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The Effect of Welfare Work Requirements on TANF Recipients: Individual Employment and Economic Mobility

Destiny Lockhart

THE EFFECT OF WELFARE WORK REQUIREMENTS ON TANF RECIPIENTS: INDIVIDUAL EMPLOYMENT AND ECONOMIC MOBILITY

by

DESTINY D. LOCKHART

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PROFESSOR PEDACE
PROFESSOR BROWN

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Abstract

With many families in poverty in need of assistance in the United States, the government has implemented stricter work requirements to get individuals off welfare and to work. Recipients must now work a state specified number of hours per week to receive aid. Some research suggest that these policies may increase employment rates amongst recipients, yet not lead to their economic growth and independence. This study examines the effect of TANF work requirements on various socioeconomic outcomes for individual recipients, including employment, job quality and income. Data on TANF recipients come from 2014 Survey of Income and Participation. Results suggest a negative reserve effect than what policy-makers intended for, yet are inconclusive of the net effect of work requirements. Other factors, such as race, sex and educational attainment play a significant role in various outcomes.

Keywords: Welfare reform, policy, work requirements, poverty, economic mobility, socioeconomic outcomes, single mothers, race

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Chapter 1: Introduction

In President Donald Trump's book *Time To Get Tough,* he writes about a California scandal, in which recipients of the Temporary Assistance for Needy Families (TANF) program withdrew several thousand dollars in aid from ATMs at strip clubs over a period of two years (Capps, 2018). Such scandals have caused uproar amongst those opposed to the welfare system in the United States. Although this scandal did occur, these have been the stories those opposed to welfare have attempted to fixate on, although such fraudulent activity only makes up a small portion of recipient caseloads. In addition, most Americans believe that most people on welfare are black, as historically blacks have been made the face of the program to construct negative racial connotations. Many, though, fail to understand how the social safety net works, along with popular racist myths about those who receive it, which contribute to widespread, but mistaken beliefs about welfare (Capps, 2018).

Welfare's effectiveness and purpose, at the intersection of race, have always been controversial issues for debate and continue to be in today's divided political climate. Trump shows a critical attitude towards the idea of welfare, as he directed federal agencies to strengthen work requirements in an executive order signed in April of 2018. Advocates of welfare disagree with his approach to welfare policy, as Sharon Parrot, from Center on Budget Policy Priorities writes that "evidence shows that strict requirements have few long-term positive effects on employment and often result in families losing help they need to afford the basics" (Capps, 2018). The U.S. welfare program is designed with the objective to help meet the needs of the American population. Regardless of political affiliation, with the push for stricter work

requirements, it is important that this objective is not lost, but better achieved through policy regulation and change. As Trump writes, "there's nothing 'compassionate' about allowing welfare dependency to be passed from generation to generation" in his chapter titled "A Safety Net, Not a Hammock" it is then imperative to analyze whether work requirements have positive effects on financial stability, as long term dependency has never been a part of any American's dream.

This thesis will explore the effect of the Temporary Assistance for Needy Families (TANF) work requirements from the welfare reform of 1996 on recipients' individual economic mobility through employment, job quality, and income. This will help assess if TANF and stricter requirements are having the desired effect of achieving the self-sufficiency and growth policy-makers intended for. It is necessary to investigate the effects of policies on the actual lives of the people once policies have been implemented to thoroughly understand whether the intention of the program and its impact are aligned. It is important to examine the trends and effects of such welfare work policies over the years to give insight on whether policy makers should continue in such direction.

To better understand this question, this thesis will start by diving into the history of welfare and the major reform of 1996, including the implementation of TANF and work requirements and then the present state of TANF. It will also explore the current state of poverty for more context in understanding the research of programs intended to help those in need. Next, this paper will perform a critical review of the existing academic research on the effects of state TANF reform policy on recipient employment, the transition from welfare to work and the shift away from an education into a work-first

approach. The third section will discuss the economic theories of welfare supporting my research based in the labor-leisure model and then explain the models used to perform a statistical analysis on the effects of work requirements on employment, job quality and earnings, alongside many other important independent variables, such as race, age, and educational attainment. The section will follow with an explanation of where the data was obtained and interpretation of the logit and OLS regressions and results. Lastly, concluding with a discussion of the implications and economic importance of the results, as well as any limitations to the approach.

Chapter 2: Background

I. Brief History of Welfare

Prior to the Great Depression, the idea of welfare had been around since the 1800s, as the government dealt with how to aid the poor. Although, the implementation and desperate need for national welfare began many years later after the stock market crash on October 29, 1929 that sent millions into a financial turmoil. Millions of people found themselves out of work, as banks failed and businesses closed (Costly, 2018). This was the start of the Great Depression, that would last through the 1930s. This was a financial crisis that included families falling apart and an increase in the homeless population. When the Great Depression began, about 18 million elderlies, disabled and single mothers with children already lived at subsistence level in the US. By 1933, about another 13 million Americans had been displaced out of work and local governments and charities could no longer keep up to provide support all those in need (Costly, 2018). Even those who were in good economic position before the crash found themselves in severe economic difficulty. School budgets were cut and some schools even shut down

for lack of money to pay teachers. According to Grace Abbott, head of children Bureau, 20% of nation's school children showed evidence of poor nutrition, housing and medical care in spring of 1933 (Costly, 2018).

