The Effects of Welfare Reform on Family Well-Being

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Outline

I. Policy Changes

II. Welfare Reform in Nebraska

III. Effects of Welfare Reform on:
   a. Caseloads
   b. Employment
   c. Income
   d. Consumption
   e. Savings
   f. Other outcomes

IV. Lessons Learned
I. Policy Changes

- 4 Goals of PRWORA
  - Provide assistance to needy families
  - End dependence on government benefits by promoting work
  - Prevent and reduce out-of-wedlock pregnancy
  - Encourage 2-parent families.

- Major policy changes
  - Work requirements
  - Time limits
  - Family Caps
  - Asset Restrictions
II. Welfare Reform in Nebraska

- “Employment First”
  - Mandatory participation in employment preparation
  - Employment supports
  - Sanctions
  - Time limits: 5 year lifetime; 24 of 48 months
  - Family Cap: No additions after contract signed
  - Asset Restrictions: Liquid $4,000 / $6,000; Vehicle: Value excluded for 1 car
III. Effects on: Caseloads

Average Monthly AFDC/TANF Caseloads (1963-2003, in Millions)

Peak: March, 1994
III. Effects on: Employment

Employment Rates for Single Women without a High School Degree

- Single Mothers
- Single Women without Children
III. Effects on: Employment

- Employment Rates of TANF Families in Nebraska
  - 2001: 18%
  - 2002: 28% (National average in 2002: 33%)
III. Effects on: Employment

NUMBER OF EMPLOYMENT OBSTACLES AMONG TANF CLIENTS DURING THE PAST YEAR

Percentage

Any
Two or More
Three or More
Four or More

Urban Clients
Rural Clients
All Clients
III. Effects on: Income


Change in Income (Inflation Adjusted)

-30%  -25%  -20%  -15%  -10%  -5%  0%  5%  10%  15%  20%

Income Group

Bottom Decile  Second Decile  Third Decile  Fourth Decile  Fifth Decile  Top Half

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III. Effects on: Consumption


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<th>Income or Consumption Group</th>
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<td>Bottom Decile</td>
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-30% -25% -20% -15% -10% -5% 0% 5% 10% 15% 20% 25% 30%

- Change (Inflation Adjusted)
III. Effects on: Savings

Effect of Welfare Reform on Assets Holdings, Single Mothers

Vehicle Ownership

Liquid Assets
III. Effects on: Other Outcomes

- **Family structure:**
  - Fraction of children living with unmarried parents ↓
  - Fraction living with married parents or neither parent ↑

- **Marriage/Divorce:**
  - Fewer new divorces and fewer new marriages

- **Fertility:**
  - Little to no effect

- **Time Use**
  - Substitution from non-market work to market work
IV. Lessons Learned

- Projections of rampant, abject poverty never materialized
- Clear effects on employment
- Effects on self-sufficiency less clear
- Very modest gains in economic well-being
- Welfare can’t be blamed for low savings or out-of-wedlock childbearing

Policy concerns:
- Employment instability
- Loss of other benefits
- Effects on children