

The Rise and Fall of California's Welfare Caseload: Types and Regions, 1980–1999

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2000

PUBLIC POLICY INSTITUTE OF CALIFORNIA

Library of Congress Cataloging-in-Publication Data

MaCurdy, Thomas E.

The rise and fall of California's welfare caseload : types and regions, 1980–1999 / Thomas MaCurdy, David Mancuso, Margaret O'Brien-Strain.

p. cm.

Includes bibliographical references.

ISBN 1-58213-053-1

1. Public welfare—California. 2. Public welfare—California—Statistics. I. Mancuso, David, 1967– II. O'Brien-Strain, Margaret.

HV98.C3 M33 2000

362.5'09794'09048—dc21

00-040313

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Foreword

In the four years since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act, new state-level welfare policies have been implemented throughout the country. During the same time, California and the nation have experienced unprecedented growth in jobs for both high-skilled and low-skilled workers. Not all Californians have benefited from this good fortune, however, and an important question remains unanswered: Do recent caseload reductions show that welfare reform was just the thing needed to nudge the hesitant worker into the labor force, or will the new rules and time limitations prove to be too much and too harsh for most indigent families?

The jury is still out on this question, but *The Rise and Fall of California's Welfare Caseload* begins to approach it by offering a detailed analysis of the economic, demographic, and regional factors that drive California's caseload trends. Working under the auspices of the PPIC-funded California Social Policy Analysis Project, Thomas MaCurdy, David Mancuso, and Margaret O'Brien-Strain conclude, among other things, that the economy has played a very big role in caseload reductions, but that welfare reform has also played an unmistakable role.

The report also points out important differences between California's caseload and the national profile. In particular, California's caseload has fallen more slowly and has a larger share of two-parent and child-only cases. Although the rise in child-only cases signals California's commitment to a safety net, such cases are not served by welfare-to-work programs. If this caseload continues to rise in future years, the State of California, not the federal government, may very well pick up the lion's share of the cost. Nevertheless, California's overall welfare caseload is declining and is now at its lowest level since 1989.

Given the intense national interest in the consequences of welfare reform, it is not too early to take a careful look at the composition of the welfare caseload, to assess the role of the strong economy in reducing it,

and to look at national immigration policy as a contributor to welfare trends in California. The authors take on all these issues and more. Although the initial indicators are encouraging, the long-term picture might be otherwise. California has gained from a substantial supply of low-wage labor, but it still faces the challenge of helping those who cannot help themselves. This much is clear from the growth in the number of child-only cases. Only time will tell whether current policies are sustainable. Meanwhile, PPIC will continue to monitor this transformation of social policy in California and will work to provide decisionmakers with analysis in a timely fashion.

David W. Lyon
President and CEO
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Summary

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, however, masks a larger absolute drop in California's welfare rate than elsewhere in the nation; the smaller percentage change for California is the result of our state's much higher participation rate in the mid-1990s. During the early 1990s, California's welfare reciprocity rates grew by 50 percent, far faster than in the rest of the nation. Thus, in 1994, one in five U.S. welfare recipients lived in California. With caseloads dropping nationally, California was home to one in four of the nation's welfare recipients by 1999, double our share of the U.S. population overall.

Four crucial factors help explain the rapid rise and subsequent fall in welfare reciprocity in California: the economy, immigration, birth rates, and welfare reform. This report assesses the role of these various factors by exploring how caseload trends differ by case type and region within California. Our analysis relies on comparisons of time trends revealed in county-specific administrative caseload, demographic, and economic data, as well as the timing of important policy changes such as the state and federal welfare reforms and the Immigration Reform and Control Act of 1986 (IRCA). Our analyses of county caseloads not only reveal the changing influence of different factors across time, they also unequivocally demonstrate that experiences across regions in California vary widely—disabusing the notion that a single experience characterizes our state.

Case Types are Key to Understanding Caseload Determinants

The key to understanding welfare in California lies in disaggregating the caseload into different case types. Although the stereotypical welfare case is a single mother receiving aid with her children, single-parent 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.

Figure S.1 presents the trends in one-parent, two-parent, and child-only cases relative to their 1989 levels, controlling for population growth. The three case types clearly experienced different patterns in caseload 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 one-parent cases grew by just over one-fourth. Since then, the number of one- and two-parent cases has dropped substantially, but the child-only rate is heading back toward peak levels.

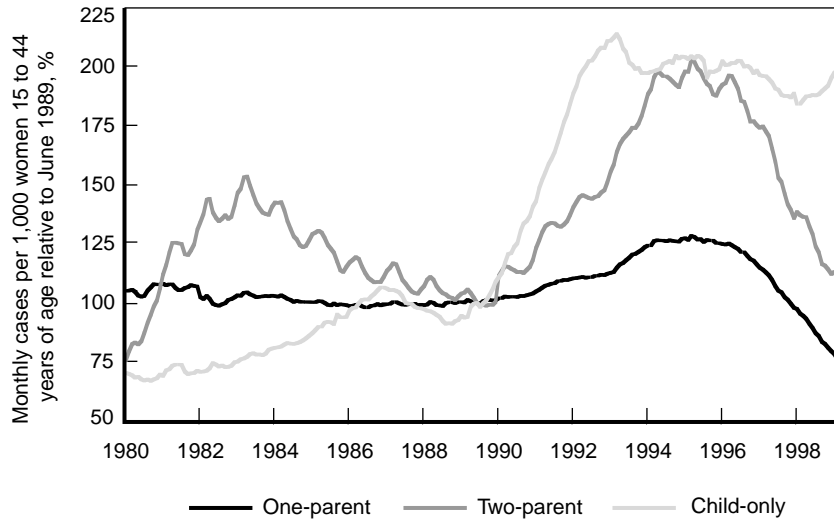


Figure S.1—Trends in California Caseloads, by Case Type

Our analysis finds that the influence of the economy, demographics, immigration, and welfare reform differs by case type and by period:

- **The Economy:** Clearly the economy plays a fundamental role in caseloads. The ranking of reciprocity rates by region tracks closely with the underlying unemployment rates. Further, much of the rise in caseloads in the early 1990s was driven by the recession. This was especially true for the leap in two-parent reciprocity, as two-parent cases seem most affected by economic conditions, including both seasonal and business cycle effects. The economy also influences one-parent reciprocity, but this effect is dampened or strengthened by rising or falling nonmarital birth rates.
- **Immigration:** The legalization of over 1.6 million California immigrants under IRCA appears to have had a large effect on welfare caseloads, with effects occurring in two phases. First, during the five-year moratorium on welfare benefits for IRCA immigrants, the child-only caseload skyrocketed, as the citizen children of these and newly arriving immigrants came onto the caseload. Second, at the end of this period, cases appear to switch from child-only to aided adult cases, causing an additional jump in the one- and two-parent caseloads even as the California economy begins 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 this rising 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 drive up caseloads. In the late 1990s, caseloads fell as both birth rates and unemployment rates fall. For child-only cases, the nonnative birth rate also appears to have driven up 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. However, these caseload effects are not the direct result of the new welfare rules,

since welfare reform was not fully implemented in California until late 1998 or early 1999. That is, families appear to have left welfare in reaction to the reforms, rather than being kicked off or even helped off by welfare-to-work programs. An interesting exception is the child-only caseload, which has began rising again after the start of California's CalWORKs program. We 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.

The Economy, Birth Rates, and Immigration Explain Differences Across Regions

We can also break the caseload down into different regions of the state. Figure S.2 presents the aggregate caseload trends for five regions: the Bay Area, Los Angeles, other Southern California counties, the largely agricultural counties of the central valley and central coast grouped together into our Farm region, and the North and Mountain counties. There are wide disparities in reciprocity rates across the five

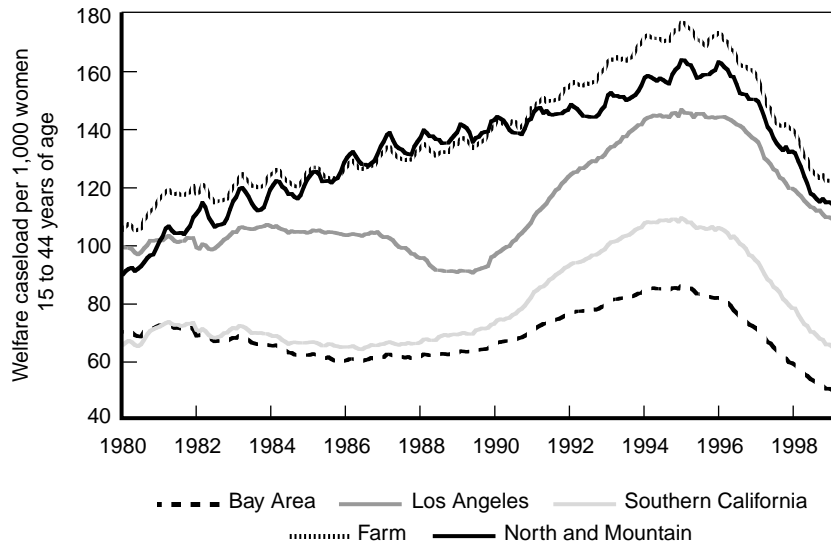


Figure S.2—Aggregate Welfare Reciprocity Rates, by Region

regions: At their peak, reciprocity rates ranged from 85 cases per 1,000 women in the Bay Area to 177 cases in the Farm Belt, a spread of more than 2 to 1. Of course, we should expect such wide variation in reciprocity rates, because the key factors that drive welfare caseloads in California—economic conditions, birth trends, and immigration – vary significantly across its regions:

- **The Bay Area:** The San Francisco 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. The Bay Area's success stems from a relatively mild recession in the early 1990s, low nonmarital and nonnative birth rates, and a disproportionately small share of undocumented immigrants, as indicated by IRCA legalizations.
- **Southern California:** Like the Bay Area, welfare reciprocity rates in Southern California (excluding Los Angeles) have fallen over 40 percent in the last five years. However, reciprocity in Southern California, which was almost identical to that in the Bay Area in the early 1980s, remains 30 percent higher than the Bay Area today. Southern California had significant increases in both native and nonnative nonmarital birth rates in the early 1990s and receives a significant number of undocumented immigrants, including those legalized under IRCA.
- **Los Angeles:** Los Angeles County 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 Farm Belt comprises the primarily agricultural counties of the San Joaquin Valley, Sacramento Valley, Central Coast, as well as Imperial County in the south. This region had high and growing welfare reciprocity rates for the entire period from 1980 through 1996, 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:** 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 births to unmarried mothers. 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 indicates that many North and Mountain region families are receiving CalWORKs sanctions.

Call for Further Research

We find 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 sanction policies, and the effect of undocumented immigration.

This research is just a starting point in a larger research agenda. As the issue of a safety net for children holding up the child-only caseload illustrates, caseload numbers and reciprocity rates are only one, imperfect measure of the success of the CalWORKs program in helping families and in moving them toward self-sufficiency. Further research, drawing on case- and individual-level data, is needed to understand how the roles of policy, the economy, and family characteristics determine the effectiveness of welfare and other programs designed to support California's neediest families.

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Acknowledgments

The authors are grateful to Hans Johnson and Todd Bland for their patience with numerous questions as well as their thoughtful reviews of an earlier version of this report. The constructive comments offered by Werner Schink and Chuck Lieberman also greatly improved the final product. We also thank Jason Kang, West Addison, Rae Ellen Houseman, and Benjamin Rogers for their assistance with data entry and data analysis. As usual, the authors are solely responsible for the content.

1. Introduction: California Caseload Trends in the National Context

California's new welfare program, called CalWORKs (California Work Opportunity and Responsibility to Kids), is now two years old, and welfare caseloads are dropping quickly. In fact, this caseload decline was under way well before the start of CalWORKs and even before the federal welfare reform enacted in 1996. Caseloads actually peaked in 1995 and have since declined by 34 percent. Such declines are unprecedented in California's history, but they are significantly below the national average, where caseloads nationwide fell 49 percent between January 1995 and June 1999. Only seven states and the District of Columbia experienced lower percentage declines in their caseloads.

Although there has been a focus on these caseload declines following welfare reform, California's experience has long differed from that in the rest of the United States. Figure 1.1 plots trends in caseloads for California and the rest of the United States from 1980 to 1999. For both, we compare the annual caseloads relative to their June 1989 level, at which time there were approximately 607,000 welfare cases in California and 3,160,000 in the rest of the United States. Three main features distinguish the two trends. First, California's caseload grew during the 1980s, while caseloads were relatively flat elsewhere in the United States. Second, California's caseload grew much more quickly in the early 1990s, rising by 50 percent compared to a 30 percent rise in the rest of the United States. Finally, California's caseload has just returned to its 1989 level, but the U.S. caseload is 40 percent lower than its 1989 (and 1980) level.