In 1935, a national welfare system was established. During the presidency of Franklin Roosevelt, he sought to promote the "New Deal" in which he aimed to provide work relief for the millions of unemployed Americans. In August of 1935, Roosevelt signed the Social Security Act, which permitted a federal retirement program for persons over 65, financed a payroll tax, and guaranteed one-third of the total amount spent by states for assistance to needy and dependent children under age 16 (Costly, 2018). Although, partly federally financed, the states at that time could still set their own eligibility requirements and benefit levels, which was a part of the law that was pushed by Southern states, so they could manipulate the coverage and aid made available to their Black population. Roosevelt implemented the Aid to Families with Dependent Children (AFDC), which provided cash assistance to children and parents. From 1936 to 1969 the number of people on assistance grew from 500,000 to nearly 7 million (Costly, 2018).

II. Welfare to Work: Implementation of TANF

Government aid has grown since the implementation of a national welfare system in 1935, as even an increase in divorce rates multiplied the number of poor single mothers with dependent children (Costly, 2018). Lyndon B Johnson declared a "war on poverty" providing major non-cash benefits to AFDC recipients. Over the years, congress began to create and approve additional programs such as a food stamp program for all low-income households in 1964 and a health care system for those in need known as Medicaid in 1965. Furthermore, Nixon continued in 1974 by establishing the

Supplemental Security Program (SSI) to provide aid to needy elderly, blind and disabled. AFDC played a critical role in assisting many families, as in 1994 it supported over 14 million children and their parents (Office, 2005). AFDC prevented people from falling into poverty by providing a relatively inexpensive safety net. Although, AFDC has proven very helpful to those in need, it received a great share of criticism, as many felt it enabled people who could work to avoid work and become dependent on government assistance.

After the complaints of enablement and dangers of cyclical dependency on aid, in the 1990s Bill Clinton wanted to help people transition from welfare to work. August of 1995, he initiated the Personal Responsibility and Work Opportunity Act, which would end 61 years of AFDC guaranteed cash assistance to very eligible poor families with children and turn authority over to the states to design their own welfare program. The new program Temporary Assistance for Needy Families (TANF) would replace AFDC and would be funded by federal blocks grants and state money (Costly, 2018). Although authority was now placed into the hands of the state, there were a few strict work requirements of the federal grants. Those requirements are as followed;

Under the new law, recipients must work after two years on assistance, with few exceptions. Twenty-five percent of all families in each state must be engaged in work activities or have left the rolls in fiscal year (FY) 1997, rising to 50 percent in FY 2002. Single parents must participate for at least 20 hours per week the first year, increasing to at least 30 hours per week by FY 2000. Two-parent families must work 35 hours per week by July 1, 1997.

To count toward state work requirements, recipients will be required to participate in unsubsidized or subsidized employment, on-the-job training, work experience, community service, 12 months of vocational training, or provide child care services to individuals who are participating in community service. Up to 6 weeks of job search (no more than 4 consecutive weeks) would count toward the work requirement. However, no more than 20 percent of each state's caseload may count toward the work requirement solely by participating in vocational training or by being a teen parent in secondary school. Single parents with a child under 6 who cannot find child care cannot be penalized for failure to meet the work requirements. States can exempt from the work requirement single parents with children under age one and disregard these individuals in the calculation of participation rates for up to 12 months (Assistant, 1996).

Other requirements and changes were made, as well, including a five-year time limit, child care enforcement, harder eligibility standards and more. In addition, states were able to use federal TANF dollars to meet any of the four goals set out in the 1996 law: "(1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relative; (2) end the dependence of needy parents on government benefits by promoting job preparation, work and marriage; (3) prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two parent families" (Center, 2018).

With the new program and vision in the works, many benefits were reduced for welfare recipients and low-income working families. It had been said that giving states more leeway in imposing work requirements was a way to continue to treat blacks more

harshly, as the states with the biggest black populations have had more restrictive welfare policies alongside less generous cash benefits (Covert, 2018). Furthermore, many did not agree with the policies implemented to meet these goals, as the bill did not assure everyone on welfare would have a job and many on welfare couldn't find jobs because they did not have the necessary skills or work experience, and that those who could find work had jobs that did not pay enough to support a family (Costly Welfare, 2018).

The United States uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. In 2008, the US Census Bureau (2018) determined the poverty threshold for a family of four to be $22,025. According to an Urban institute study, “the new law would cause 10% of all American families to lose income and predicted it would send more than 1 million children into poverty” (Costly, 2018). After 2008, an additional 1.5 million families with children were now living in poverty, which questioned the programs stability during an economic downturn (Ingraham, 2014). However, many are in great favor of the program, as they believe it will give those on welfare incentive to work and have a positive impact.

