited English-speaking skills.⁵⁵ Some researchers have concluded that Los Angeles County lacks a sufficient supply of low-skill jobs to absorb all welfare recipients into the workforce. Welfare recipients are much more likely than other Angelenos to get jobs in certain types of businesses, such as apparel manufacturing, department stores, beauty shops, temporary help agencies, nursing homes, child care facilities, and private households.⁵⁶ Studies indicate that welfare mothers are much more likely than the typical

worker to find jobs as maids, textile workers, cashiers, nursing aides, child care workers, and waitresses.⁵⁷

Strong job growth in recent years has meant that even the uneducated and the unskilled have been able to access the local labor market.⁵⁸ Job growth in the industries employing disproportionately high numbers of welfare recipients has been relatively strong over the last several years (see Table 8). Growth in occupations caring for the elderly has been strong and will continue to be fueled by the aging of the population. The local apparel industry has grown quickly, despite lackluster performance in the rest of the country. With the exception of department stores, growth in the low-wage industries has been particularly strong in recent years in Los Angeles County.

A single parent *can* support three children at a level just above the poverty line if she works full-time and year-round at the current \$5.75 minimum wage, if she receives Food Stamps and free school meals, and if she takes advantage of the

Federal EITC. So, it can be expected that welfare *leavers* will have trouble making ends meet if they are unable to find full-time work or if they are unable to remain steadily employed throughout the year. This is why it is important to understand unskilled welfare recipients' prospects for full-time, year-round work. In fact, job opportunities for less qualified workers do not offer much promise for high earnings or steady advancement. The jobs carry with them a high risk of recurring unemployment and layoffs. Significant proportions of these types of jobs are on a part-time schedule.⁵⁹ Average yearly earnings in these industries are low compared with the Countywide average. However, earnings growth in these industries has kept pace with the Countywide

average during the 1990s. Setting aside the fast-growing temporary help and home health care industries, average annual pay among employers of welfare recipients has risen about 20 percent in unadjusted dollars since the recession. Increases in the minimum wage in 1996 and 1998 helped sustain wages in these industries.⁶⁰

Clearly a low-wage job can lift a recipient out of poverty; however, such jobs do not likely provide upward mobility for most recipients. For the most part, welfare recipients might enjoy upward mobility if they invest in their skills and education or if growth in moderately skilled jobs increases opportunities for the less-skilled.

Table 8. Employment and Real Earnings Growth, Selected Industries, Los Angeles County, 1991-1998

	1991-1998		1998
	Employment Growth	Real Earnings Growth	Jobs (1,000s)
	%	%	
<i>All Industries</i>	-1	4	3,947
<i>Selected Industries</i>	16	3	849
Apparel Manufacturing	8	-9	110
Department Stores	-10	-1	62
Food Stores	4	7	92
Restaurants and Bars	11	3	241
Hotels	2	12	42
Private Households	37	3	42
Laundry Services	6	4	18
Beauty Shops	8	-3	11
Building Services	20	0	30
Temporary Help	71	-11	121
Nursing and Personal Care	19	10	41
Home Health Care	116	-10	11
Child Care	39	9	13
Residential Care	15	2	16

Source: CES calculations from Unemployment Insurance records provided to CES by EDD.

Note: Industries listed are those found by the Economic Roundtable to be most likely to employ welfare recipients in Los Angeles County.

Wages and Welfare Caseloads

The success of welfare reform in promoting employment and self-sufficiency depends not only on the availability of jobs accessible to welfare recipients, but also on the earnings the available jobs offer. If the earning power of welfare parents is low, welfare programs will have difficulty moving recipients off of cash assistance and towards self-sufficiency. When their potential earning power is strong, parents are likely to be more motivated to

find and keep jobs. Parents who cannot find steady, full-time work paying wages much above the minimum, however, will have limited incentives to leave welfare and will probably not be able to support their family at a level above the poverty line if they do leave. Increases in the California minimum wage to \$6.25 in January 2001, and \$6.75 in January 2002, should help, but minimum wage workers will still have difficulties supporting a family at a level above the poverty line.