The first of these differences—California's caseload growth in the 1980s—can be explained almost totally by population changes. Figure

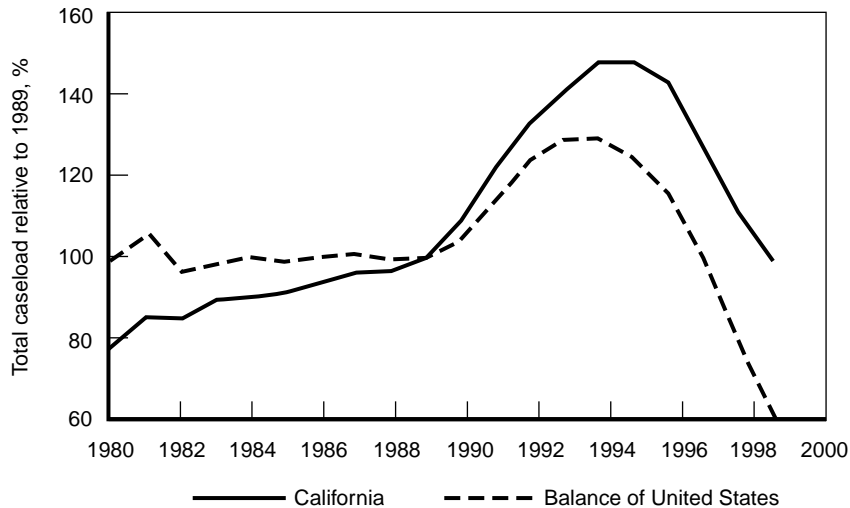


Figure 1.1—Welfare Caseloads in California and the Rest of the United States, 1980–1999

1.2 controls for population by dividing the total number of cases by the population of women between 15 and 44 years of age—a measure we will call the reciprocity rate.¹ Obvious in this figure is the fact that welfare reciprocity has always been higher in California, largely because of California’s relatively high benefit level and income cutoff. However, we also see that during the 1980s, the reciprocity rate was basically flat in California—evidence that caseload increases over this period were population-driven. On the other hand, controlling for population does not erase the caseload increases of the early 1990s. Virtually the entire increase during this period was the result of rising reciprocity rates.

¹Since welfare receipt is tied to the presence of children, we use the number of women of childbearing age as the normalization for reciprocity rates. We are therefore controlling not merely for population but for differences in the age structure of the population. Using this measure does not account for differences in income, fertility, or marriage rates. Although these factors are important for determining the share of the population that is eligible for welfare, they may themselves be influenced by policy differences from state to state.

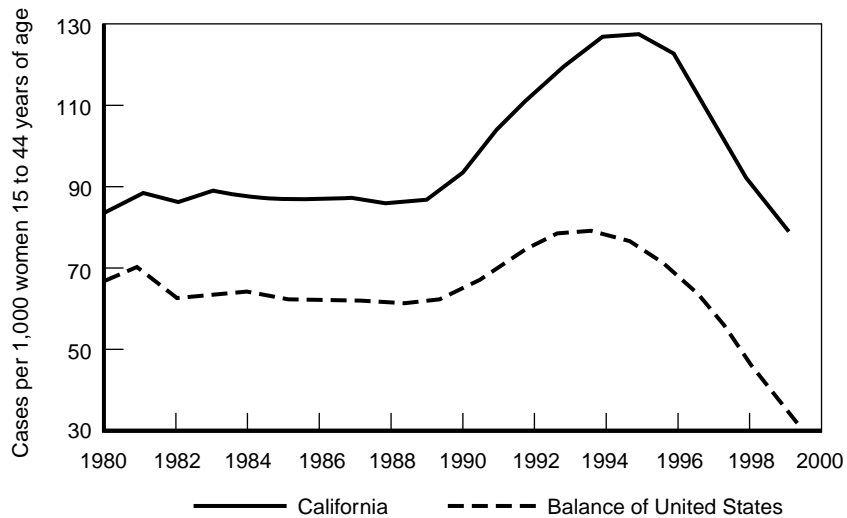


Figure 1.2—Welfare Reciprocity Rates, 1980–1999

Further, the fall in caseload numbers is entirely due to a fall in reciprocity rates, since the state’s population continued to grow in the late 1990s. Between 1995 and 1999, the reciprocity rate in California fell from 127 cases per 1,000 women to 81 cases. The rate for the rest of the United States fell from 82 to 42 cases per 1,000 women. In percentage terms, the drop was larger in the rest of the United States than it was in California. In absolute terms, however, the drop was actually higher in California: For every 1,000 women in California, 46 welfare cases left the rolls, compared to only 40 per 1,000 women elsewhere in the United States.

What explains the rapid rise and subsequent fall in welfare reciprocity in California? Four key factors appear to matter: the economy, immigration, birth rates, and welfare reform. In this report, we explore the role of these factors by examining different caseload trends within California. In particular, we split the caseload into three case types (one-parent, two-parent, and child-only) and five geographic regions within California. Together, these breakdowns not only reveal the changing influence of different factors across time and geographic region, but they

also demonstrate that there is no single California experience with welfare.

In Chapter 2, we lay the groundwork for our two divisions, defining the three case types and five state regions we consider and presenting the overall trends along each of these dimensions. In Chapter 3, we examine the one-parent caseload more carefully, considering the effect of the economy, birth rates, and welfare reform on the one-parent caseload for California as a whole and for each of the five regions. Chapters 4 and 5 present a parallel analysis for the two-parent and child-only cases. We end with conclusions in Chapter 6.

2. Two Views of the California Caseload

We can best understand the determinants of California's caseload trends by slicing the caseload in two ways. Our caseload numbers are derived from county-level administrative reports of aggregate caseload numbers. (All data sources are listed in the appendix.) With these data, we can break the caseload into its component case types: one-parent cases, two-parent cases, and no-parent or child-only cases. Alternatively, we can look at the caseload by geographic region. In this chapter, we examine how each of these strategies changes our understanding of the caseload trends. In Chapters 3 through 5, we look more closely at each case type for California overall and for the five regions.

Distinguishing Trends, by Case Type

Welfare cases in California can be divided into three case types, depending on the structure of the family, welfare eligibility criteria, and aid receipt: one-parent, two-parent, and child-only cases. These case types can be most simply defined as follows: One-parent cases are the most "typical" welfare cases; these are aided single parents, usually mothers, with one child or more on welfare. Two-parent cases have two resident parents and their children, where at least one parent currently receives welfare. In child-only cases, a child is aided but his or her parents are not. Figure 2.1 shows the breakdown of the June 1999 caseload into these three case types, which we define more precisely below.

Definitions and Administrative Significance of the Three Case Types

Our three case types can be mapped to differences in the administration of welfare for different families. Historically, welfare cases

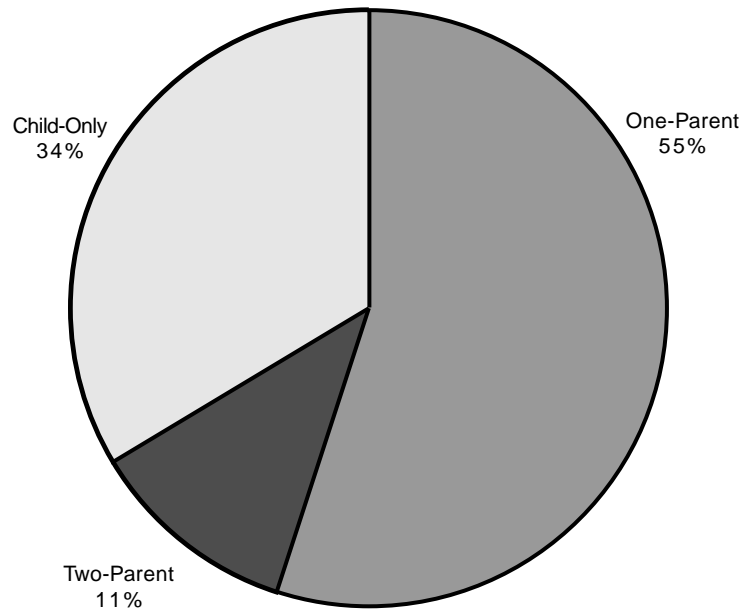


Figure 2.1—Shares of Each Case Type in the California Caseload, June 1999

in California and elsewhere in the United States were divided into two administrative classes: FG (family group) cases and UP (unemployed parent) cases. These definitions related to different rules within the Aid for Families with Dependent Children (AFDC) program, which was replaced by Temporary Assistance to Needy Families (TANF) under the 1996 federal welfare reform.

The FG cases, formerly known as AFDC-FG or AFDC-basic cases, make up the largest share of the caseload. This group consists of the stereotypical welfare families, in which there is a single parent (usually a single mother) with children. Since its inception, the primary purpose of AFDC was to aid such families as a way to support children deprived of a parent (the “deprivation” standard for eligibility) through death or absence. In 1999, FG cases made up about 83 percent of California’s

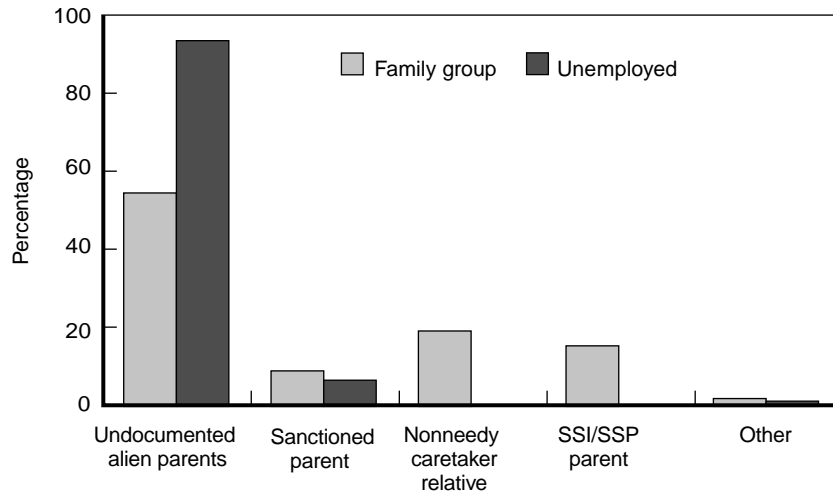
total caseload. One-parent cases under our definition represent a subset of these FG cases.

Beginning in 1961, states could also provide AFDC benefits to children in two-parent families, as long as the second parent was attached to the labor force but unemployed. Unemployment thus became a second “deprivation,” qualifying families for benefits through the AFDC-U or AFDC-UP program. California was one of the earliest states to enact AFDC-UP, which became mandatory for all states in 1990. California has had a larger share of UP cases than any other state. In 1996, the last year the AFDC-UP designation officially existed nationwide, 16.1 percent of California’s caseload fell into this category where the national average was only 6.5 percent. At that time, California’s UP cases represented 54 percent of all UP cases nationwide.¹

Within each of these categories, families can be distinguished by the number of aided adults on the case. In particular, there are cases with no aided adults. California started collecting an official count of these “child-only” cases for the first time in July 1999. However, cases with no aided adults have long been known to represent a sizeable portion of the caseload, with unique characteristics. For this reason, analysts in the state have imputed the number of child-only cases, using information about the number of children and adults on cases. We have used a similar method to impute the number of child-only cases, as described in the appendix. These imputations demonstrate the rising share of child-only cases within the California caseload, both before and after welfare reform. In fact, in 1996, one in four welfare cases in California was child only. This percentage has grown to over one in three in 1999.

Figure 2.2 shows the main reasons why adults were not aided, as determined by on a survey conducted by the California Department of Social Services 1996. For both FG and UP families, but especially for two-parent families, most child-only cases represent citizen children with undocumented alien parents. Combined, these citizen-child cases account for 60 percent of all child-only cases. In addition, some adults

¹California continued the family group and unemployed parent designations until October 1999, when the categories were changed to reflect the start of a new, state-funded program for two-parent families with two aided adults.



SOURCE: California State Department of Social Services (1996).

Figure 2.2—Reasons Cases Have No Aided Adults

are not aided because their income disqualifies them, although children in the family still qualify. This includes Californians receiving disability payments through the SSI/SSP (Supplemental Security Income/State Supplemental Payment) program, who are barred from also receiving AFDC. Some children who live with nonneedy relatives may also receive welfare. Finally, some adults are removed from the aid unit (thereby reducing the benefit payment) as a sanction for not participating in required program elements. Such sanctions are an important feature of welfare reform, but they were not uncommon even before the reform, representing just fewer than 10 percent of child-only cases in the 1996 data.

We have combined our estimates of the FG and UP cases with no aided adults to create a single case type that we call child-only, removing these cases from our counts of FG and UP. Thus, we divide the California caseload into three mutually exclusive groups: one-parent cases (FG cases with an adult on aid), two-parent cases (UP cases with at least one adult on aid), and child-only cases (FG or UP cases with no aided adults). Table 2.1 summarizes the definitions.

Table 2.1
Case Type Definitions, by Administrative Categories

Type	Typical Case	Program Category	Deprivation Category	Aided Adults
One-parent	Single mother with children	FG	Absent parent	At least 1
Two-parent	Married parents with children	U	Unemployed parent	At least 1
Child-only	Child living with unaided parents	FG or U	Absent or unemployed parent	None

Although these groups are mutually exclusive at any one time, cases can transition from type to type. For example, if a father leaves the household, the aided mother and her children would change from a two-parent to a one-parent case type. Alternatively, if a single parent became eligible for SSI, the aided child's case would switch from one-parent to child-only. We do not observe such transitions directly, but through our imputation procedure, they will affect the aggregate counts of each case type.

Evolution of Caseload Differs Substantially Across Categories

These three types of welfare cases have followed quite distinct time trends. Figure 2.3 graphs the reciprocity rates for one-parent, two-parent, and child-only cases. Each reciprocity rate (cases divided by population) is calculated using the same base population—1,000 women 15 to 44 years of age—because there is no clear distinction in the populations from which the different types of cases are drawn. Indeed, cases can and do transition from type to type. Since we consider all case types in relation to the same reference group, the reciprocity rates add up to the overall reciprocity rate.

