

# Welfare and Poverty Trends in California

In 1996, Congress enacted the most sweeping welfare reform since the 1960s. In addition to allowing states more flexibility in designing their own welfare programs, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) eliminated Aid to Families with Dependent Children (AFDC) and replaced it with Temporary Assistance for Needy Families (TANF). TANF is currently authorized only through September 2002, and Congress will therefore review funding levels this year. In doing so, it is likely to reopen many welfare policy issues, including the goals of TANF.

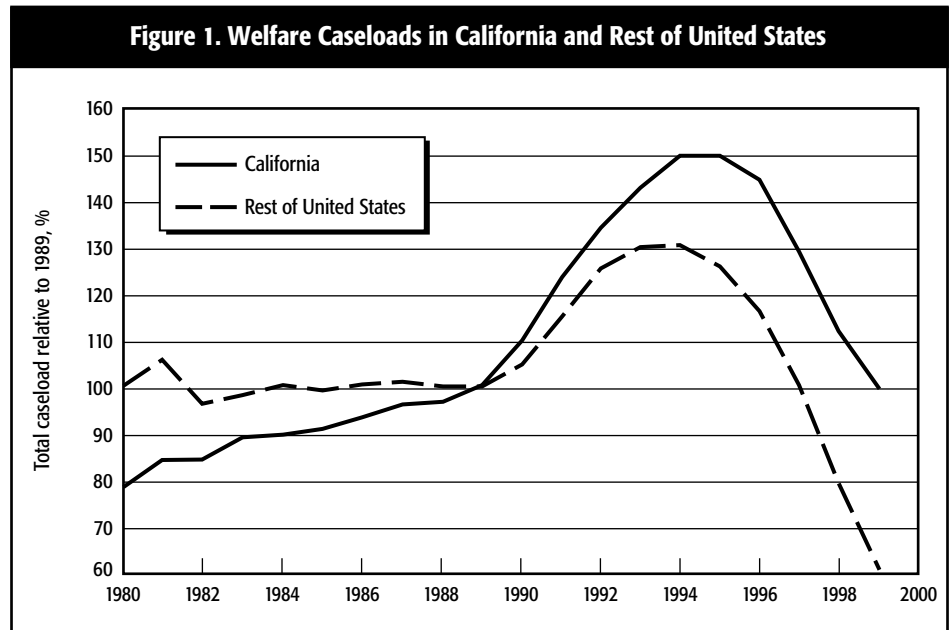
The reauthorization process provides a natural occasion for reviewing California's welfare policies and caseload trends. Two factors in particular distinguish California's policy-making challenges and priorities: the demographic characteristics of the state's caseload, and its relatively generous program benefits and sanctions. Several PPIC and PPIC-sponsored publications have examined these and related issues, and some key findings are presented below.<sup>1</sup>

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## What has happened with welfare caseloads in California and the nation?

Caseloads have dropped dramatically both in California and the rest of the nation (Figure 1). National welfare participation has declined 62 percent from its 1994 peak, and reciprocity rates are lower than at any time since 1963. Since federal welfare reform

<sup>1</sup> A complete list of sources appears at the end of this document. Some statistics cited in this document have been updated since these reports were published.



*Welfare caseloads have declined sharply since the mid-1990s.*

was enacted in 1996, California's welfare caseload has dropped 46 percent, a decline that ranks 42nd among all states.

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### Why is California's caseload decline smaller than the national average?

Since 1996, policy differences at the state level have been the most important factor in explaining caseload variations. California is one of the most generous states in terms of both benefits and sanctions. It offers large grants, has the highest income cutoffs, and allows children to continue receiving public assistance after their parents are sanctioned or have reached their time limits. Compared with the policies of other states, California's are meant not only to encourage welfare recipients to work but to maintain a safety net for their children. PPIC research estimates that the state's caseload decline would have topped 60 percent if California had adopted the welfare policies of the average state.