III. TANF Today

Following its controversial implementation, TANF has had a rocky journey to many critics in comparison to previous programs such as AFDC. During the Great Recession, the national TANF caseloads only rose by 16 percent before peaking in 2010 and then fell below pre-recession levels by 2013, as the center on Budget and Policy Priorities reports that “Over the last twenty years, the national TANF average monthly caseload has fallen by almost two-thirds – from 4.4 million families in 1996 to 1.6 million families in 2014” (Schoen, 2017). At the same time, the number of families in

poverty was at record high levels and remained above pre-recession levels until 2016, indicating a possible failure to adequately respond to changes in need (Center, 2018). There are more than 7.1 million families with children in poverty today, in comparison to 5.1 million in 2000 (Schoen, 2017). Reaching so many fewer families than AFDC did, although the TANF caseload has declined by over sixty percent in the last twenty years, poverty had not declined nearly as much (Center, 2018) [Appendix A1]. This is an interesting irony that maybe is due to stricter eligibility requirements. The poverty threshold for a family of three in 2014 was $18,850 (US Census) and in most states, it is said that the TANF benefit levels are not high enough to lift a family of three above half the poverty line (Center, 2018). This gap between the number of families in poverty and the number receiving TANF presents a possible issue of disconnected families who are in need, yet not receiving aid. Some believe TANF provides a greatly weakened safety net that does far less than AFDC did to alleviate poverty and hardship and that the work programs rarely move parents into jobs that lift their families out of poverty. “While AFDC lifted more than 2 million children out of deep poverty in 1995, TANF lifted only 635,000 children out of deep poverty in 2010.” (Center, 2018), alluding to a lack of efficiency in TANF’s ability to improve the financial situations of poor families.

With stricter requirements, but the lack of a guaranteed job, many need extra assistance to obtain job security that provides a living wage to support themselves and their families. However, according to Budget on Public Policy, states invest little in their work programs as of in “2016, states collectively spent only 12 percent of TANF and state funds on work activities and supports” (Center, 2018). This may be problematic in seeing a positive transition rate of welfare recipients to long term labor force participants.

In addition, many welfare recipients are not only battling the difficulty of finding a job, but in addition to other factors that have negatively impacted their lives. Many find an obstacle with working up to program policy requirements standards due to mental and physical impairments, substance abuse, domestic violence; low literacy or skill levels; learning disabilities; having a child with a disability; and problems with housing, child care, or transportation, and many have criticized that TANF doesn't provide a safety net nor proper employment assistance that addresses the employment obstacle, disconnecting them from both work and welfare (Center, 2018). Sharon Parott, from the Center of Budget Policy Priorities, shares that these requirements "often hurt people with serious health conditions who aren't able to work. [They] hurt workers who can't get enough hours some months or find themselves between jobs, hurt children who lose out when their families can't get food assistance or their parents can't get health care of can't pay the rent, and hurt other vulnerable Americans who count on the help basic assistance programs provide" (Capps, 2018). In addition, TANF may have an issue in accounting for racial disparities, as Think Tank's 2017 report stated that "6.2 million working-age whites were lifted above the poverty line in 2014 compared to 2.8 million blacks and 2.4 million Hispanics" (Sit, 2018), which signals the presence of a negative race effect for minorities and a failure of TANF to provide equitable assistance to these greatly disadvantaged groups.

Welfare is a complex issue that requires the analysis of many intersectional issues. The program's primary performance measure does not measure parent's employment outcomes after leaving the program, which is dangerous to the true analysis of the effectiveness of the program as research on the early welfare to work programs

found only modest increases in employment and that many parents subject to work requirements remained poor (Center, 2018). CEO of National Low-Income Housing Coalition, Diane Yentel, also states that "work requirements do no create jobs and opportunities needed to lift people out of poverty, but instead could cut struggling families off from the very housing stability and services that make it possible for them to find and maintain jobs" (Capps, 2018). These issues may root from the failure of states to use block grants to actually fight poverty, which has been another critique of the policy and said to be integral part of the issue. The effect of welfare policies requires furthered exploration into the actual lives of recipients, which this paper will aim to do. Research is integral in helping the nation make informed decisions on the policy and programs for the people.