As in Figure 2.1, Figure 2.3 shows the dominant role of the one-parent caseload. In June 1989, before the run-up in cases, there were 64.1 one-parent cases, 9.0 two-parent cases, and 13.7 child-only cases for every 1,000 women 15 to 44 years of age in California. However, caseloads increased across all three case types during the early 1990s, although at very different rates. The number of one- and two-parent

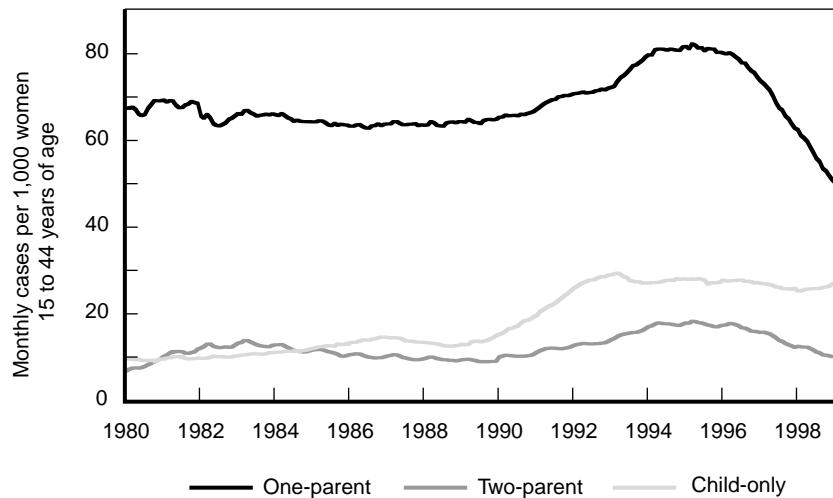


Figure 2.3—Trends in California Caseloads, by Case Type, 1980–1999: Recipiency Rates

cases dropped in the late 1990s, but the number of child-only cases remained more or less unchanged.

The different patterns are much clearer when we normalize the recipiency rates to allow us to compare the growth rates. Figure 2.4 presents the trends for the three case types relative to their June 1989 level. We can now easily see the surge in child-only caseloads from 1989 through 1992, well ahead of the rise in other cases. By late 1992, the number of child-only cases had abruptly stopped growing, although the number of one-parent and two-parent cases rose rapidly between 1992 and 1994. From 1995 to 1997, the one-parent and two-parent recipiency rates declined sharply yet the child-only rate drifted only slightly lower. Finally, the child-only rate increased after January 1998 as one-parent and two-parent rates continued their sharp decline.

As we shall see in upcoming chapters, these differences are largely driven by differing influences of the economy, immigration, demographics, and welfare reform on the three case types. However, we first turn to regional breakdowns, because the combination of case types

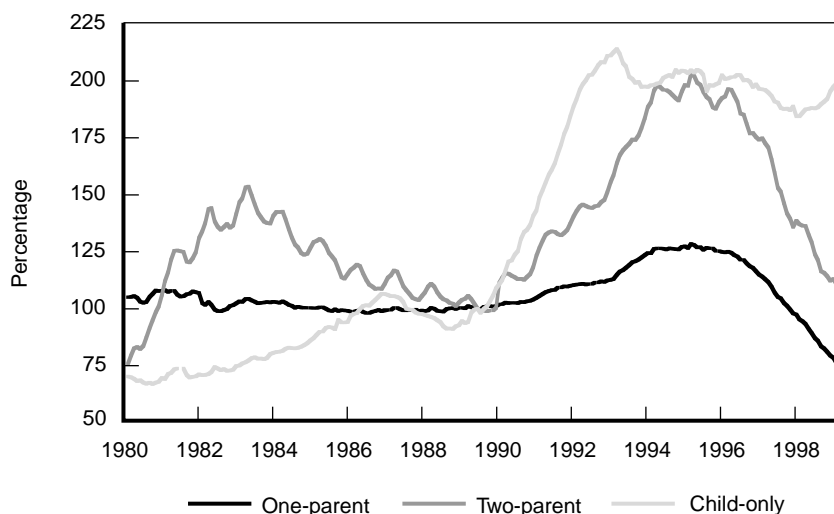


Figure 2.4—Trends in California Caseloads, by Case Type, Relative to June 1989 Level

and regions give us the greatest insights into the causes of the caseload trends.

Distinguishing Trends, by Region

In addition to considering each case type, it is valuable to also examine caseload trends by region. Within California, there are significant regional differences in economic conditions, immigration patterns, and birth rates and, to a lesser degree, in the implementation of welfare reform. For this reason, we divide the state into five regions: the Bay Area, Los Angeles, Other Southern California, the Farm Belt, and North and Mountain. In this section, we define the five regions, and then examine the aggregate caseload trends across the regions.

Region Definitions

The five regions are mapped in Figure 2.5, and their component counties are listed in Table 2.2. Although the state can be divided in many ways, we believe that this mapping defines regions that differ along characteristics that matter for welfare reciprocity. Three of the five regions—the Bay Area, Los Angeles and Other Southern California—are

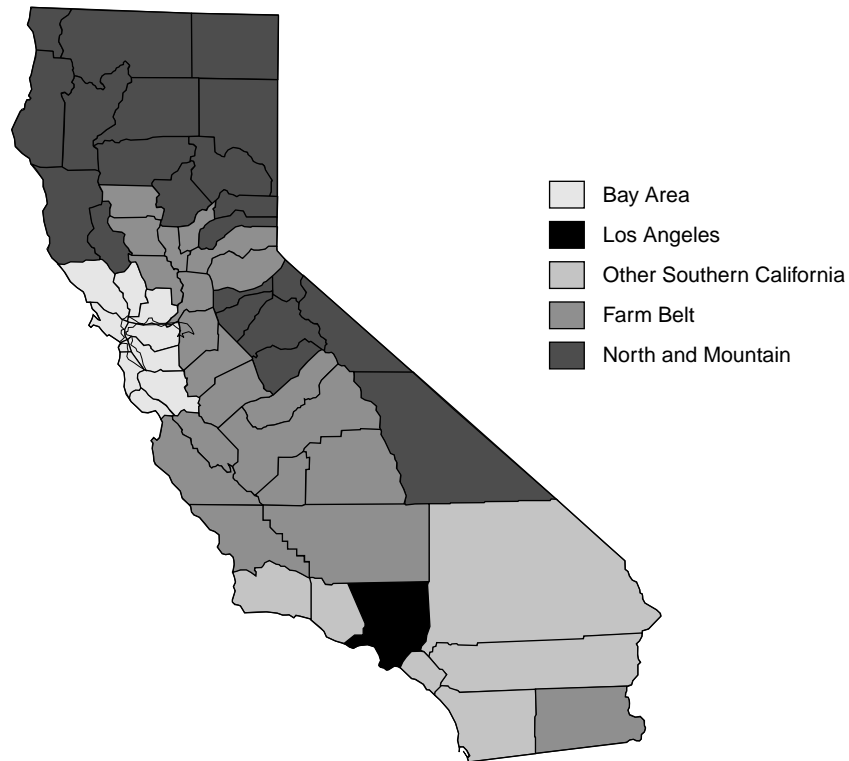


Figure 2.5—Five Regions of California

Table 2.2

Counties Included in Each Region

Bay Area	Los Angeles	Other Southern California	Farm Belt	North and Mountain		
Alameda	Los Angeles	Orange	Colusa	Placer	Alpine	Modoc
Contra Costa		Riverside	El Dorado	Sacramento	Amador	Mono
Marin		San Bernardino	Fresno	San Benito	Butte	Nevada
Napa		San Diego	Glenn	San Joaquin	Calaveras	Plumas
San Francisco		Santa Barbara	Imperial	San Luis Obispo	Del Norte	Shasta
San Mateo		Ventura	Kern	Stanislaus	Humboldt	Sierra
Santa Clara			Kings	Sutter	Inyo	Siskiyou
Santa Cruz			Madera	Tulare	Lake	Tehama
Solano			Merced	Yolo	Lassen	Trinity
Sonoma			Monterey	Yuba	Mariposa	Tuolumne
					Mendocino	

large, densely populated urban areas with a mixture of industries. The Farm Belt and North and Mountain regions have much more resource-based economies. This distinction is vital to understanding many aspects of the regional variation in welfare reciprocity in California. Within the urban group, Los Angeles County is separated out both because this single county accounts for over one-third of the state caseload and because it fared worst in the recession of the early 1990s. Within the resource-based regions, the Farm Belt and North and Mountain counties differ both demographically and in the mix of agricultural products.

Caseload Patterns Differ Between Urban Region and Resource-Based Regions

Figure 2.6 shows how welfare reciprocity rates differ across the five regions that make up California and how these rates have changed over the past 20 years. As in previous figures, reciprocity rates here refer to the number of welfare cases per 1,000 women 15 to 44 years of age residing in each region. These plots reveal not only persistent in levels of reciprocity, but also widening discrepancies between regions over time.

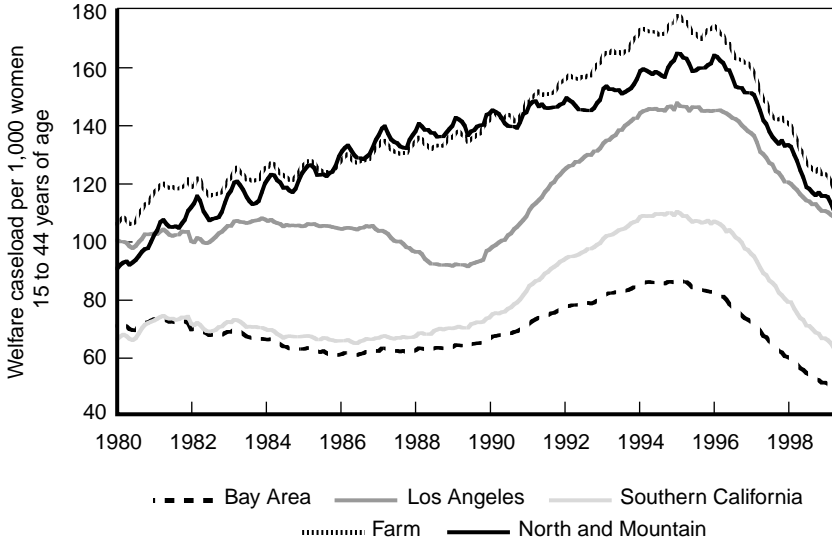


Figure 2.6—Aggregate Welfare Reciprocity Rates, by Region

Since the early 1980s, the Bay Area has had the lowest level of reciprocity, closely followed by Southern California. The Bay Area and Southern California had virtually identical reciprocity rates in the early 1980s, but the small gap of the late 1980s grew larger in the early 1990s. Los Angeles, on the other hand, has always has higher reciprocity rates than both the Bay Area and Southern California, ranging from 50 to 100 percent greater. The gap between Southern California and Los Angeles has remained relatively constant. Finally, the Farm Belt and North and Mountain regions register the highest welfare participation throughout the period. Reciprocity rates in these counties are more than double those experienced in the Bay Area over most of the period. With the exception of Los Angeles, the run-up in reciprocity rates experienced in the early 1990s has been more than offset by sharp declines after 1995. For most of the state, therefore, current welfare reciprocity rates are below the levels seen in the late 1980s.

The trends in the five regions separate into two characteristic patterns: one for the urban counties, the other for resource-based regions. For the urban regions, including the Bay Area, Southern California, and Los Angeles, reciprocity rates remained relatively stable in the 1980s, grew in the early 1990s, and have fallen steadily since the mid-1990s. The pattern for the resource-based regions, on the other hand, has two main features that separate it from the urban pattern. First, it exhibits substantial seasonal variation throughout the period. Second, it includes a large and continual increase from 1980 to the mid-1990s, followed by an abrupt reversal and precipitous drop that has brought reciprocity rates down to their mid-1980s levels.

In fact, both the high level and the seasonal patterns of welfare receipt in the resource-based regions can be largely explained by the economy. Figure 2.7 compares unemployment rates across the five areas. We see from this figure that unemployment rates are consistently higher and more seasonally variable in the Farm Belt and North and Mountain regions. Among urban regions, Los Angeles has experienced consistently higher unemployment rates than either the Bay Area or Southern California, with the gap widening in the 1990s, the same pattern we see in Figure 2.6. We will return to the issue of unemployment as we examine the trends across each case type in the following chapters.

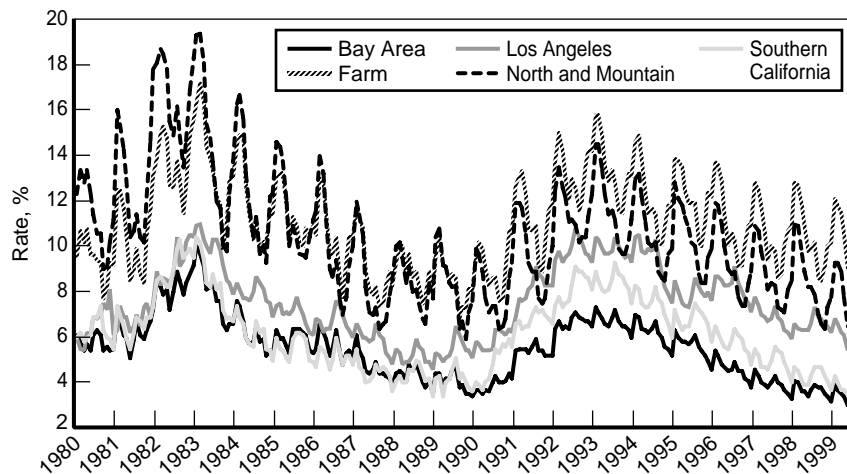


Figure 2.7—Unemployment Rate, by Region

Summary

Reports on the success of welfare reform typically present California's performance relative to that of other states. However, as Figures 2.4 and 2.6 demonstrate, examining California's caseload in the aggregate hides complex and important variations across both case types and regions within California. For example, between 1989 and the caseload peak in 1995, the child-only and the two-parent caseloads doubled, but one-parent cases grew by just over one-fourth. At the same time, reciprocity rates by region varied from 85 cases per 1,000 women in the Bay Area to 177 cases in the Farm Belt. In other words, after controlling for population, in 1995 there were 2.1 cases in the Farm Belt for every case in the Bay Area.