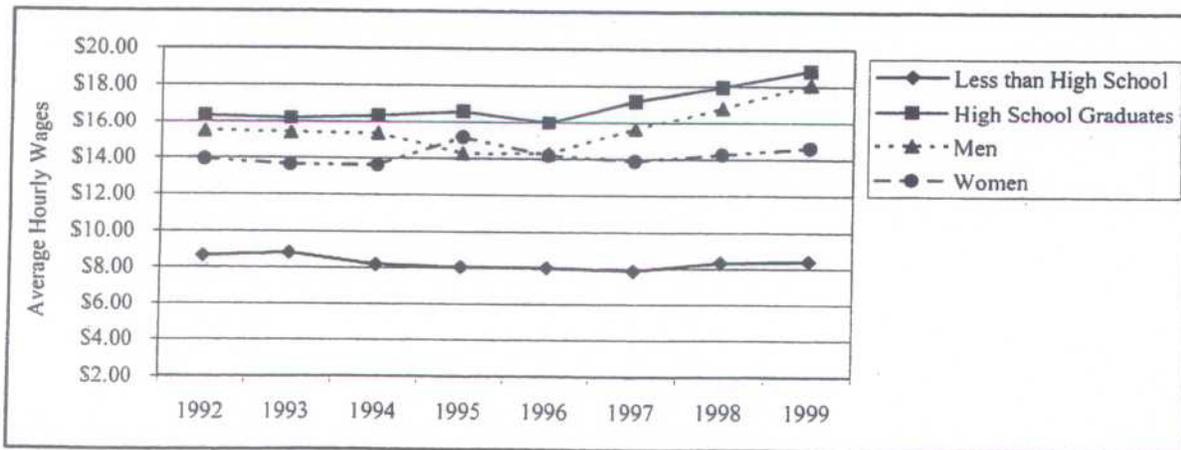
Real wages have grown more slowly in Los Angeles County than in the rest of the country over the past decade. Because unemployment in Los Angeles County has been consistently higher than in other parts of the country since the early 1990s, this is hardly surprising. Fortunately, wages in the local economy have begun to rise recently as labor demand has increased and unemployment has fallen (see Appendix B).

Real wages for high school graduates and for male Angelenos have risen in recent years, as Figure 14 indicates. Men's real wages have risen more dramatically because the recent economic expansion in Los Angeles County seems to have favored the types of jobs men are more likely to perform. Another reason men's wages have risen more quickly than women's wages is that women's labor force participation has been rising at a faster rate. When more women enter the labor force, there is greater competition for jobs typically performed by women, slowing the growth in real wages. As seen in Figure 15, the decline in

unemployment rates among men has been more rapid than the decline rates among women.

Real wages for high school graduates have risen in recent years, whereas wages for high school dropouts have remained fairly flat in Los Angeles County. Flat wage growth for high school dropouts has occurred even though there have been rapid declines in unemployment among high school dropouts. Recent migration patterns have reduced the supply of educated workers and increased the supply of uneducated workers. Population estimates indicate that the Los Angeles County labor force has become increasingly Latino and decreasingly White due to the emigration of young, White adults out of the County, as well as the rapid migration of middle-aged Latinos into the County. Given that the White youths migrating out of the Los Angeles County tend to be more educated than the immigrants attracted to the County, there is good reason to believe that the supply of educated workers in the local economy has declined in recent years.

Figure 14. Average Hourly Wages, Los Angeles County, 1992-1999



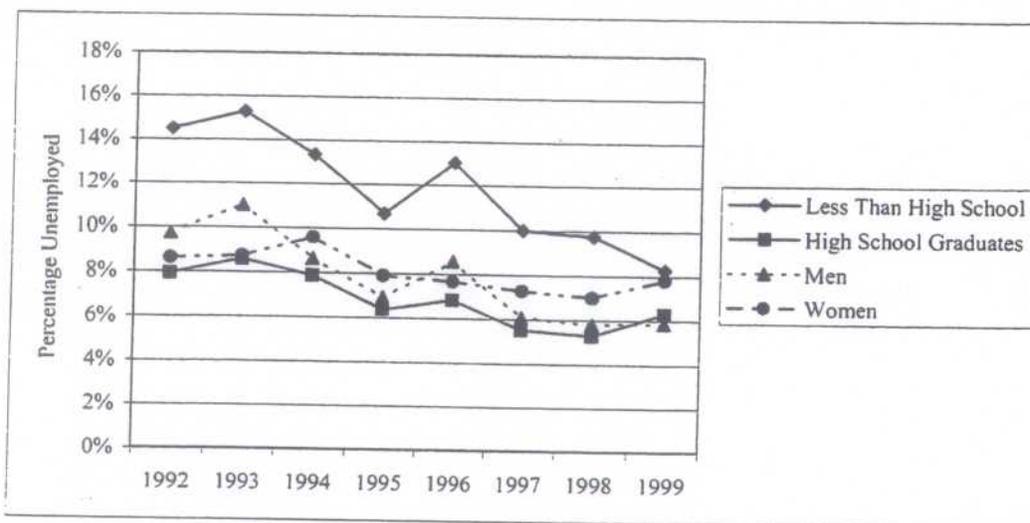
Source: CES estimates of average wages on an hourly basis. Current Population Survey Outgoing Rotations File; United States Bureau of Labor Statistics.

Note: Real wages in 1999 dollars.