Chapter 3: Literature Review

I. Current State of Poverty

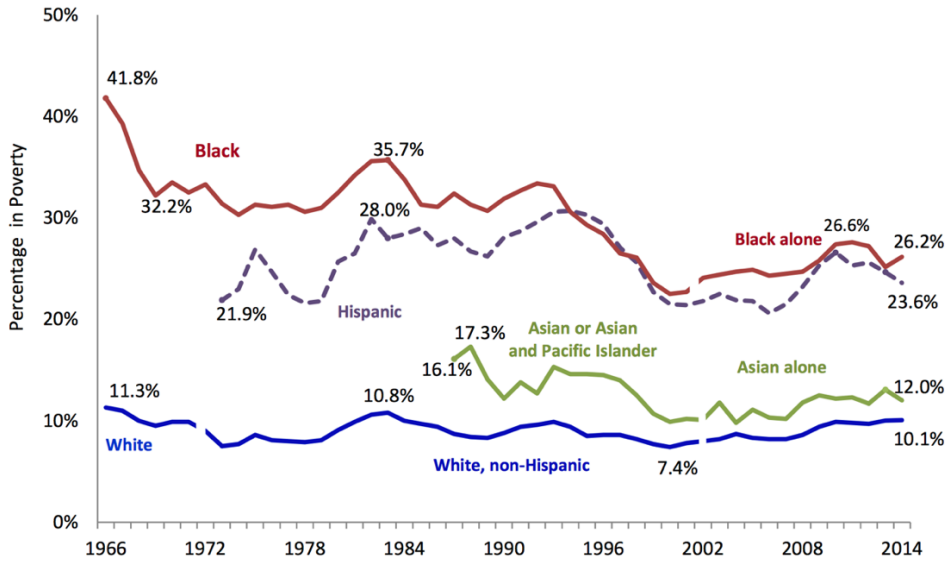
The current state of poverty is important to understand, as it contextualizes the economic state TANF recipients live in and the poor conditions welfare programs aim to address. According to Chaudry et al. (2016), the official poverty in the U.S. in 2014 was 14.8 percent, 46.7 million people, and this number has fluctuated through the ups and downs of the economy. Furthermore, Chaudry et al. (2016) reports that in 2014, TANF cash assistance reduced poverty by 11.3 percentage points among TANF recipients, using supplemental poverty measure that allows for program by program analysis of safety net impact in recent years. In addition, the median annual earnings for females has steadily increased, yet economic inequality has increased over the years for families at lowest levels of income distribution, as average income has not changed substantially. Families

in the bottom 20 percent averaged $15,000 in 1996 compared to just $16,100 in 2014, while families in the middle and highest parts of the income distribution have experienced 40 percent to nearly double the average income growth (Chaudry, 2016). This highlights aa widening gap between the rich and the poor, making it harder for those in need to obtain economic mobility against a disparity in income growth. Poverty has remained an unevenly shared experience, as some groups still experience higher levels of economic hardship in comparison to others. Moffit and Scholtz (2009), in their examination of distribution of income support, found that the increase in program expenditures from 1984 to 2004 was spread unevenly across different demographic groups and income classes.

Looking within the groups at the lowest levels of income distribution, poverty rates are much higher for single mother families, Black and Hispanic populations, those with lowest levels of education and among those living in impoverished neighborhoods (Chaudry, 2016). Meyer and Wallace (2008) find similar findings in single female headed families amongst highest poverty rates and that poverty is closely tied to education levels. Similarly, Morgan and Kickham (2002) using a pooled time series for all 50 states for the years 1987-1996, find unemployment rate for females, percentage births to unmarried mothers and percentage of single parent families to be useful estimators in analyzing poverty in the US. They highlight the importance of action by the state and federal government to help reduce poverty, although sometimes controversial methods are taken. In 2014, 39.8 percent of single mother families were poor, which was more than double the rate for all families with children. There are trends over time that show slight progress in shrinking the race-ethnic poverty gap, but poverty rates for Blacks and Hispanics were

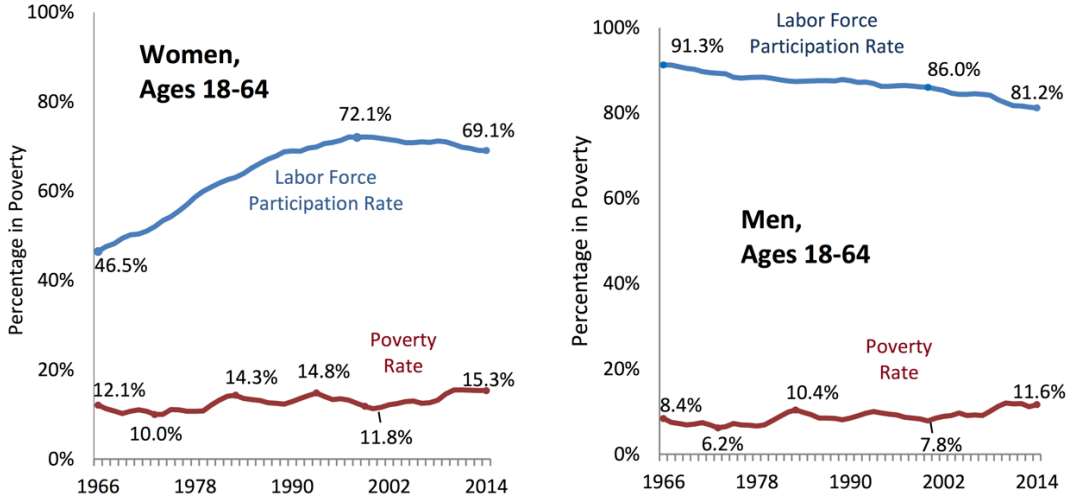
double the rate for non-Hispanic whites and poverty rates were 15 percent higher for those without a high school degree than those who complete high school. Unfortunately, black men with a high school degree or less have actually experienced a decrease in employment since the last 1960s (Chaudry, 2016). As good paying jobs become increasingly linked to higher levels of education, education and training become increasingly more essential or the gap in job accessibility and income inequality widens. As well, Purtell et al. (2012) find that black families, having a lower income and single parent households are all associated with a greater likelihood of TANF receipt. Below are two graphs; one illustrating the percentage of population in official poverty by race, and the other showing the percentage of women and men in official poverty since 1966 till 2014. These graphs reiterate findings of previous literature with Blacks and women being the largest populations in poverty. It is interesting to see the comparison of poverty levels of men and women next to their labor force participation rates.