3. The One-Parent Caseload

Currently, one-parent cases represent 55 percent of the total caseload, down from 80 percent in 1980. In part, this declining share is the result of the relatively small increase and rapid drop in one-parent cases during the 1990s. In this chapter, we examine the role of economic conditions, demographic trends, and policy changes in determining these trends. We start with a list of the measures we use in trying to understand caseload changes over time. We then plot these measures against the caseload trends, and finally use the regional breakdown to verify the roles of the different factors on the one-parent caseload.

Economic, Demographic, and Policy Measures

In this and the following two chapters, we depend on a combination of monthly statistical data and information on welfare and immigration policy changes over the last two decades to understand the influence of various factors on the evolution of each component of the California caseload. Graphing these factors over time provides convincing evidence of the interplay of caseload changes with the economy, demographics, welfare, and immigration.

Statistical Data

We use two types of monthly statistical data in addition to the caseload numbers and the population counts: unemployment rates and birth rates. We focus on unemployment as a basic indicator of economic conditions in the state. The monthly unemployment statistics cover each California county from 1980 through 1999. These data allow us to observe both seasonal and cyclical variation and to identify areas with persistently high unemployment rates over time, indicating more structural economic problems.

Besides the population controls incorporated into the reciprocity rate calculations, our main demographic measures are birth rates. Birth rates

are a key indicator of welfare eligibility, and rising or falling birth rates could be expected to track with changing reciprocity rates. We apply a slightly different birth rate measure for each case type. For one-parent cases, we rely on a measure of nonmarital births, since one-parent cases qualify for welfare through the absence of a parent. Our nonmarital birth rate measure is the number of nonmarital births to native mothers per 1,000 women 15 to 44 years of age. For two-parent cases, we use the number of marital births to native mothers, and for child-only cases, we use the number of births—both marital and nonmarital—to nonnative mothers. Although these measures do not exactly track to the populations at risk for each case type, the trends should be indicative of those underlying risks.

Two data issues must be kept in mind with these birth rate measures. First, each rate is based on the total number of women 15 to 44 years of age. For example, rather than calculating the nonnative birth rate as the number of births to nonnative women divided by the number of nonnative women, we calculate this rate as the number of births to nonnative women divided by the total number of women, native and nonnative alike. Thus, both birth rates and reciprocity rates are derived from the same population estimates. As with the reciprocity rates by case type, the three birth rates also add up to the total birth rate for the state. The second data concern is more technical. In California the method for calculating the number of nonmarital births changed between 1994 and 1995, making the pre- and post-1995 numbers not strictly comparable. This change in the imputation procedure has a much larger effect on nonnative births than on native births. Therefore, we have chosen to use only native births for the nonmarital birth series. This creates a statistic that is more internally consistent than a series including all nonmarital births, the more appropriate measure from a policy perspective. Recognizing these limitations, we present the birth series for the time period 1981 through 1997 (the most recent year for which data are available).¹ To capture birth rates and reciprocity rates on the same scale, we normalize both rates relative to their June 1989 values.

¹The construction of the birth rate series is described in the appendix.

Timing of Welfare and Immigration Policy

Welfare caseloads are also partially determined by welfare and immigration policy. In terms of welfare policy, the federal reform in 1996 and the subsequent implementation of California's CalWORKs program are only the latest in a series of changes to welfare eligibility rules. The major welfare legislation during the period 1980 to 1999 is listed in Table 3.1.

Of these five pieces of legislation, three—OBRA 1981, PRWORA, and CalWORKs—made changes that could be expected to significantly change caseloads. DEFRA 1984 made only minor expansions to eligibility, and the changes in the Family Support Act (FSA) were primarily focused on improving the education and training of current recipients and supporting work for those transitioning off welfare. Although these changes were designed to have the effect of decreasing caseloads in the long run, the aggregate caseload trends suggest that any effect of the FSA was swamped by other factors increasing caseloads in the early 1990s.

In contrast to DEFRA and FSA, OBRA and PRWORA were designed to unambiguously reduce welfare caseloads. OBRA reduced welfare eligibility, by setting a federal gross income limit (at 150 percent of the state's need standard, raised to 185 percent in 1984) and by reducing work incentives and deductions. PRWORA ended the federal entitlement to welfare by converting federal welfare payments into state block grants. It also set time limits for the receipt of federal welfare benefits as well as work requirements for welfare clients (with mandated state participation rates).

Finally, we include as a policy change the start of the CalWORKs program, as legislated by Assembly Bill 1542, which implemented PRWORA in California. In meeting the requirements of PRWORA, CalWORKs imposes work requirement and time limits on adults—two features that should reduce welfare participation. However, the program has another feature, which will affect both the total number of cases and the case type mix: The program imposes adult-only sanctions and time

Table 3.1
Major Welfare Legislation, 1980–1999

Year	Legislation and Major Elements
1981	<p>Omnibus Budget Reconciliation Act of 1981 (OBRA 1981) Established a federal limit on gross monthly income for eligibility (at 150 percent of the state’s need standard) Raised the benefit reduction rate (percentage reduction in benefits for \$1 of earned income) to 100 percent after the first four months Authorized states to establish “welfare-to-work” programs</p>
1984	<p>Deficit Reduction Act of 1984 (DEFRA 1984) Raised the gross income limit from 150 to 185 percent of the need standard Provided for transitional Medicaid eligibility for families leaving welfare for work</p>
1988	<p>Family Support Act of 1988 (FSA) Required states to offer JOBS (job opportunities and basic skills) welfare-to-work programs including education activities Expanded transitional child care and Medicaid benefits Established participation targets for states Mandated all states to offer AFDC-UP programs Major provisions implemented in October 1990</p>
1996	<p>Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) Eliminated the AFDC entitlement Block granted welfare payments to states under the TANF program, permitting state flexibility in setting eligibility rules, benefit levels, and program requirements Placed five-year time limit for families to receive aid from block grant funds Increased sanctions for noncompliance Established state requirements on the percentage of families engaged in work activities for specified hours per week Major provisions implemented July 1, 1997</p>
1997	<p>AF 1542—California Work Opportunity and Responsibility to Kids (CalWORKs) Established California’s TANF program in response to PRWORA Established weekly hours participation requirements for families Increased earned income disregards Required community service employment for adults on aid after two years Removes adults from the grant after five years on aid Major provisions implemented January 1, 1998</p>

SOURCE: U.S. House of Representatives (1994, 1998) and California Legislative Analyst’s Office (1997).

limits.² This means that adults who are sanctioned for nonparticipation or who lose benefits as a result of time limits are removed from the case but the children are not. Moreover, anecdotal evidence suggests that some adults voluntarily remove themselves from the grant to avoid participation requirements yet still receive aid for their children.³ Thus, the state provides a safety net for children that, as a side-effect, permits—and may even encourage—cases to shift from one- or two-parent to child-only.

Beyond welfare policy, California more than any other state is affected by immigration policy. From the caseload perspective, the most important change in immigration policy between 1980 and 1999 was the 1986 Immigration Reform and Control Act (IRCA). As an amnesty program, IRCA legalized undocumented immigrants who had been living in the United States since 1982, as well as certain seasonal agricultural workers. Out of 2.7 million immigrants legalized under IRCA, more than 1.6 million resided in California.

Legalization would have qualified this largely impoverished population for welfare benefits. Given the potential public costs, the legislation barred so-called IRCA immigrants from receiving welfare for five years after legalization. Most of these immigrants were legalized in 1987 and 1988, so the five-year moratorium on welfare receipt ended by the beginning of 1994. So what is the expected effect of IRCA on welfare caseloads? It is unlikely that IRCA had a significant effect on the number of adults receiving aid before 1992, the end of the moratorium for the first amnestied immigrants.

The expected effect on child-only welfare receipt is less obvious. Even before IRCA, the native children of IRCA immigrants were permitted to receive welfare, as are all native children regardless of their parents' immigration status. However, it is likely that legalization made

²In contrast, 36 states impose full-family sanctions, reducing the grant to zero. Of these, 14 states have the option of imposing full-family sanctions the first time a client fails to cooperate.

³For a family of three, removing one adult from the grant reduces the payment by \$118 dollars or 19 percent of the total grant. Both the absolute and percentage costs decrease as family size increases.

parents more willing to apply for aid. Johnson (1996) also cites evidence from a variety of sources supporting the claim that IRCA encouraged friends and relatives of IRCA immigrants to come into the United States as undocumented aliens. Thus, IRCA may have both increased the likelihood that current residents would apply for welfare for their children and induced subsequent immigration of undocumented immigrants, whose children in turn could receive aid. Both of these effects could increase the number of children of undocumented immigrants receiving aid, an issue we will return to in Chapter 5.

Explaining the Trends in One-Parent Cases

We bring together the statistical series and the policy changes to examine the effects of these factors on the one-parent caseload. Figure 3.1 graphs the one-parent recipiency rate, the rate of births to unmarried native mothers, and the state unemployment rate. The line for the one-parent recipiency rate is the same one we saw in Figure 2.4. As labeled on the left axis, both recipiency and birth rates are expressed relative to the June 1989 level. The state unemployment rate is read from the right axis.

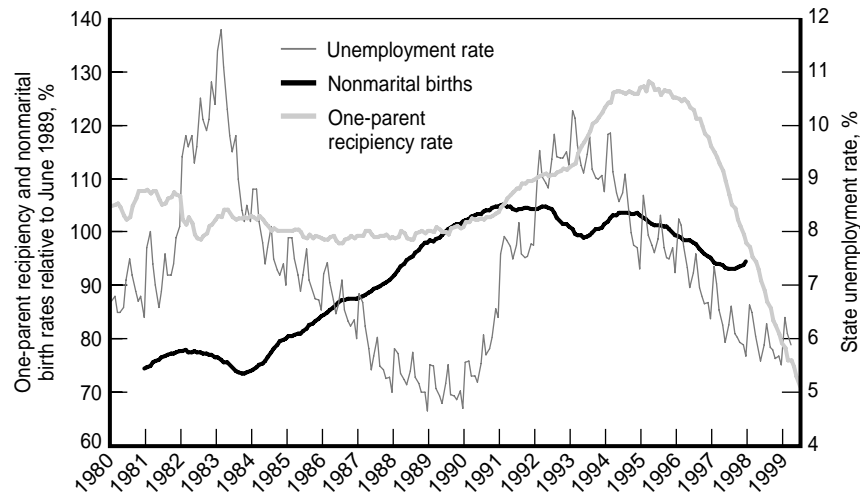


Figure 3.1—Potential Determinants of One-Parent Recipiency Rate

As we saw above, the one-parent caseload remained relatively flat from 1983 through 1990. Yet during this period, there was a significant increase in the number of nonmarital births to native mothers. The number of such births rose from 11 per 1,000 women in late 1983 to 15.8 in January 1991, a 44 percent increase. The birth rate then leveled off and began to decline in the late 1990s. Despite this increase in nonmarital births, the one-parent caseload remained relatively flat from 1983 through 1990. Therefore, birth rates alone do not explain the caseload trends.

On the other hand, this entire period was also one of economic expansion. Unemployment fell from its peak of 10.5 percent in July 1982 to a low of 4.7 percent in December 1989. If caseloads fall during economic booms—which we believe to be an important factor in the late 1990s—we would expect a decline in caseloads. It appears, then, that the flat trend in reciprocity rates is the result of two opposing effects: a fall in unemployment offset by a rise in nonmarital births.

This combined effect of economics and demographics also appears to explain at least part of the increase in the early 1990s. Birth rates remained high from 1990 through 1992, as unemployment rates started to rise. This period corresponds with the beginning of the caseload increase in the early 1990s.

On the other hand, this joint effect story does not help explain the additional caseload increase in 1993 and 1994. Nor does it explain why we see no caseload increase in the recession of the early 1980s. For this reason, we turn to the issue of policy changes, adding to Figure 3.1 markers for the passage of OBRA in 1981, PRWORA in 1996, and the start of CalWORKs in 1998. This is presented in Figure 3.2, where we also indicate the window of time when IRCA immigrants became eligible for welfare at the end of the five-year moratorium.

Each of these policies appears to affect the welfare caseload. Following the passage of OBRA, there was an obvious dip in the one-parent reciprocity rate early in the 1982–1983 recession. As the recession deepened, reciprocity rose once more but did not return to its pre-OBRA level before the economy shifted into recovery. During this abbreviated period, one-parent reciprocity rates rose on average just under half a

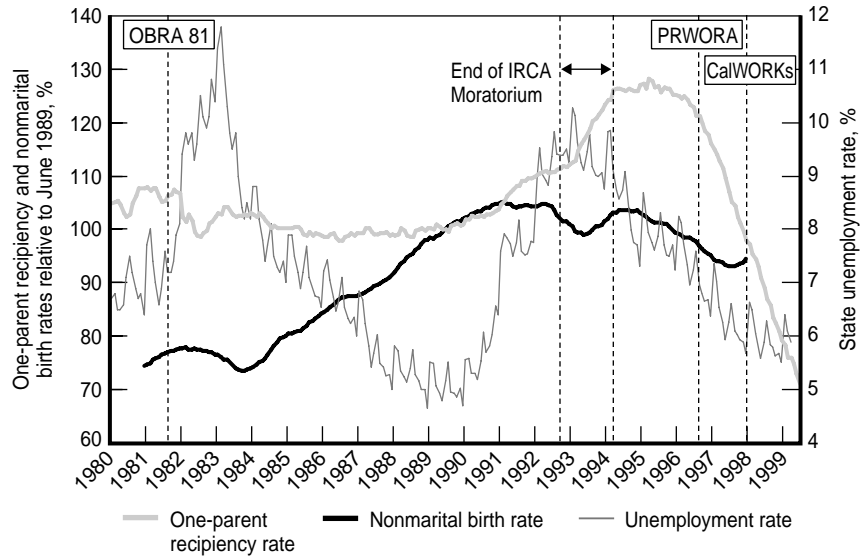


Figure 3.2—Potential Determinants of One-Parent Reciprocity Rate, Including Policy Changes

percent per month. This growth rate is very similar to the rise that occurred in the first years of the 1990s recession, the phase lasting from approximately July 1990 until May 1992. By this simplistic measure, the one-parent caseload appears to have responded similarly in both of the post-1980 recessions.

