

What Drives California's Welfare Caseload?

In the years following welfare reform, caseloads have dropped dramatically both in California and in the rest of the nation. Nationally, welfare participation has fallen 47 percent from its 1994 peak, yielding a reciprocity rate lower than at any time since 1970. California's drop has amounted to only 30 percent, placing it eighth from the bottom among U.S. states. This smaller decline is largely the result of California's much higher participation rate before 1994. During the early 1990s, California's welfare reciprocity rates grew by 50 percent, far faster than in the rest of the nation. In *The Rise and Fall of California's Welfare Caseload*, Thomas MaCurdy, David Mancuso, and Margaret O'Brien-Strain identify four key factors in the rapid rise and subsequent fall in welfare reciprocity in California. Analyzing the changing influence of these factors over time, their report also shows how welfare experiences vary widely across California's regions.

Case Types and Caseloads

Although the stereotypical welfare family is a single parent receiving aid with her children, such families represent only 55 percent of current welfare cases in California. The remaining cases are either two-parent families receiving aid (11 percent) or families in which no adult receives aid (34 percent). In California, these "child-only" cases are predominantly citizen children with undocumented alien parents. The three case types – single parent, two-parent, and child only – have experienced different trends over the last two decades. For example, between 1989 and the caseload peak in 1995, the child-only and the two-parent caseloads doubled, but the number of single-parent cases grew by just over 25 percent. Since then, the number of one- and two-parent cases has dropped substantially, but the child-only rate is heading back toward peak levels.

The authors found that the influences of four key factors—the economy, demographics, immigration, and welfare reform—varied over time and by case type.

- **The economy:** Reciprocity rates by region track closely with underlying unemployment rates. In particular, much of the rise in caseloads in the early 1990s was driven by the recession. This was especially true for two-parent cases, which seemed most affected by economic conditions. The economy also influences one-parent reciprocity, but the strength of this influence is subject to changes in nonmarital birth rates.
- **Immigration:** The legalization of 1.6 million California immigrants under the Immigration Reform and Control Act appears to have affected welfare caseloads in two phases. The child-only caseload skyrocketed during the five-year moratorium on welfare benefits for IRCA immigrants as the citizen children of these and newly arriving immigrants began receiving benefits. At the end of this period, cases appear to have switched from child-only to aided-adult cases, causing an additional jump in the one- and two-parent caseloads even as the California economy began its recovery.
- **Birth rates:** Nonmarital birth rates appear to be an important determinant of one-parent welfare reciprocity. During the 1980s, the strong economy helped offset the effects of a rising nonmarital birth rate, leaving reciprocity rates relatively unchanged in the urban regions. As the economy moved into recession in the early 1990s, however, the high birth rate helped increase caseloads. In the late 1990s, caseloads fell as both birth rates and unemployment rates declined. For child-only cases, the nonnative birth rate also appears to have increased reciprocity rates.
- **Welfare reform:** Although the caseload decline began well before the passage of the federal welfare reform, the declines grew steeper as reforms were introduced. Given that welfare reform was not fully implemented in California until late 1998 or early 1999, it appears that families left welfare in reaction to the reforms rather than because they were kicked off or helped off by welfare-to-work programs. An interesting exception is the

child-only caseload, which has begun rising again after the start of California's CalWORKs program. The authors attribute this increase to the CalWORKs sanction policy, which allows children to remain on aid when adults choose not to participate in the welfare-to-work program.

Regional Differences Within California

The report also analyzes the caseloads of five different regions: the Bay Area, Los Angeles County, other Southern California counties, the Farm Belt of the Central Valley and Central Coast, and the North and Mountain counties.

- **The San Francisco Bay Area:** The Bay Area has the lowest welfare reciprocity rate in the state and has seen the greatest percentage decline in welfare reciprocity over the last five years. This success stems from a relatively mild recession in the early 1990s, low nonmarital and immigrant birth rates, and a disproportionately small share of undocumented immigrants.
- **Other Southern California counties:** Welfare reciprocity rates in Southern California (excluding Los Angeles) were almost identical to the Bay Area's in the early 1980s but are 30 percent higher today. Southern California had significant increases in both native nonmarital and immigrant birth rates in the early 1990s. It also has absorbed more undocumented immigrants, including those legalized under IRCA.
- **Los Angeles County:** Los Angeles has experienced the smallest caseload declines of any region of the state. Los Angeles has always had the highest reciprocity rates of the urban regions, but it experienced particularly steep increases in the early 1990s. The deeper recession and high nonmarital birth rates clearly contributed to the rapid growth of welfare reciprocity in Los Angeles. But by far the most striking factor affecting Los Angeles is the massive surge in the number of child-only cases from late 1989 until early 1993. The fact that this period coincides with both rising nonnative birth rates and the five-year IRCA moratorium on welfare receipt suggests that these new child-only cases are largely families with immigrant parents. After the end of the IRCA

moratorium, child-only reciprocity abruptly levels off, and there is a concurrent jump in the aided-adult case types.

- **Farm Belt:** The San Joaquin Valley, Sacramento Valley, Central Coast, and Imperial County had high and growing welfare reciprocity rates from 1980 to 1996. These increases were driven by consistently high unemployment and the highest nonmarital birth rate in the state. With an economy dependent on agriculture, two-parent reciprocity rates also display wide seasonal variation. As home to a large number of farm workers, the region has a high percentage of child-only cases, following a pattern similar to that in Los Angeles. Despite these problems, caseloads in the Farm Belt have dropped more in absolute terms than anywhere in the state.
- **North and Mountain counties:** The rural far northern and mountain counties in California share many of the problems of the Farm Belt. In particular, this region faces very high and highly seasonal unemployment and high rates of nonmarital births. It also has much higher welfare reciprocity rates than the metropolitan regions. Since the early 1990s, the North and Mountain region has performed somewhat better than the farming areas, an outcome consistent with its disproportionately low share of immigrants. In recent years, reciprocity rates have dropped nearly as much here as in the Farm Belt; however, the rising child-only caseload suggests that many North and Mountain families are affected by CalWORKs sanctions.

Conclusion

The authors found that welfare reform has significantly reduced caseloads in the state, with large overall declines in absolute terms. In addition, the one-parent caseload has fallen dramatically in percentage terms, following the same pattern with only a slight lag compared to the national trend. Still, the report points to important issues for the state's evolving welfare policies, including the ongoing economic challenges facing rural areas in the state, the side effects of CalWORKs sanctions, and the effects of undocumented immigration.

This research brief summarizes a report by Thomas MaCurdy, David Mancuso, and Margaret O'Brien-Strain, The Rise and Fall of California's Welfare Caseload: Types and Regions, 1980-1999 (2000, 78 pp., \$7.00, ISBN 1-58213-053-1). The report may be ordered by phone at (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.