Table 1: Percentage of Population in Official Poverty by Race & Ethnic Origin, 1966-2014



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Historical Poverty Tables.
www.census.gov/hhes/www/poverty/data/historical/people.html

Table 2: Percentage of Women and Men ages 18-64 in Official Poverty and in the Labor Force Market, 1966-214



Sources: U.S. Department of Labor, Bureau of Labor Statistics, "Not Seasonally Adjusted Labor Force Participation Rate for Women and Men by Age," www.bls.gov/cps/tables.htm; U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Poverty Tables, Table 7, http://www.census.gov/hhes/www/poverty/data/historical/people.html.

As this paper will consider region in our models, it's important to briefly note regional poverty trends, as well. The gap in official poverty levels have narrowed across regions, as poverty levels in the West have increased. The South, historically having the largest poverty rate, had a rate of 16.5 percent in 2014, with the West at 15.2 percent. Rates in the Northeast and Midwest are the lowest, with the Midwest at 13.0 percent and the Northeast at 12.6 percent (Chaudry, 2016).

Haskins (2015) conducts an analysis of the current poverty through the lens of welfare reform, highlighting both the weaknesses and strengths of the new policy. He states that the three major positive effects have been the decline in the number of people on welfare, the increase in work by low-income mothers, and the increase in family income resulting in decline in poverty among children in female headed families (Haskins, 2006). He notes, though, that some of the decline in poverty may be due to a

stable economy generating jobs and expansion of other benefit programs, such as the Earned Income Tax credit (Haskins, 2015; Blank, 2006), which is a "benefit for working people with low to moderate income" (Internal Revenue Service, 2018). However, some researchers argue that "the increase in work among low-income mothers was purchased at the price of increased poverty among those who faced the most serious barriers to work" (Haskins, 2015). This signifies that although poverty rates may be lower under TANF than under former programs such as AFDC, less people are receiving TANF, resulting in a disconnected population, those who have neither earnings nor TANF cash, especially disconnected single mothers. Other studies by researchers, including Blank (2007), Loprest (2011), and Sandstrom et al., (2014), show that over 80 percent of these mothers and their children live in poverty (Haskins, 2015). In addition, Haskins (2015) highlights additional barriers for these disconnected others, such as little education, little work experience, poor literacy and math skills and mental health problems. Many of these mothers have two or more of these barriers.

In addition, Pete Germani, a former member of the Reagan white house and researcher of influential think tanks, claims that few poor families are receiving TANF assistance due to ineffective and inefficient spending of state block grants. Others, such as Semuels (2016) and Newkirk (2018), agree that there's an issue in state spending of TANF grants, as states act in their own self-interest rather than in the interest of those in need, spending their TANF funds on "loosely-defined public-assistance programs that didn't provide cash benefits" (Newkirk, 2018)), which roots from the lack of stricter restrictions on how the money must be used (Semuels, 2016).

Floyd et al. (2018) has explored the decline in the number of families receiving TANF, highlighting that in 2017, for every 100 families in poverty, just 23 families received TANF cash assistance, many fewer than the 68 families that received assistance in 1996. In addition, they credit the decline to major policy changes and that many families leaving TANF due to restrictive state policies are often worse off. Center on Budget and Policy Priorities (2018) report that welfare caseloads have dropped from 4.4 million families in 1995 to 1.5 million in 2015 and the Government Accountability Office (2013) argues that the decline in numbers of families receiving cash assistance was due to a decline in eligible families participating in TANF, rather than increased income, suggesting that less people in poverty are getting the necessary aid to exit their current poor economic conditions.

II. The Effect of Reform Policy on Recipient Employment and Well-Being

There have been a few studies that examine the transition of welfare recipients to work and various economic outcomes. Lim et al. (2009) focuses on state TANF policies and employment outcomes among welfare leavers from 1996 to 2000 using the Survey of Income and Participation 1996 panel data and finds that across the states there tends to be stricter time limits and sanctions in states where minority groups represent a relatively large portion of the population and relatively strict work requirements in states with low unemployment rates. They test the probability of employment, then the quality of a job, as a function of individual household and economic variables, such as marital status, age, race, number of children and disability. They define quality of a job through wages and the benefits offered. They find 63.1 percent of women who left welfare after TANF

implementation were employed in the first two months, but many produced earnings at or below the 1999 poverty level. Majority of jobs held by women welfare leavers were poor quality with a median hourly wage of $6.60 in 1999 dollars and didn't offer EPHI, a health insurance. Importantly, they find a positive relationship between an increase in requirement leniency and the probability that a job has EPHI. They find that white welfare leavers have a higher probability of employment than other races, which emphasizes the intersectionality of race. In addition, there is a positive effect of higher education attainment on probability of employment, as a high school diploma increased probability by 16.02 percentage points. They conclude that work requirements may lead to higher rates of employment, but not quality jobs, which poses as a conflict in obtaining financial stability.