The 1990–1992 recession-linked increase was minor relative to the surge in the one-parent caseload that occurred as the economy emerges from recession in 1993 and 1994. The economic improvements are modest, but they coincide with a sharp, if temporary, drop in the nonmarital birth rate in 1992–1993.⁴ However, this surge coincided almost exactly with the end of the IRCA moratorium. At a time when the economy was improving somewhat and birth rates were falling, the entrance of IRCA immigrant families onto the case rolls emerges as a likely explanation for the caseload increase in the mid-1990s.

⁴A similar drop in nonmarital births occurs immediately following the recession in the 1980s.

Finally, the one-parent reciprocity rate began to decline in 1995, well before the passage of PRWORA in August 1996 and the implementation of CalWORKs in January 1998. Unlike the recovery in the 1980s, the declining birth rate and declining unemployment moved together in the late 1990s. Nevertheless, welfare reform seems to have sped up the declines. The reciprocity rate fell at a rate of 0.28 cases per month between the August 1995 peak and the passage a year later of the federal welfare reforms under PRWORA. Between the passage of PRWORA and the start of CalWORKs, this drop accelerated to 0.86 fewer cases per month, and since the implementation of CalWORKs has dropped by 0.93 cases per month. Thus, the sharpness of the caseload reductions seems linked with welfare reform.

These unprecedented declines occurred before the imposition of the most severe elements of welfare reform. Indeed, PRWORA seems to have contributed to caseload declines in California even before it was implemented through the CalWORKs program. CalWORKs, in turn, officially began in January 1998 but had a very slow start-up, with some counties not fully up and running until as late as the summer of 1999 (Klerman, 1999). In both cases, welfare reform reduced caseloads before the program changes actually went into effect.

By June 1999, the one-parent reciprocity rate in California had fallen to 46 cases per 1,000 women 15 to 44 years of age. If we compare just the one-parent reciprocity rate to reciprocity rates (for all cases) in the rest of the United States—as in Figure 3.3—we see that California's one-parent caseload not only followed the same pattern as that in the rest of the United States, but was also at nearly identical levels. In fact, the overlap is even closer if we think of California as one year behind the rest of the nation, a not unreasonable comparison given that California's caseloads peaked a year later than those in the rest of the nation. In the four years following the 1994 peak, the U.S. reciprocity rate (excluding California) dropped by 31.9 cases, from 79.2 to 47.3 cases per 1,000 women. In the four years following California's peak, our one-parent reciprocity rate dropped by 35.8 cases, from 81.4 to 45.6.

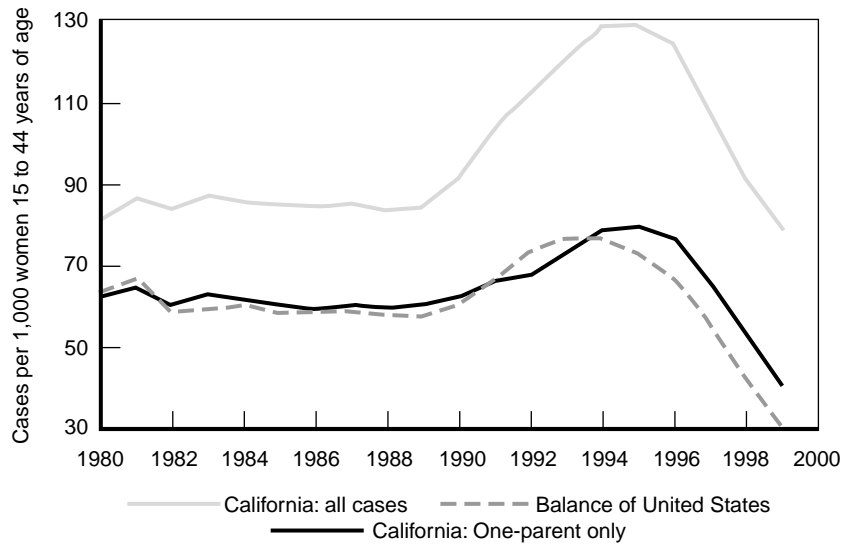


Figure 3.3—Welfare Reciprocity in the United States Compared to All Cases and One-Parent Cases in California

Regional Differences in One-Parent Reciprocity

If our interpretation of Figure 3.2 is correct, the same factors should explain the regional variation in one-parent reciprocity rates within California. Figure 3.4 presents these rates for the five regions defined in Chapter 2. The five regions fall into three patterns in the one-parent rates: the resource-based regions, Los Angeles alone, and Southern California with the Bay Area. Do differences in the economy, the nonmarital birth rate, and differing effects of policy explain these patterns?

In Chapter 2, we saw the dramatic difference in unemployment rates between the resource-based regions and the urban regions. The rank order of the one-parent reciprocity rates for the five regions roughly matches the rank order of the unemployment rates. However, key features of these regional patterns cannot be explained by unemployment rates. First, one-parent reciprocity in Los Angeles was much higher than in the other urban areas, even in the early 1980s when unemployment rates were very similar across the three regions. For example, from

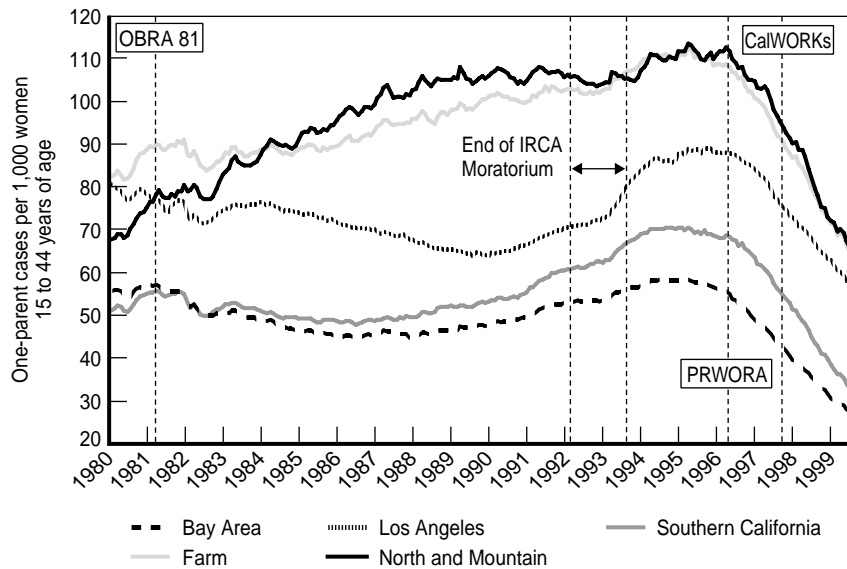


Figure 3.4—One-Parent Recipiency Rates, by Region

January 1980 to December 1982, unemployment rates were nearly identical between Los Angeles and the rest of Southern California. Yet during this same period, Los Angeles had an average of 23 additional one-parent cases for every 1,000 women when compared to Southern California. The recipiency rates start to converge more in the late 1980s and then diverge again in the mid-1990s. Second, recipiency in the Farm Belt and North and Mountain areas increased during the period of falling unemployment rates in the recovery of the 1980s. In the late 1990s, the unemployment rates for these areas fell only slowly and the recipiency rates dropped dramatically.

Birth Rates

We turn therefore to birth rates. Figure 3.5 plots births to unmarried native mothers, by region. For all regions, nonmarital birth rates rose rapidly throughout the 1980s and then drifted lower through most of the 1990s. The Farm Belt has always had the highest rate of nonmarital births, but the North and Mountain region saw the greatest growth, with a 68 percent increase from 1980 to 1990. After drifting

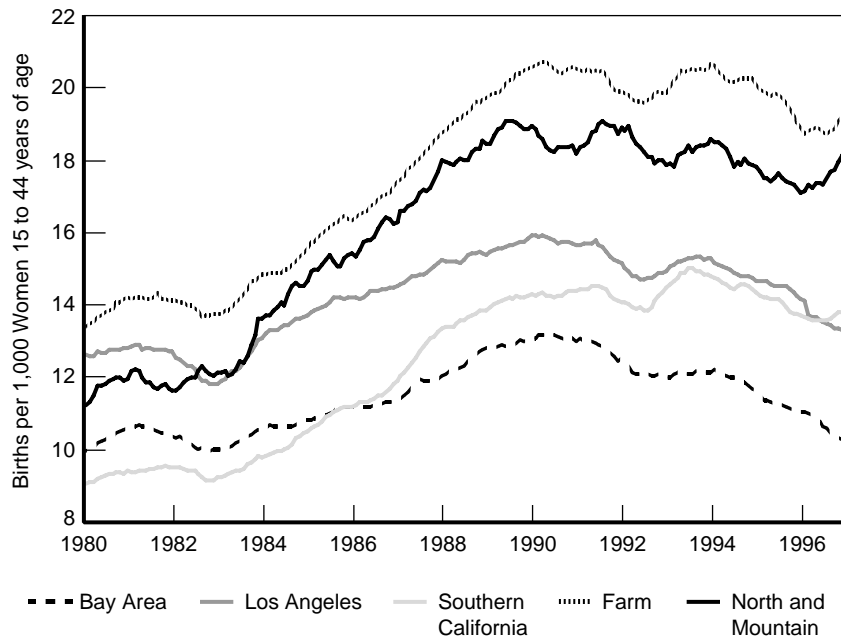


Figure 3.5—Nonmarital Births to Native Mothers

down somewhat, both the Farm and North and Mountain regions experienced another increase in 1997, resulting in rates very close to their peak for the period, especially in the North and Mountain region.

In the Farm Belt and North and Mountain regions, then, the state's highest nonmarital birth rates and highest unemployment rates together led to high one-parent reciprocity rates. Unlike other parts of the state, the one-parent reciprocity rate never fell during the recovery in the late 1980s. For this reason, the birth rate appears most influential, since the birth rate rose by about 40 percent in these regions between 1984 and 1990, a period of declining unemployment rates, especially in the North and Mountain counties, which had the largest point drop in unemployment during these years.

Birth rates also appear to be an important determinant of the 1980s caseload experience in the Bay Area and Southern California (excluding Los Angeles). These regions both started with nonmarital birth rates below 10 per 1,000 women, with the Southern California rate lower than

that in the Bay Area. This distinction is captured in their 1980 reciprocity rates. Over the course of the 1980s, however, the nonmarital birth rate rose sharply in Southern California compared to the relatively slow growth in the Bay Area—58 percent compared to 32 percent. This helps explain the divergence in their reciprocity rates in the late 1980s, a divergence furthered by higher unemployment in Southern California beginning in January 1990. For these regions, rising birth rates again canceled out the economic gains of the late 1980s and helped fuel rising caseloads as the economy sank in the early 1990s.

The Los Angeles story is somewhat different. In 1980, Los Angeles had a nonmarital birth rate second only to the Farm region. At that time Los Angeles also had the second-highest one-parent reciprocity rate. Although the birth rate rose in Los Angeles, the 26 percent increase was slower than elsewhere in the state. It appears, then, that the nonmarital birth rate in Los Angeles grew slowly enough so the improving economy was reflected in declining caseloads in the 1980s. No other region had caseload declines during this period.

Policy Changes

As we saw in the statewide picture, birth rates and unemployment do not go very far in illuminating the patterns of the 1990s. One of the most striking features of Figure 3.4 is the jump in one-parent reciprocity rates in Los Angeles in 1993–1994. There is a similar though smaller increase in the Southern California and Farm regions. As indicated on the figure, this is the period when IRCA immigrants became qualified for welfare benefits.

The strength of the caseload jump in Los Angeles, with smaller effects in Southern California and the Farm Belt, reinforces the likelihood that the 1993–1994 increase is the result of IRCA. The 1.6 million California immigrants who were legalized under IRCA reported their intended residence to the Immigration and Naturalization Service. Figure 3.6 shows the proportion of immigrants who reported residing in each of our five regions.