The Los Angeles County trend in wages for unskilled workers follows the national trend over the past few decades of real wage growth among more educated workers and flat or even negative real growth for less educated workers. In particular, the economy has increasingly rewarded college-educated workers for several reasons.

First, they are more likely to have computer skills, which are in ever-increasing demand. Second, they tend to work in industries that do not compete against firms in low-wage foreign countries. Third, persons with less than high school education are often immigrants who lack English skills valuable to employers.

Figure 15. Unemployment Rates by Education and Gender, Los Angeles County, 1992–1999



Source: Current Population Survey Outgoing Rotations File.

Note: Annual average unemployment rates.

Impacts on the Working Poor

By requiring most aided adults to seek employment, welfare reform causes an increase in the supply of labor, which, by conventional economic logic, should either increase unemployment, depress wages, or both. Economists do not expect the influx of welfare recipients into the workforce to have significant impacts on the labor market as a whole.⁶¹ However, they do anticipate adverse impacts on the low-skilled workers competing with welfare recipients.⁶²

To what extent will the labor supply increase result in the displacement of other non-CalWORKs

workers and to what extent will it reduce wages? Labor economists believe entry of welfare recipients into the labor market will initially lead to the displacement of other workers with similar labor market characteristics. They predict welfare recipients who succeed in finding jobs will usually displace other less-skilled working women in the early years after the labor supply increase. Over time, the displaced workers will find jobs and the overall effect will be felt in unskilled workers' wages.

There is some evidence that this may already be happening. Current Population Survey data indicate that unemployment among female heads of household has risen, and that the wages of

female heads of household have declined relative to those of other less-educated women. Although the increasing labor force participation among single mothers has increased their unemployment rate, it is less clear whether it has reduced wages for other less-educated women. If the single mothers who recently began working have fewer skills than their counterparts with lengthier work histories, this in itself would reduce average wages without necessarily affecting the wages of the women with longer work histories.

Further research comparing the skills and wages of former recipients to other single mothers could clarify this question. In the course of its research on the GAIN welfare-to-work program, CES hopes to learn in greater detail about recipients' and leavers' employment characteristics. Knowing more about the jobs current and former welfare recipients hold will help in identifying others with whom they may be competing for work. This information will help us come to firmer conclusions about the wage and displacement effects of welfare reform.

Work Participation and Earnings of CalWORKs Recipients

The Federal Welfare Reform Act requires states to ensure that at least 40 percent of aided parents during 2000 are engaged in work or work-related activities for at least 30 hours per week. States that fail to meet this goal, and that have not accumulated sufficient credits for reducing their welfare caseloads, face financial penalties. More stringent are the Federal requirements regarding two-parent households; states now need to ensure that 90 percent of two-parent welfare families have at least one parent working or participating in welfare-to-work activities for a total of at least 35 hours per week. Meeting the high work participation requirements for two-parent families has been problematic; only 25 percent of California two-parent families worked the required number of hours in 1997, and, despite an increase, only 36 percent met requirements in

1998. The difficulty of meeting the two-parent requirement has caused several states, including California, to establish separate, State-funded two-parent programs that are not subject to the Federal participation requirements.⁶³

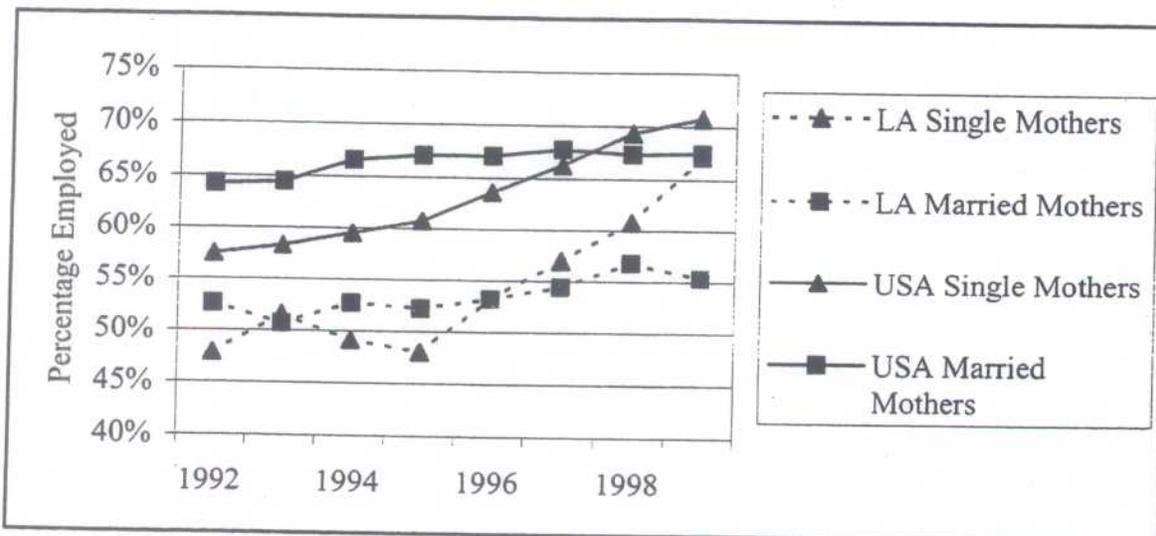
Welfare-to-work activities encompass much more than finding employment. Those welfare recipients who cannot find jobs must participate in the County's core employment program for participants with a work requirement. The GAIN program predates welfare reform by ten years, and continues to assist recipients with job training, job search, child care, and other services.