Furthermore, Lemke et al. (2007) explores how the welfare to work policy prioritizes work over education, which may have a negative impact on the quality of jobs attainable by recipients. Lemke suggests policy reform in which there is more schooling and training prior to work. Berlin (2002) agrees, concluding that TANF policy expand the role of education and training and make reasonable participation standards.

Corcoran and Johnson (2002) continue to explore the shift away from education and training toward immediate job placement in Michigan. They test the "quick labor force attachment model" which states that women who take low paying part time jobs will eventually move up to higher paying full-time jobs. Using multivariate regressions, they use survey data of TANF recipients over a three-year period from 1997 to 1999 to analyze how a lack of skills and training impede recipients' ability to obtain good jobs. They define a "good" job to be full time of at least 35 hours per week and paying at least

$7 per hour with benefits. Individuals who used reading/writing or computer skills daily on a job and those in supervisor positions were significantly more likely to transition from a bad job to a good one, while those in jobs that served customers, via phone or in person, were significantly less likely to transition to good jobs. They also find that almost half the women in their sample experienced job instability between successive waves, which indicted lower chances of moving into a good job, as well. They state that lack of basic skills could be reason why welfare recipients face difficulty obtaining jobs that lead to economic self-sufficiency. They highlight that other factors, including health, mental health and domestic violence, may hinder recipients, as well. They find that wages grow little with part time work experience, another barrier to long term efficiency. At the end of the three-year period, almost two-thirds were not working in good jobs and lacked upward mobility. In addition, although typically improved over time, majority were unstable with limited upward mobility. Similar to previous studies, they conclude a possibility of higher employment rates, but again, in poor jobs.

Alderson et al. (2008) examine how welfare and employment policies affect low-income families with different levels of initial disadvantage using a pooled sample to create and run experimental models and conclude that employment-based programs have no effects on economic well-being among the least disadvantaged low-income, single parent families, but have a positive effect on employment and income among the most disadvantaged families. However, Wood et al. (2008) study the long-term effect on New Jersey recipients over a 5 to 6 year period and find that, although generally economic progress, there is considerable instability and that employment security and cycles of

poverty are particularly prevalent among those with low education levels, little work experience and poor health.

Rebecca Blank (2002), a well-known voice in the research of welfare evaluates welfare reform and finds complex effects, as it is hard to isolate whether the increase in employment numbers at the time were from a strong economy or from the program reform, or mixture of both. It also was too early to draw any conclusions on the long-term impact.

Wang (2015) investigates how different stringencies in state TANF policies on time limits and work requirements affect child well-being and whether income or employments effects explain the observed relationships. This is an integral study, as it shows the domino and cyclical effect assistance to those families in need can have on their children and their future, emphasizing the power of the program policies in breaking generational poverty. Wang uses a unique approach in propensity score matching to make her analysis. Her results show that TANF participation is significant in a positive correlation with an increase in the number of breakfasts guardians shared with children throughout the week. She also states that the increase in family breakfasts are more heavily present in state with more lenient requirements. This study finds that TANF coverage may improve the structure in family life and increase parents' educational expectations for children, which is important in seeing a positive effect on family well-being and creating better household environments for disadvantaged children.

III. Expanding on Existing Research

The existing research closely examines important aspects of the TANF program in recipients' transition to work. This paper aims to build on previous literature and provide an alternate analysis. This paper's study will use data from a more recent year time period, therefore one will be able to see the effects of TANF in a different state of economy. Also, one will be able to observe any changes in the impact of TANF in comparison to previous years studied. This paper will further explore the effect of work requirements on TANF recipients, in addition to other important factors and analyze if policy plays a significant role in the economic mobility of those in need.

This paper argues that TANF work requirements do have an impact on income, employment and quality of job. I hypothesize that work requirements may produce higher rates of employment, yet negatively affect the probability that it is a job offering a living wage and benefits. Based on previous literature discussed, I also expect that being female and a person a of color, especially Black and Hispanic will have negative effects on earnings and obtaining a good quality job. Furthermore, I hypothesize that education will have an important positive effect on employment and play a key role in one's quality of job, as well.

Chapter 4: Theory, Model and Data

I. Theory and Model

With the implementation of the welfare to work reform, policy makers put in place stricter work requirements, requiring that recipients participate in a certain amount of activity a week, for most states this being 30 hours of work per week to receive assistance. As the government limited the benefits to only those who meet the

requirements, it began to force those in need to find employment, as their cash assistance is restricted otherwise. This choice in policy change is grounded in the labor-leisure model. This model refers to the decision-making process of individuals in how many hours to work in relation to hours of leisure. The model suggests that labor force participation and employment will increase when non-wage income is decreased or limited.