Nearly half of those legalized under IRCA reported Los Angeles County as their place of residence. To compare, by the time the moratorium was ending, Los Angeles accounted for about 30 percent of

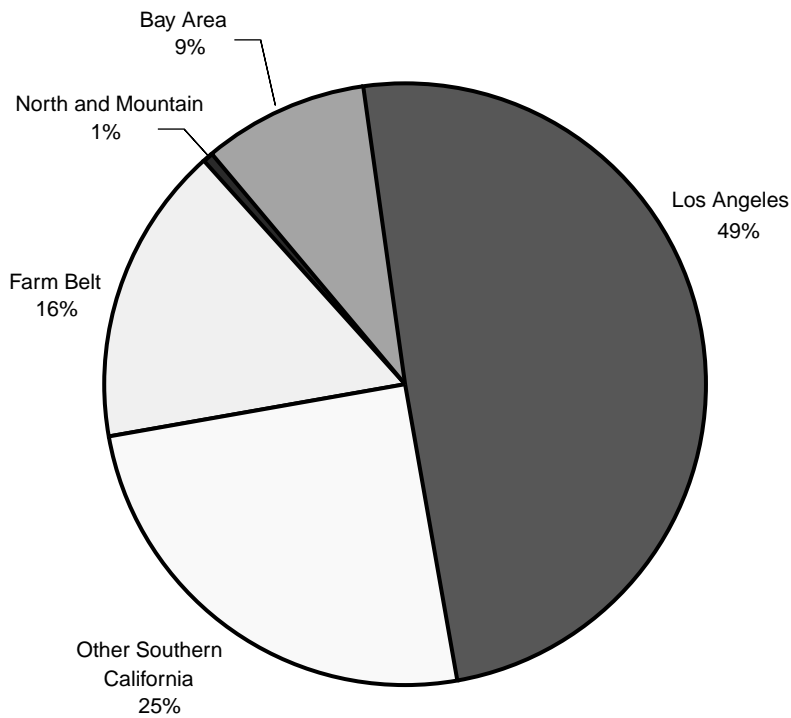


Figure 3.6—Intended Residence of IRCA Immigrants, by Region

the state’s population and a similar share of the adult caseload. Southern California received another 25 percent of the IRCA immigrants, and the Farm region received 16 percent. The Bay Area, in contrast, received less than 9 percent, despite being home to over 20 percent of the state’s population. The North and Mountain region received even a smaller share of IRCA immigrants (0.7 percent) relative to its population share (3.4 percent). As we saw on Figure 3.4, the regions with the largest shares of IRCA immigrants appear to have the largest increase in reciprocity rates during this window of time.

Can IRCA alone explain this jump in caseload size? Consider Los Angeles, home to more than 800,000 immigrants legalized under IRCA. Between January 1993 and June 1994, approximately 47,000 additional adults came onto the welfare caseloads in Los Angeles. If all of the additional adult recipients were IRCA immigrants moving onto welfare

as the moratorium ended, the implied welfare take-up rate for Los Angeles's IRCA population would be less than 6 percent. For comparison, in January 1992, the average welfare take-up rate in California was 7 percent. Therefore, it is plausible that IRCA was responsible for the majority of this extra rise in caseloads.

Although it is difficult to separate all of the elements in recent years, the regional breakdown generally supports the conjecture that welfare reform has played a role in recent caseload declines. All regions have experienced dramatic drops in reciprocity rates, including the resource-based economies of the Farm and North and Mountain regions, where the most recent data available (through 1997) showed rising nonmarital birth rates. Indeed, Southern California also experienced rising nonmarital birth rates in 1997, but has had the sharpest percentage reduction in reciprocity rates since the passage of PRWORA. In fact, one-parent reciprocity rates in all regions of California are below their 1980 levels—ranging from 3 percent lower in the North and Mountain region to 51 percent lower in the Bay Area.

Summary

Once the two-parent and child-only cases are removed from the picture, California's welfare caseload follows a pattern remarkably similar to the aggregate trend for the nation. For one-parent cases, the economy and the nonmarital birth rate appear to jointly determine the caseload trend: When unemployment and nonmarital births moved in opposite directions, as was true for most of the 1980s, one-parent reciprocity rates remained fairly constant. When they moved together, whether up as in the early 1990s or down as in the period after 1995, the one-parent reciprocity rate moved in the same direction.

Policy changes also have significant effect on the caseload. In California, as elsewhere, the eligibility restrictions in the 1981 OBRA dampened the expected increase in caseloads during the recession of the early 1980s. More important for the recent trend is the role of the 1986 IRCA. California's caseload peaked a year later than caseloads peaked elsewhere, not so much because of California's deeper recession, but because of the 1993–1994 entrance onto the caseload of immigrant adults who were previously barred from receiving benefits because of a

moratorium in the IRCA legislation. This conclusion is strongly supported by the regional breakdown, where we see the largest caseload jumps in Los Angeles and Southern California, the regions most affected by IRCA. Finally, welfare reform appears to have significantly helped reduce the caseload, even before the real implementation of the programs, given that the recent caseload reductions are far greater than we would have expected from the economic recovery and the decline in nonmarital births.

4. The Two-Parent Caseload

In this chapter, we examine the two-parent caseload, parallel to the discussion of the one-parent caseload in the previous chapter. Again, we start with the statewide trend in the two-parent caseload and then turn to the regional breakdown.

Explaining the Trends in Two-Parent Cases

Figure 4.1 presents the two-parent caseload; this is the same trend line we saw in Figure 2.4. As with the graphs in Chapter 3, we compare this trend to the state unemployment rate. For the two-parent caseload, we also present the marital birth rate (counting only births to native mothers). Finally, we add markers for the timing of key policy changes.

When we look for the factors that determine the two-parent caseload, the economy stands out. Unlike the one-parent case, there is a consistent relationship between the two-parent recipiency rate and the unemployment rate over the business cycle: The rates rose and fell in unison from 1981 to 1999, with the sole exception of the sustained increase during 1993–1995 period. The two-parent rate not only followed the business cycle in general, but it reacted in a roughly similar manner in both the early 1980s and the 1990–1992 recessions. Although OBRA dampened the response in the earlier recession, the two-parent recipiency rate increased at about 1.5 percent per month from September 1981 to March 1983 and from September 1990 to March 1992.

In addition, there is substantial seasonal variation in the two-parent recipiency rate, which mirrors the seasonality in the unemployment rates. As we shall see in the next section, this seasonal component is primarily linked to the resource-based parts of the state's economy.

On the other hand, marital birth trends seem to have virtually no effect on the trend in two-parent cases. Throughout the 1980s and 1990s, the number of births to married couples fell as a share of the

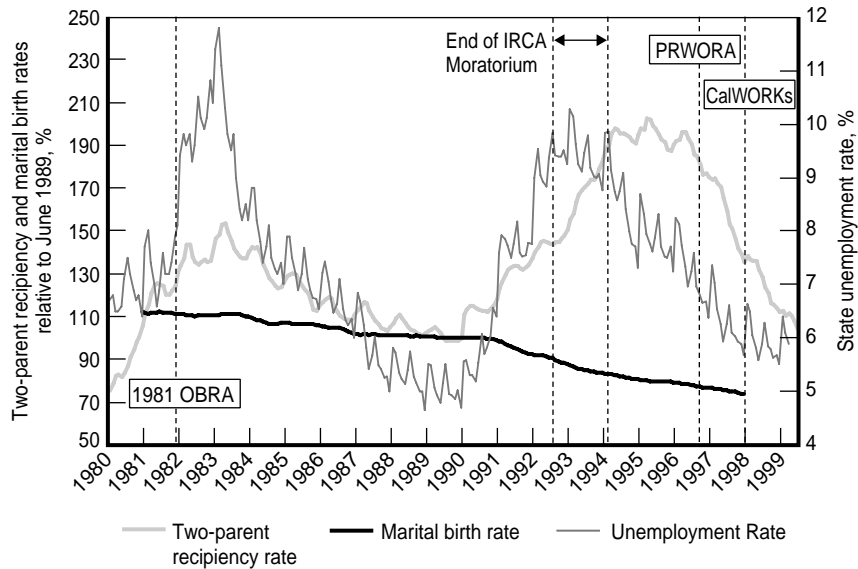


Figure 4.1—Potential Determinants of Two-Parent Reciprocity Rate

population. It is possible that such demographic trends have much less influence on the two-parent caseload, especially when compared to the effects of the economy. Then again, two-parent families are much less likely to be “at risk” of receiving welfare, if for no other reason than the presence of two potential wage earners.¹ As a result, marital births include only a small share of births to families likely to need welfare, so it is not surprising that the marital birth rate is a poor predictor of two-parent welfare cases.

Finally, policy changes have affected the two-parent caseload trend. Although we cannot predict what would have happened to caseloads in the absence of OBRA, the effects of other changes are clearer. First, IRCA appears to have a fairly strong effect on the two-parent caseload. Following the 1980–1982 recession, the number of two-parent cases dropped. Yet as California’s economy started recovering in 1993 and 1994, the two-parent caseload continued to increase sharply. Between

¹For example in 1993–1994, 63 percent of single-parent families in California participated in AFDC, Food Stamps, or Medicaid, compared with only 31 percent of married-parent families (MaCurdy and O’Brien-Strain, 1997).

July 1992 and April 1994, the two-parent caseload increased from 13 cases per 1,000 women to 17.8, a rise of 37 percent in less than two years. As with the one-parent caseload, the timing of this increase corresponds with the end of the five-year moratorium on aid receipt for immigrants legalized under IRCA.

Second, welfare reform and the improving economy have worked together to decrease caseloads in the past several years. The two-parent caseload reached a plateau in 1994 and 1995, despite the recovery, but dropped sharply thereafter. As with the aggregate and the one-parent caseload, the decline in two-parent cases began before the passage of welfare reform and well before the implementation of CalWORKs. However, the decrease has been much greater than in the previous recovery, suggesting that more than just the economy is determining the current levels. In fact, the caseload has dropped so quickly that the seasonal component nearly disappears, showing up as a temporary break in the decline rather than as an increase. Today, the two-parent caseload is just 4 percent above its 1989 level, after hitting nearly 200 percent of its 1989 level five years earlier.

Regional Differences in Two-Parent Reciprocity

Nowhere is the split between the urban regions (the Bay Area, Los Angeles, and Southern California) and the resource-based regions (the Farm and the North and Mountain regions) more evident than in the breakdown of the two-parent reciprocity rates by regions, as presented in Figure 4.2. Through the early 1990s, at least, the reciprocity rates were almost identical across the three urban regions. Similarly, the lines for the Farm and the North and Mountain regions moved together through virtually the entire period.

Obviously, these groupings are driven by the economic conditions in the urban and resource-based regions. In Figure 4.3, we present the unemployment rates we saw in Chapter 2, but for ease of interpretation, we smooth the trends using six-month moving averages. Unemployment rates explain two aspects of these regional groupings. First, in Figure 4.1 we see that reciprocity rates are far higher in the resource-based regions. Unemployment rates are also always higher in the rural regions, although

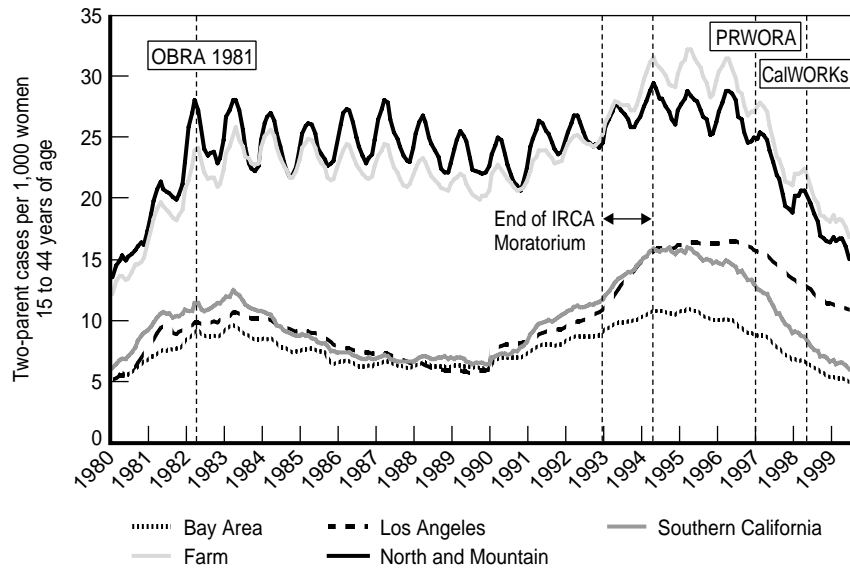
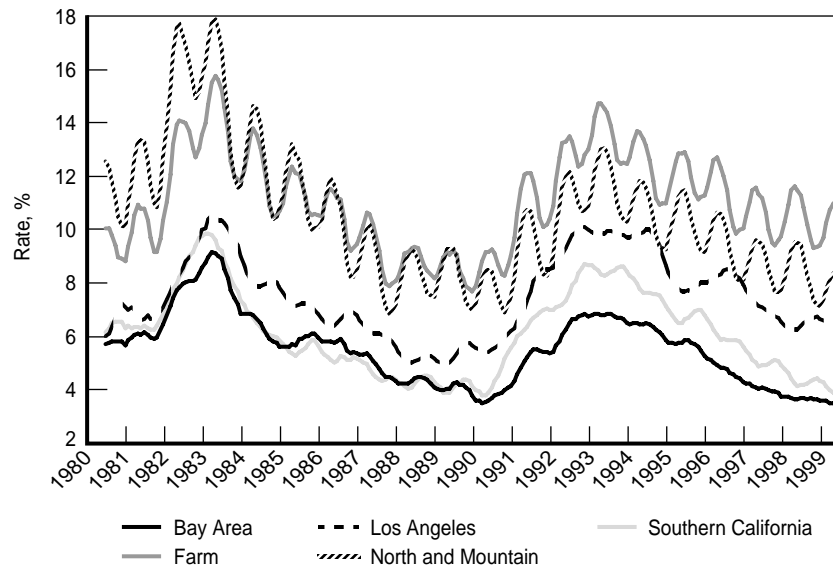


Figure 4.2—Two-Parent Recipiency Rates, by Region



**Figure 4.3—Unemployment Rate, by Region—Smoothed
(six-month moving averages)**

the urban/resource-based spread appears narrower in the unemployment rates than in the reciprocity rates. Second, there is very strong seasonality in two-parent reciprocity in the rural regions, a feature not really seen in the urban areas.² In contrast, the seasonal component of unemployment in the resource-based areas remains quite clear even in the smoothed unemployment rates. On the other hand, we see the cyclical component of the unemployment rate in every region, but this element appears to be somewhat dampened in the reciprocity rates for the resource-based regions.