Welfare reform has dramatically increased the numbers of participants served by the GAIN program. Using a gradual phase-in process, GAIN has been able to enroll all those who are required by law to participate in welfare-to-work activities. The County has also enrolled recipients who voluntarily comply with welfare-to-work requirements, and has begun to sanction recipients who fail to meet their GAIN participation requirements.

Labor Force Participation Among Single Mothers

Single mothers have rapidly joined the workforce over the last decade. At the beginning of the decade, married mothers were more likely to work than were single mothers. Single mothers have become increasingly likely to work, while married mothers' likelihood of working has not significantly changed (as seen in Figure 16). The trend began to accelerate in 1995, several years prior to the implementation of welfare reform. Single-mother employment has risen throughout the country. In Los Angeles County, the increase since 1995 has been even more dramatic, with the odds of a single mother working increasing from one-in-two to two-in-three. Single mothers are now more likely than their married counterparts to work.

Figure 16. Employment Rates of Mothers, 1992–1999



Source: CES calculations based on Outgoing Rotations Current Population Survey, 1992–1998 and March 1999.

Note: Adults aged 18-59 residing in single-mother or two-parent families with minor children. The employment rate is the percentage of the specific population that reports being employed.

Although real wages have continued to grow for married mothers, they have been flat for the last several years among single mothers. This indicates that the labor supply increase has outpaced the expansion in job opportunities accessible to single mothers. If single mothers behave as economists would expect, they are joining the labor force in response to incentives; however, in this case the single mothers are clearly not responding to wage growth. Thus, the labor supply increase among single mothers would appear to be a response to non-market incentives, such as the incentives created by social policy. The increased generosity of the EITC has helped make work more attractive to relatively unskilled workers (described above in the Policy Environment section). Welfare reform may also have played a significant role, even though the trend predates the passage of the Federal reform bill. Welfare-to-work programs like Los Angeles County's GAIN program had been in operation

since the late 1980s, albeit with a much smaller mandatory population. In addition, time-limited welfare began to be discussed seriously by Federal policymakers several years prior to official approval of the reform package. It is possible that the "announcement effect" of welfare reform proposals helped accelerate the tendency of single mothers to work.

The Labor Force Participation of Welfare Recipients

The task of moving families from welfare to self-sufficiency becomes more difficult as the caseload declines, as it has for several years. As adults with stronger employment skills and more work history move into steady employment and off welfare, the remaining families are longer-term recipients with fewer employment skills and more barriers to employment. This may be one reason why employment rates among aided welfare recipients stayed relatively flat over the period

between April 1998 and October 1999. Employment did increase among aided adults overall during this period—but only from 30 percent to 32 percent, led by increases of just over 2 percent among both men and women in two-parent families. The most dramatic development over this period was the success of the Los Angeles County DPSS in boosting the proportion of aided adults enrolled in welfare-to-work activities. Counting both employment and welfare-to-work together, participation increased from 46 percent in April 1998, to 64 percent in October 1999. The most dramatic increases were among women in single-parent families, primarily single mothers.

For the first 18 to 24 months of their welfare-to-work participation (depending on when they began receiving aid, as discussed previously), welfare recipients can meet their work requirements without actually securing employment. According to their needs, they may become involved in job search activities, job training, short-term remedial education, or other programs designed to help

them find or prepare for employment. Most recipients without full-time jobs are initially channeled into the Job Club, a program that involves motivational exercises, job-seeking skills training, and job search activities. Those who do not find full-time work after three weeks of Job Club are evaluated for skill deficits or other barriers and may be channeled into job training programs.

Figure 17 illustrates these trends in employment and welfare-to-work participation. The two bottom stripes in the figure represent the proportions of aided women in CalWORKs/FG cases who are employed and not enrolled in GAIN, and who are employed and also enrolled in GAIN, respectively. Although the former shrank and the latter swelled between 1998 and 1999, the total employment among these women grew by less than 1.5 percent. Likewise, the proportion of nonworking aided women remained roughly the same, but more and more of them enrolled in GAIN over this period.