Furthermore, as welfare economics evaluates well-being at the aggregate level and addressing inequities, it alludes to the problem of scarcity, one of economics' most fundamental issues, in the lack of efficient resources to fulfill all human wants and needs. This relates to the theory of the invisible hand, in that a competitive market leads to social optimum or pareto efficiency, in where it is a state of allocation of resources from which it is impossible to reallocate to make any one individual better off without making at least one individual worse off. This is rooted in the idea that the natural course of the market will prevail and the less intervention of the government in making policy decisions, the better the economy will be. However, welfare in the U.S. is largely based on the intervention of the government to make policies to aid families and individuals in achieving economic growth. One can see the conflict of achieving and maintaining pareto efficiency within the population of focus in this paper, which are those in poverty and in need, as with changes in policies, such as stricter requirements, may better some individuals, yet worsen others.

Following these theories, the aim is to estimate models that will allow the analysis of the effect of government intervention through welfare policy in implementing stricter work requirements and limiting non-wage income on the personal economic well-being

and financial growth of TANF recipients. First, models are created to estimate the impact of work requirements on the probability of employment, on an individual's income, and on the job quality, good quality being defined by making more than the living wage and being offered health benefits by the employer. It is important to look at the job quality, in addition to looking at probability of employment, as failure of such a job that provides a living wage and health benefits is identified as an important issue in Corcoran and Johnson (2003). Following Lim et al. (2009) logit regression models are used for the binary variable outcomes of employment and job quality, and OLS regressions for income. Following Connolly and Marston (2008), the primary focus is on individual outcomes, as the welfare policy is aimed at influencing individual behavior, but it is important to note that family outcomes are significant, as well, for different reasons, as they show net effect of welfare reform. Only for the model on income do I run one on the effect on individual income and then another on the effect on family income [See Appendix B1]. Drawing from previous literature, other factors besides work requirements that may affect these outcomes are identified. Included among the independent variables are education, race, marital status, disability, region of residency, and receipt of subsidized housing. Thus, generally, the outcomes are modeled as a function of individual, household and economic variables, as well as state work requirements. Also included is the state unemployment rate and the state minimum wage. Inclusion of the unemployment is a good aggregate economic indicator and the state minimum wage helps control for a difference in standards of living. Following, are the models created for each outcome.

Model 1: Probability of Employment

$$P(Employed) = \beta_0 + \beta_1 TANFWrkHrs + \beta_2 Female + \beta_3 Age + \beta_4 MoreHS + \beta_5 Black + \beta_6 Hispanic + \beta_7 Married + \beta_8 Disability + \beta_9 SubHouse + \beta_{10} Midwest + \beta_{11} Northeast + \beta_{12} South + \beta_{13} West + \beta_{14} StateMinWage + \beta_{15} StateUR + u$$

Model 2: Probability of Good Job, Given Employed

$$P(Good\ Job \mid Employed) = \beta_0 + \beta_1 TANFWrkHrs + \beta_2 Female + \beta_3 Age + \beta_4 MoreHS + \beta_5 Black + \beta_6 Hispanic + \beta_7 Married + \beta_8 Disability + \beta_9 SubHouse + \beta_{10} Midwest + \beta_{11} Northeast + \beta_{12} South + \beta_{13} West + \beta_{14} StateMinWage + \beta_{15} StateUR + u$$

Model 3: Income

$$IndivIncome = \beta_0 + \beta_1 TANFWrkHrs + \beta_2 Female + \beta_3 Age + \beta_4 MoreHS + \beta_5 Black + \beta_6 Hispanic + \beta_7 Married + \beta_8 Disability + \beta_9 SubHouse + \beta_{10} Midwest + \beta_{11} Northeast + \beta_{12} South + \beta_{13} West + \beta_{14} StateMinWage + \beta_{15} StateUR + u$$

The use of logit models in this paper had its limitations in that the models are limited to avoid the inclusion of highly correlated variables. For example, residency is controlled through region variables rather than states, as inclusion of state variables in the

regression will result in multicollinearity. The variables of education and marriage are simplified, as to not over control and dilute true associations. For example, including a variable for each More than High School and Less than high school presented a possible issue in losing information, as the cutoffs tend to be arbitrary and may negatively impact the accuracy of my results. The next section will further explain the make-up of the model and each of the variables.

II. Data

The data for individuals was obtained from The United States Census Bureau 2014 Survey of Income and Participation (SIPP), which is a longitudinal survey designed to provide a continuing measure of the economic condition of households in the United States over time. They contact respondents once a year for 3 to 5 years to update their information, allowing the study to change over time. Policymakers in government and private organizations use this current economic information to make informed decisions about programs that will affect people of all income levels. The 2014 SIPP sample is a multistage sample of 53,070 housing units from 820 sample areas designed to represent the population of the U.S. This survey is the only federal data source that can facilitate the examination of the ways in which these factors interact to influence financial well-being and movement into or out of government assistance programs. SIPP collects various information on certain characteristics of household in the collecting data for Adult-well-being, child well-being, demographics of educational attainment, family and household demographics, residency, employment and earnings.