Starting in the recession of the early 1990s, the urban two-parent reciprocity rates began to diverge. This too can be explained by the economy. In fact, the divergence in unemployment rates between the Bay Area and the two Southern California regions that emerged in the early 1990s recession and persisted into the subsequent recovery matched the timing and scale of the divergence in the two-parent reciprocity rate.

As we saw with one-parent reciprocity rates, the jump in two-parent reciprocity rates during 1993 was most pronounced in Los Angeles, but also evident in the Southern California and the Farm regions. Two-parent reciprocity in the Farm region passed the rate in the North and Mountain region for the first time in 1993 and remained higher through the end of the 1990s. The timing and location of these increases again point to the role of IRCA, specifically the end of the benefits moratorium, in pushing up caseloads even as the regional economies were improving.³

Although the economy stands out as the key determinant of the two-parent reciprocity rates, the declines in the late 1990s were again far steeper than those seen in the 1980s recovery. In particular, between June 1996 (just before the passage of PRWORA) and June 1999, the Farm and North and Mountain regions experienced caseload reductions of about 13 cases per 1,000 women. In every region except Los Angeles, the reciprocity rates in June 1999 were below their June 1989 levels.

²Figure 2.7 showed some seasonality in unemployment in the urban areas, but it more or less disappears in the smoothed version of the unemployment figure.

³The sharp increase in the two-parent reciprocity rates in January 1990 in the urban regions (particularly Los Angeles) is due to the termination of the Refugee Demonstration Project and the subsequent transfer of RDP cases to AFDC-U.

Rates in the Bay Area, Southern California, and the North and Mountain regions are actually below their June 1980 levels. Again this suggests an important role for welfare reform.

Summary

The economy appears to be the most significant determinant of the two-parent caseload. First, unlike the one-parent reciprocity rate, the two-parent rate has a clear association with the business cycle, rising and falling with the unemployment rate. Second, it exhibits very strong seasonality, driven almost exclusively by the highly seasonal resource-based economies of the Farm and North and Mountain regions. Finally, the level of structural unemployment (unemployment rates smoothing across cyclical or seasonal changes) appears to determine the rank ordering of two-parent reciprocity by region: Those regions with consistently high unemployment have consistently high two-parent reciprocity rates.

Nevertheless, policy also plays a role in the two-parent reciprocity rate. As with the one-parent rates, the two-parent rate jumped at the end of the IRCA moratorium, especially in Los Angeles, other Southern California counties, and the Farm region. The two-parent reciprocity rate also fell dramatically following welfare reform, with much larger declines than we observed in the 1980s recovery. Unlike the one-parent rate, however, the two-parent rate remains slightly higher than its 1989 level.

5. The Child-Only Caseload

California's unique experience with welfare caseloads during the 1990s is clearest when we turn to the child-only caseload. Controlling for population, the child-only caseload more than doubled in less than four years between June 1989 and March 1993. Furthermore, this portion of the caseload has barely declined since the caseload peak in the mid-1990s. Despite the economic recovery and the advent of welfare reform, the child-only caseload remains at more than double its 1989 level. As we show in this chapter, immigration and welfare policy are critical in explaining these trends, at both the state and the regional level.

Explaining the Trends in Child-Only Cases

Following the same pattern as the previous two chapters, we begin with a state-level examination of the factors that may explain the rise in child-only cases starting in the late 1980s. Figure 5.1 plots the child-only reciprocity rates against the unemployment rate and the nonnative birth rate. We focus on this birth rate, because the majority of child-only cases (at least in 1996) had no aided adults because the parents of citizen children were undocumented immigrants, ineligible for welfare.

For the child-only caseload, we concentrate on a slightly different set of policy changes. Figure 5.1 does not include the markers for OBRA 1981 or PRWORA. Instead we will focus on two aspects of the IRCA policy: the legalization period and the end of the moratorium on benefits. We will also examine the role of CalWORKs, as distinct from PRWORA, because its features have particular relevance for the child-only caseload.

The enormous growth in the child-only caseload occurred earlier than the run-up in aided adult cases, falling between the time of the IRCA legalizations and the end of the moratorium on benefits for the legalized immigrants. From the beginning of 1989 until early 1993, the child-only caseload grew from 13 cases to 29 cases per 1,000 women.

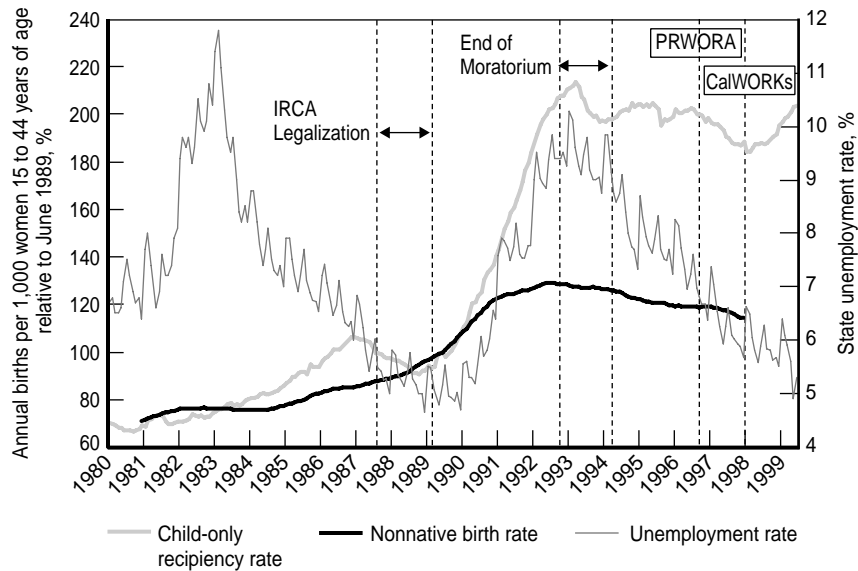


Figure 5.1—Potential Determinants of Child-Only Reciprocity Rate

Although cases are child-only for a number of different reasons—and our aggregate data do not allow us to distinguish cases by reason for child-only status—the timing of this increase strongly suggests that the IRCA legalizations led to significant numbers of new child-only cases.

Although unemployment also rose during this period, two other elements of the child-only time trend point to the importance of IRCA: the dip in reciprocity rates as the legalizations were occurring and the dip just after the end of the moratorium on benefits for IRCA immigrants. The first dip occurred between January 1987 and late 1988, when the child-only reciprocity rate fell by about 15 percent. It is probable that this downturn resulted from undocumented immigrants removing children from aid to avoid public-charge provisions and IRCA’s requirement that applicants demonstrate continuous labor-force attachment.¹ The second dip, in 1993, maps to the increase in aided

¹The CDSS 1991–1992 May Subvention notes that there was a substantial decrease in the AFDC-U caseload in the late 1980s that “resulted almost entirely from

adult cases we saw in the last two chapters. During this period, cases switched from child-only to aided adult status, as the adults in the families became eligible for aid.

The children who began to receive aid through child-only welfare cases during this period may have been in California before the IRCA legalizations. Although virtually all of the immigrants legalized under IRCA were adults, most had been in the United States since before 1982 and therefore may have had children born in the United States. As shown by the first dip in reciprocity rates, some of these undocumented immigrants undoubtedly had citizen children receiving benefits before IRCA. Other undocumented immigrants with eligible children may have been deterred from seeking assistance because they feared deportation. In either case, children already present in the United States are likely to have come onto (or returned to) the case rolls as a result of the legalizations.

Nevertheless, many of the new child-only cases during the late 1980s represented additional U.S. births to parents not eligible for welfare. Figure 5.1 includes the nonnative birth rate, a proxy for the number of births to undocumented (or otherwise ineligible) immigrants. Before 1985, the nonnative birth rate hovered around 21 births per 1,000 women. From 1985 to 1993, this rate rose to approximately 36 per 1,000 then drifted down slightly to about 34 births per 1,000 women. The 1980s were a period of rising legal immigration flows across the state and the nation, so a rise in nonnative births is to be expected. Still, as noted above, there is some evidence that IRCA encouraged additional illegal immigration, which in turn may have increased the number of California births to nonnative women. The fact that the child-only reciprocity rate dropped only a fraction following the end of the moratorium indicates that there may have been follow-on immigration maintaining the high level of child-only reciprocity.

More surprising is the up-tick in the child-only reciprocity rate in the 18 months after CalWORKs was first implemented. Between January

misinformation that caused unaided alien adults in Los Angeles County to remove their aided children from aid in the belief that it would increase their chances of citizenship.” In the next section, we will see that the decline in the child-only caseload in this period is largely a Los Angeles phenomenon.

1998 and June 1999, the one-parent reciprocity rate dropped 27 percent and the two-parent rate dropped 25 percent. In contrast, the child-only reciprocity rate rose 11 percent, nearly returning to its 1993 peak. Rather than an immigration phenomenon, we believe that this rise in child-only cases is the result of the CalWORKs policy to remove only adults from the case when parents are sanctioned for noncooperation with the welfare-to-work programs.

The timing of this increase so early in the implementation of CalWORKs—before the full implementation of sanctions in many counties—is somewhat startling. However, this increase implies an additional sanction rate of approximately 4 percent of aided adult cases, which may not be an unreasonable estimate. If adults are also voluntarily discontinuing (removing) themselves from cases, the early appearance of this trend is more understandable.

Regional Differences in Child-Only Reciprocity

If our explanations for the child-only trends are correct, the increase in the late 1980s and early 1990s should be concentrated in the regions most affected by IRCA immigration, but no such concentration should exist for the recent increase. In fact, the regional breakdown of the child-only reciprocity rates does support our hypotheses. As Figure 5.2 illustrates, the California trend in child-only cases is dominated by Los Angeles. This is markedly different from the ordering for the aided adult caseloads, where both one- and two-parent reciprocity rates were far higher in the resource-based regions than in any of the urban areas. As early as 1980, Los Angeles had a child-only reciprocity rate double that of the rest of the state. Immediately following the passage of IRCA in November 1986, the Los Angeles child-only rate dropped, falling nearly 30 percent by the end of 1988. It then turned around, rising 75 percent above its pre-IRCA level (143 percent above its 1988 low).

These regional differences are closely tied to differences in the nonnative birth rates, shown in Figure 5.3. Coupled with its high child-only reciprocity rate, Los Angeles had a nonnative birth rate nearly twice as high as that in Southern California and nearly triple the rate in the North and Mountain region. Moreover, the birth rate climbed steeply in

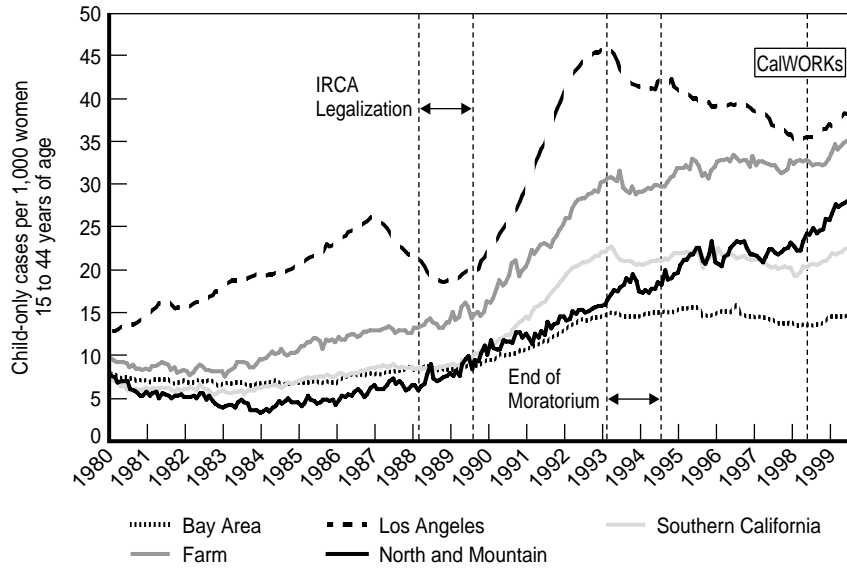


Figure 5.2—Child-Only Recipiency Rates, by Region

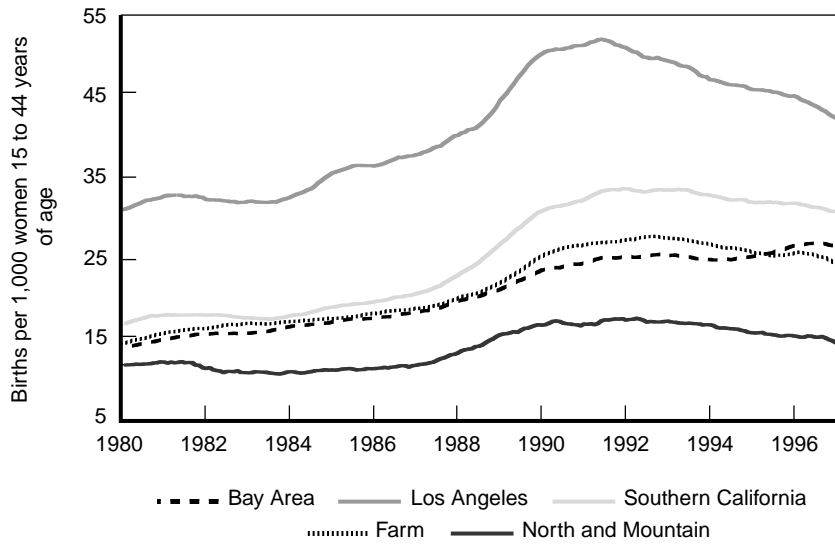


Figure 5.3—Births to Nonnative Mothers

Los Angeles between 1989 and 1992, the period of the highest increase in child-only reciprocity. Southern California experienced a milder but still visible increase in nonnative births. Nonnative births grew in all five regions, but remained much lower in the Bay Area and the North and Mountain region. This is in marked contrast to the native, nonmarital birth rate, which was highest in the North and Mountain region. Since the mid-1990s, the rate of nonnative births has declined in all regions except the Bay Area, where the rate increased slightly in 1997.