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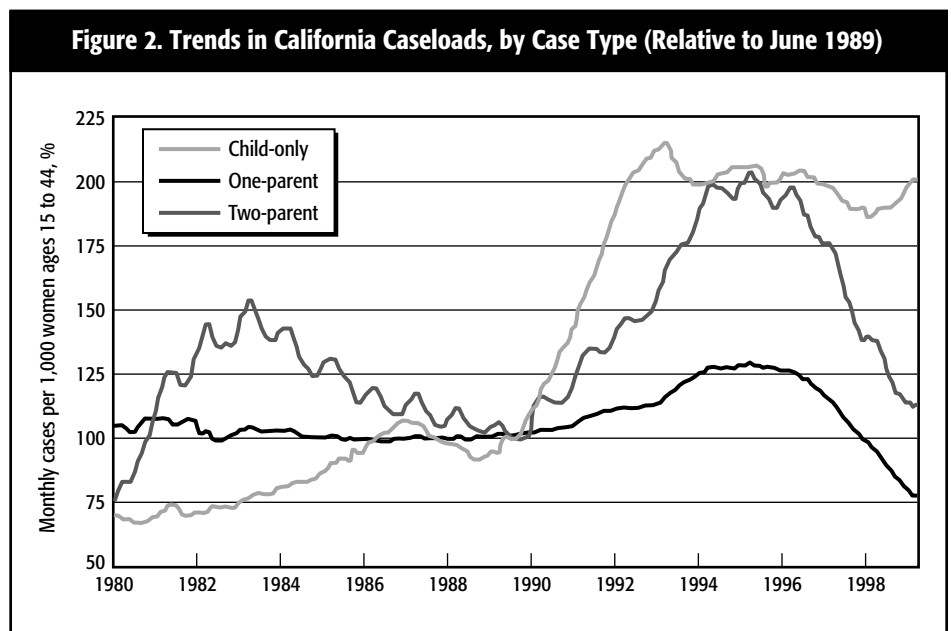
### Which kinds of families are most likely to receive welfare in California?

Over half of California's welfare caseload (55 percent) consists of single parents receiving aid with their children. Two-parent families account for 11 percent of the caseload, and the remaining 34 percent of cases are "child-only" cases in which no adult receives aid. The child-only caseload doubled between 1989 and 1995, fueled in part by a rapid increase in eligible families with citizen children and noncitizen (often undocumented immigrant) parents. Moreover, there are now more than 30,000 cases in which adults have been removed for noncompliance with program requirements while their children continue to receive aid. Unlike other case types, the child-only caseload has not dropped significantly in recent years (Figure 2).

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### Which regions have the highest caseloads?

California's northern, mountain, and farm regions have the highest proportions of welfare recipients (Figure 3). Los Angeles has the highest caseload of the state's urban areas, and the San Francisco Bay Area has the lowest percentage of residents on welfare.



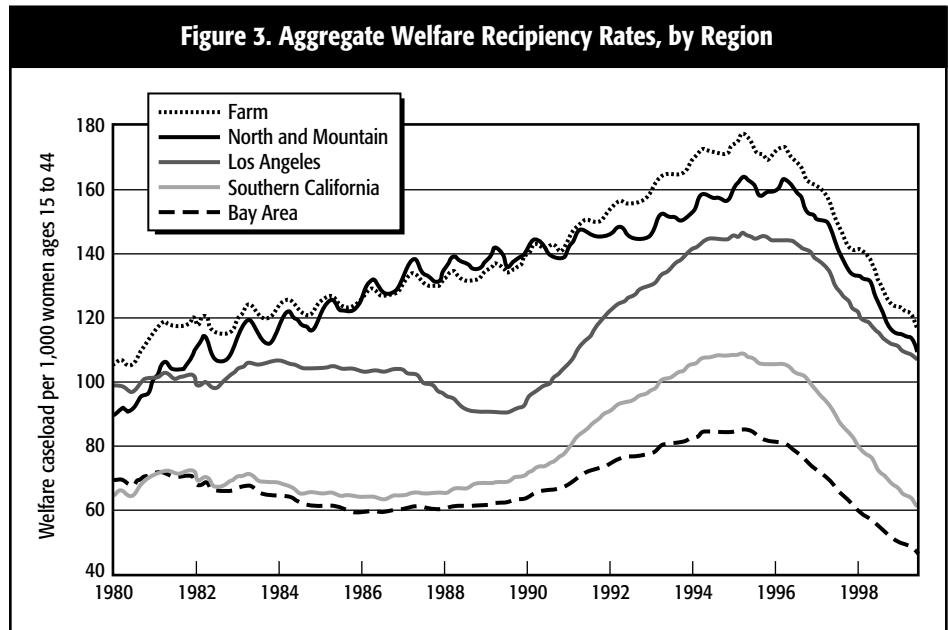
*"Child-only" cases increased sharply in the mid-1990s and have not declined at the same rate as other case types.*