The regional distribution of the recent increase in child-only reciprocity rates points to a different cause than IRCA. If we compare the average monthly increases in child-only reciprocity rates by region for the post-IRCA period to the average for the first 18 months of CalWORKS, we see a very different regional pattern. Figure 5.4 shows the monthly increase by region for two periods: January 1989 through January 1993 and January 1998 through June 1999. The monthly increase post-IRCA was by far the largest in Los Angeles, with somewhat smaller increases in the other high immigrant regions, Southern California and the Farm

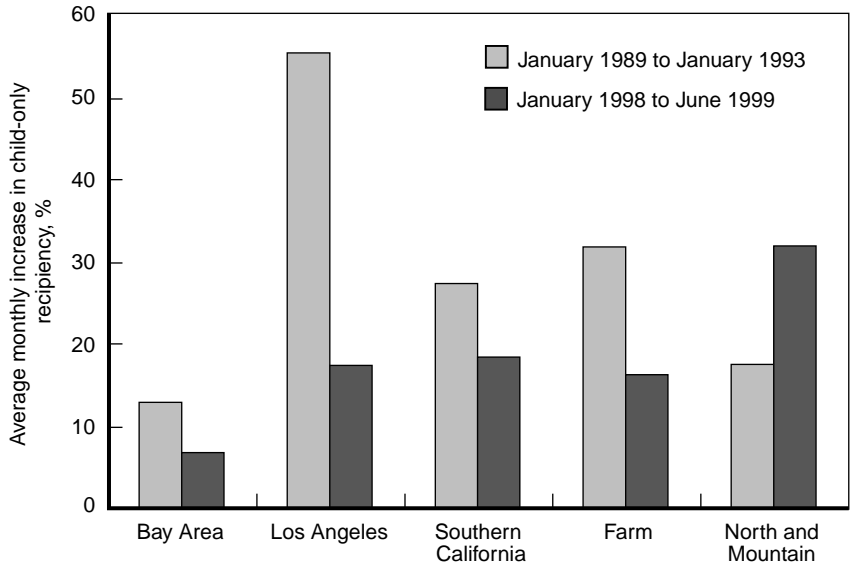


Figure 5.4—Child-Only Reciprocity Increases After IRCA and CalWORKS

region. In the CalWORKs period, the distribution is much more even, but the North and Mountain region plainly exhibits the largest increases.

The geographic distribution of the new increases in child-only cases supports the idea that welfare policy rather than immigration is behind this current trend. Unfortunately, our data do not allow us to directly link these increases to CalWORKs policies in the various counties. Even assuming that these increases result from sanctions (or voluntary discontinuances), they need not represent significant differences in county policies or practices. For example, the concentration of CalWORKs child-only reciprocity rate increases in the North and Mountain region may reflect recipients' perceptions about their economic opportunities in a region with continuing high seasonal unemployment. In other words, all else being equal, the option of a reduced grant may be less unattractive in areas where there is a lower perceived payoff to program cooperation.

Summary

Unlike aided adult cases, the child-only reciprocity rate has not fallen in the years since the peak in California welfare caseloads. As a result, child-only cases are a rising portion of the total caseload. Figure 5.5 plots

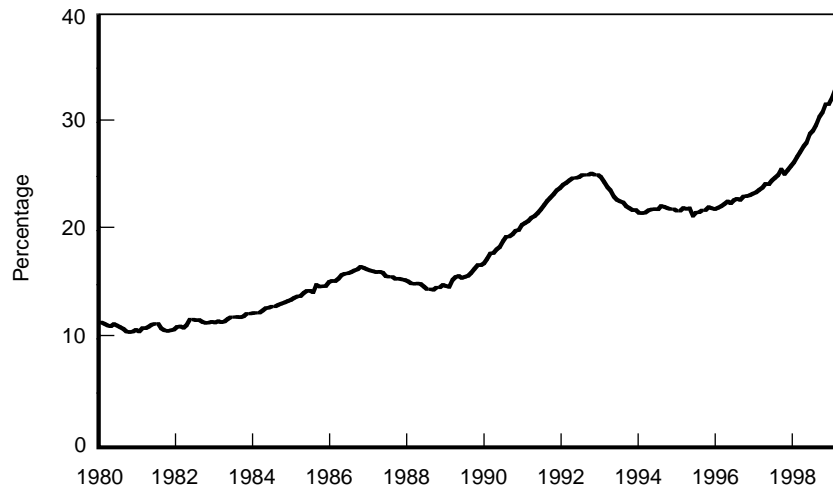


Figure 5.5—Child-Only Cases as Share of Total Caseload

child-only cases as a percentage of all welfare cases in California. In 1980, child-only cases accounted for just over 1 in 10 cases; in 1999, that increase. First, in the late 1980s and early 1990s, there was a rapid increase that appears to be closely linked to the IRCA amnesty, combined with a rising share of births to nonnative mothers. Not only does this increase track closely with the timing of the IRCA legalizations and moratorium on adult aid, but also it is predominantly a Los Angeles phenomenon, mapping to the region with the largest concentration of IRCA immigrants. Finally, the child-only reciprocity rate dips immediately before the legalizations and immediately after the moratorium, all pointing to the central role of IRCA.

However, after falling in 1993–1994, the child-only caseload started increasing again, particularly following the implementation of the CalWORKs program. Unlike the earlier increase, this recent increase is most pronounced in the North and Mountain region, a low immigration area. Thus, the recent rise in child-only cases appears to be the result of the CalWORKs sanction policy, which provides a safety net for children, removing only the adults from a case if they fail to cooperate with the welfare-to-work requirements.

6. Conclusions

Caseload numbers do not necessarily reflect the success or failure of California's welfare program, CalWORKs. Certainly caseload statistics tell us little about the self-sufficiency and well-being of families who have received welfare or who are at risk of needing welfare. Nevertheless, caseloads are and will continue to be a common yardstick to judge welfare outcomes. After all, caseload size is an important element in determining the cost of the program. More important, caseload statistics are both easily available and relatively comparable across areas, making it a simple metric for judging state or county programs.

In California, however, we cannot merely rely on aggregate caseload statistics for the state. When considering caseload trends over the last 20 years, we quickly find that the aggregate hides dramatic differences by case type and by region within the state. Examining these differences gives us significant insights into the causes of California's rapid caseload increase in the early 1990s and the sharp decline in cases since the 1995 peak. We draw five main conclusions from this analysis.

First, much of the difference in caseload trends between California and the rest of the United States is due to the substantial share of our caseload that is two-parent families or families in which only the children receive aid. Our one-parent reciprocity rates follow the same pattern as in the overall United States, except that we appear to be a year behind because our caseload peaked a year later, in 1995 instead of 1994. Although one-parent reciprocity rates remain slightly higher in California, they have dropped further in absolute terms than the U.S. average fell in the four years following the national peak.

Second, although California's strong economy and falling nonmarital birth rates have contributed to the decline in welfare reciprocity, the drops in reciprocity rates for aided adult cases are far beyond what we would expect from earlier trends. Welfare reform has played an unmistakable role in these declines. It is essential to note,

however, that these declines occurred well ahead of the real implementation of the reforms embodied in the CalWORKs legislation.

Third, it is very hard to estimate the likely effects of an economic downturn. Of all parts of the caseload, the two-parent cases are the most sensitive to the economic cycle, although when combined with birth rates, the economy is also a key predictor of the one-parent caseload. We expect that the caseload will rise with unemployment, but the recent declines are so far outside previous experience that it is difficult to use the past to predict by how much caseloads might rise in the future.

Fourth, the IRCA legalizations had a dramatic effect on the California caseload, driving a run-up in child-only cases in the late 1980s and early 1990s and a subsequent increase in aided adult cases as the economy was improving in 1993–1994. Although the legalizations extended eligibility to the highly vulnerable undocumented immigrant population, there are some indications that the amnesty also encouraged additional immigration. Moreover, the effects of IRCA were very unevenly distributed within the state, with Los Angeles and, to a lesser extent, the Southern California and Farm regions, bearing the burden of this extra caseload.

Finally, the design of the CalWORKs program is leading to a rising share of child-only cases. Sanctions that reduce only the adult portion of the grant ensure a safety net for California children. Unfortunately, they also have the unintended consequence of allowing families to trade a grant reduction for moving beyond the reach of welfare-to-work efforts. This seems to be a particular issue in regions with limited economic opportunities, such as the North and Mountain region, which has also experienced the state's largest absolute drop in aided adult reciprocity rates: a drop of 54 cases per 1,000 women compared to 39 statewide since the passage of PRWORA in 1996.

In reaching these conclusions, we have relied on county counts of cases by types and adult and child recipients. These data tell us virtually nothing about the characteristics of the cases, including basic elements such as family size, immigration status, or time on aid. There is clearly a need for further research using micro-level administrative data, not just to provide a richer profile of the changing caseload but also to examine in depth the issues identified by the aggregate trends. For example, it

would be valuable to investigate the composition of the child-only caseload, considering both how it varies over time and by region. Such an investigation would tell us more about combined effects of sanctions and immigration, as well as the interactions between CalWORKs and the SSI and foster care systems. Of course, many of the most critical questions about recent caseload trends cannot be answered from the administrative data alone, especially the fundamental question of whether families are better or worse off in this new era of declining welfare caseloads.

Appendix

Data Sources and Methods

AFDC/TANF Caseload Data

Annual average monthly AFDC/TANF caseloads for the United States and for the comparison states of New York, Texas, and Wisconsin are from data collected by the U.S. Department of Health and Human Services Administration for Children and Families. For California, monthly AFDC/TANF caseload data for each California county from January 1980 to March 1999 were obtained from the California Department of Social Services (CDSS). The CDSS data include separate aggregate *case counts* for one-parent (FG) and two-parent (U) aid types, and adult and child *recipient counts* for each aid type. A small amount of data cleaning was done on the case and recipient counts, generally with interpolated values replacing obviously incorrect values.

Imputation of Child-Only Case Counts

Although child-only cases are not directly reported in the CDSS data, we can use case and adult recipient counts to impute child-only case counts, using assumptions about the average number of currently aided adults per one-parent and two-parent case. Specifically, we assumed that each non-child-only two-parent case has two currently aided adults, and each non-child-only one-parent case has one currently aided adult throughout the 1980–1999 period.¹ For any given county, the imputed child-only case count is then the difference between the total caseload in the month and the number of non-child-only one-

¹We considered assuming that the average number of adults on non-child-only two-parent cases was 1.75, rather than 2, but found that this assumption produced estimates of *negative* child-only two-parent case counts for many counties, particularly before the large increase in the child-only case counts in the late 1980s.

parent and two-parent cases estimated from the counts of adult recipient on each aid type.

AFDC/TANF Benefit Levels

Data for California, New York, Texas, Wisconsin, and the “median state” were obtained from the U.S. House of Representatives Ways and Means Committee Green Book. When benefits levels are expressed in real dollars (1982–1984 base), we normalized with the Consumer Price Index, constructed by the U.S. Department of Labor Bureau of Labor Statistics.

Population Data

Counts of women 15 to 44 years of age for the United States, New York, Texas, and Wisconsin were obtained from U.S. Census Bureau estimates. For California and its counties, we used data from the California Department of Finance (CDOF) Demographic Research Unit, the official source of demographic data for state planning and budgeting. The Demographic Research Unit has prepared annual population estimates and forecasts for each county from 1970 to 2040. Separate estimates and forecasts are available for individual age-sex-race categories. We use CDOF population data to develop population counts of women 15 to 44 years of age for each county for each month from January 1980 through March 1999, interpolating monthly counts from annual values.

Birth Data

Birth counts for the United States were obtained from the National Vital Statistics Reports published by the Centers for Disease Control and Prevention. California birth counts are derived from the public-use California Birth Statistical Master File (CBSMF) for each year from 1980–1997. CBSMF data are collected from hospital birth certificates by the Vital Statistics Section at the California Department of Health Services and include data on almost all births in California. In addition to other variables not used in this analysis, the CBSMF data identify date of birth, mother’s county of residence, mother’s place of birth, and

mother's marital status (imputed). We use mother's county of residence (rather than the county in which the birth occurs), to attribute births to counties. We construct rates of births to married native, unmarried native, and nonnative women by dividing each county's counts of births in these categories by the total population of women 15 to 44 years of age in the county. Because we normalize each birth count by total population rather than the population of women in the relevant demographic category, these rates are not birth rates per se but rather indicate the relative contribution of each group of births to the total birth rate in the county.

Unemployment Data

For the United States, New York, Texas, Wisconsin, and California as a whole, we obtained unemployment rate data from the U.S. Department of Labor Bureau of Labor Statistics. Within California, we used county labor force data from the California Employment Development Department (CEDD) to calculate regional unemployment rates. The CEDD data provide monthly information on the size of the civilian labor force, employment and unemployment counts, and the unemployment rate for each California county from January 1980 to March 1999. Data were missing for some counties for some years between 1980 and 1982. In these cases we imputed missing values, assuming that the relationship between state and county unemployment in the missing years was similar to the relationship observed in the surrounding years.

Immigration Data

Data on the number of immigrants legalized under IRCA by county of intended residence were unpublished tabulations of IRCA applicants prepared by the California Department of Finance.

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