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### Do Californians receiving welfare have adequate job skills?

One-fourth of all American adults have very low basic skills; that is, they cannot follow simple written directions for performing a single mathematical operation. In 1992, 41 percent of welfare recipients in California had very low basic skills compared with 24 percent for the rest of the nation.

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*California's farm, northern, and mountain regions have the highest welfare rates.*

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### Have employers been willing to hire welfare recipients seeking work?

Overall employer demand for workers leaving welfare has been strong, especially in the retail sector and among minority-owned businesses. Between 30 and 40 percent of Los Angeles employers surveyed in 1998 and 1999 said they had hired welfare recipients in the previous two years. These jobs paid an average wage of \$7.83 per hour and generally provided 40 hours of work per week. Employers contributed to health insurance approximately two-thirds of the time. The employers also reported that the welfare recipients they had hired performed as well as or better than other workers in the same jobs. However, hiring was very sensitive to job vacancy rates, suggesting that the demand for these workers would diminish significantly during economic downturns.

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### Do those leaving CalWORKs return to aid more or less often than previous welfare recipients?

Compared with those who exited AFDC in 1993, those who left CalWORKs in 1998 were significantly less likely to receive welfare 18 months later. Among single-parent families, for example, 27 percent of those who left welfare in 1993 returned to aid within a year, whereas the comparable figure for 1998 was 17 percent. The difference between the two figures is probably not related to economic conditions alone; the recidivism rate for single-parent families in 1988, for example, was also significantly higher (25 percent) than in 1998, although the economy was strong in both years.

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## Which families are among the least likely to leave assistance?

Families with disabled children are much less likely to exit welfare programs than are poor families with only healthy children. Many families with disabled children have left welfare and turned to federal aid in the form of Supplemental Security Income (SSI). According to PPIC estimates, the presence of a severely disabled child reduces a family's likelihood of leaving welfare by the same amount as a four-year reduction in the household head's educational attainment.

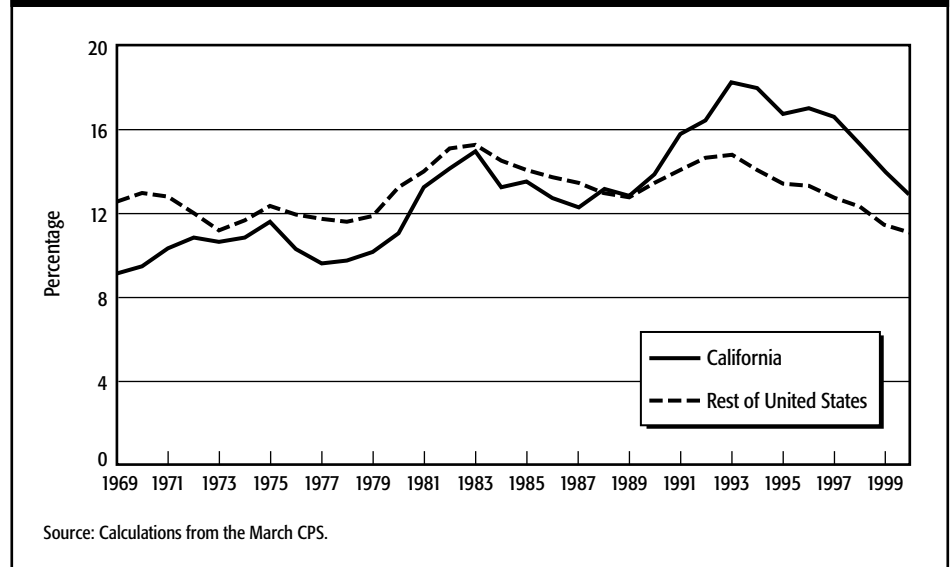
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## How does California's poverty rate compare with those of other states?

According to the official measure of poverty, 12.8 percent of Californians were poor in 2000 compared with 11 percent of those in the rest of the nation (Figure 4). However, this measure both neglects cost-of-living differences and masks sharp variations across California's regions and demographic groups. Between 1998 and 2000, for example, poverty rates for children, African Americans, U.S.-born Hispanics, and residents of San Joaquin Valley were closer to 20 percent. The California groups with the highest poverty rates were foreign-born Hispanics (27 percent) and female-headed households (37 percent).

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**Figure 4. Poverty Rates in California and the Rest of the United States, 1969–2000**



*Since 1989, California has had a higher poverty rate than the rest of the nation.*

## How many poor families in California have an adult working regularly?

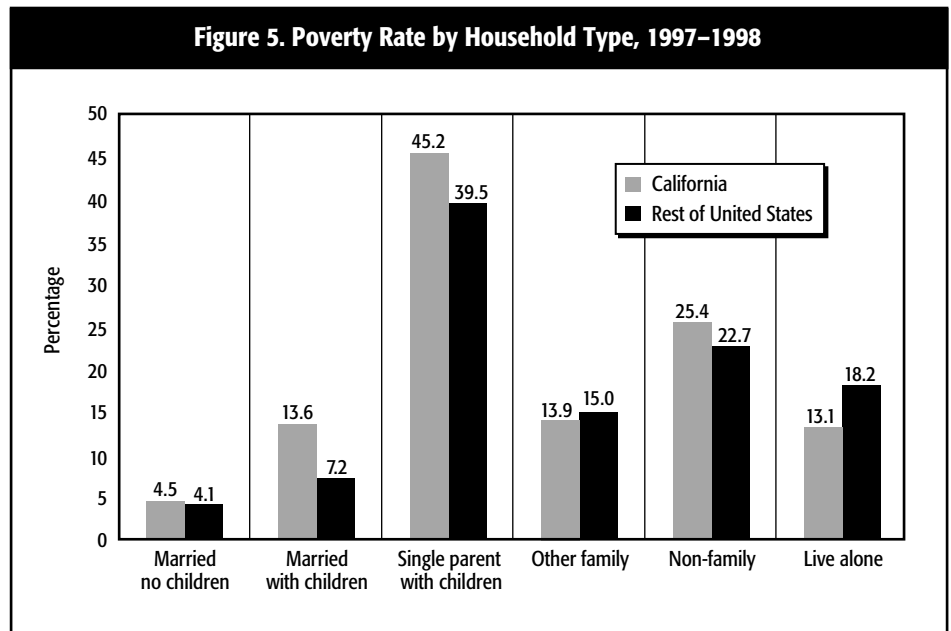
In 2000, almost 41 percent of poor families in California had an adult working more than 1,500 hours per year. Another 25 percent had a worker employed at least 200 hours per year. Work participation rates among the poor have been substantially higher in California than in the rest of the nation.

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## What are the major trends in California's family and household poverty?

Although overall poverty in California declined in the late 1990s, the state's poverty rates have risen substantially since the late 1960s. The rise is mostly the result of changes in

poverty rates within two types of households: married couples with children and families headed by single parents (Figure 5). Poverty rates for these households have increased substantially in California even as they showed no change or declined in the rest of the nation. In California, higher poverty rates for both kinds of families can be attributed to the growing proportion of households headed by less-educated, often immigrant, adults. ▲



*Poverty rates for married adults with children are almost twice as high in California as in the rest of the United States.*

**For live links to PPIC research and other reliable sources on welfare and poverty, visit our new web page, “At Issue . . . Welfare Reauthorization” at [www.ppic.org](http://www.ppic.org).**

**PPIC Sources**

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