Using this data, dependent outcomes for the models were created. For the first model looking at the probability of employment, the dummy variable *Employed* was set

equal to 1 if the variable EJB1_SCRNR flagged the presence of a job during the reference year. For the second outcome, the binary variable *Good Job* was set equal to 1 if TPTOTINC (the total monthly income received by an individual) was greater than $1450 per month, the US living wage for an individual per month, and if EEMPNOESI was equal to 1, indicating employer offered health insurance to any of its employees. For the third outcome, the variable *IndivIncome* was set equal to TPTOTINC. Below is a summary of the three outcomes.

Table 1: Summary Statistics of Outcomes

Variables	Obs (N)	Mean	Std. Dev.	Min	Max
Employed	8,853	0.1125042	0.3160037	0	1
Good Job	996	0.125502	0.3314537	0	1
Individual Income	8,853	248.9626	871.0657	0	14455

The independent variables that are included in that models were also from SIPP. The variable *Age* is the response to TAGE and the binary 1-0 variable *Female* is from the ESEX variable. The binary variables *Midwest, Northeast, South,* and *West* control for region of residency, which are derived from the variable TEHC_ST, that identifies what state an individual resides in. For race, the ERACE variable was used to create binary 1-0 *Black,* and used EORIGIN variable to create binary *Hispanic*, defined as identifying as Spanish, Hispanic or Latino. For education, EEDUC was used to create the binary variable *MoreHS,* being more than high school completed, with high school diploma and below high school being the control group. For marital status, EMS was used to create binary variable *Married,* with single, divorced, separated and widowed all as the control

group. In addition, the EJOBCANT variable, which identifies those individuals that are prevented or limited in the work they can do or find due to disability, was used for binary *Disability.* Lastly, the binary *Subhouse* from the variable ERENTSUB, identifying if participants are in housing programs resulting in lowered rent.

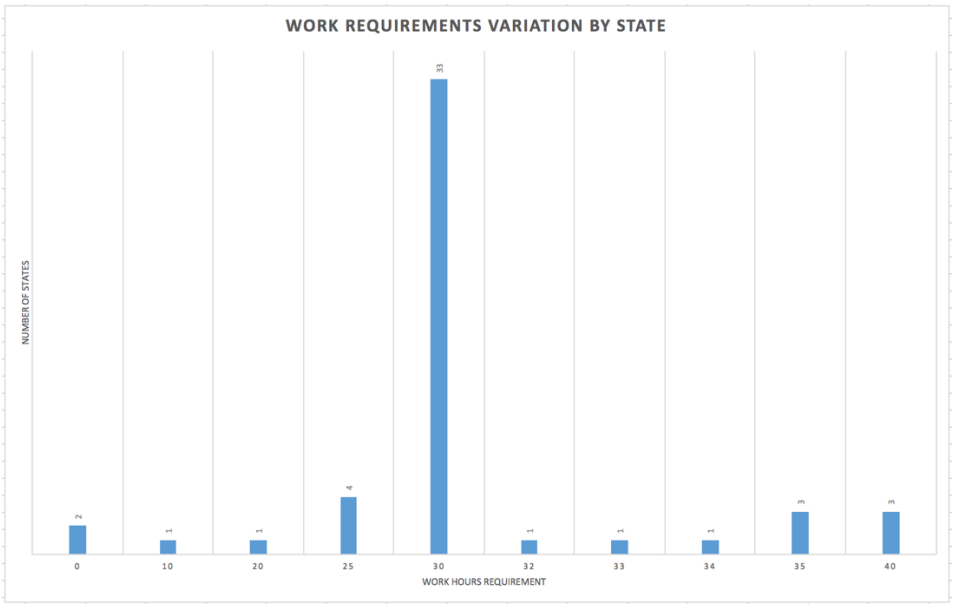
183 selected variables were extracted from the SIPP data. Within this dataset, all observations in which the individual did not report getting TANF at least once during the reference year were dropped, meaning RTANFCOV did not equal 1. This was to limit the dataset to recipients of TANF only, as TANF recipients are the focus of this paper and to help control for selection bias. Hence, a maximum of only 8,853 observations were left in which some variables in my dataset had even less. More than half of the respondents are female and a very small portion are married, as most are single mothers. About 90 percent of the recipient population are either white, Black, Hispanic. The portion of white participations may be shocking, as welfare is typically associated with racial minority groups, but whites make up about 30 percent of recipients, which would be accurate considering the racial make- up of the U.S population. Table 2 below provides the summary statistics for the independent variables.

Table 2: Summary Statistics for independent variables

Variables	Obs (N)	Mean	Std. Dev.	Min	Max
Female	8,853	0.5801423	0.4935633	0	1
Age	8,853	14.9625	13.06118	0	72
More High School	8,853	0.7180617	0.4499689	0	1
Black	8,853	0.2984299	0.457595	0	1
Hispanic	8,853	0.3163899	0.4650933	0	1
Married	8,853	0.048797	0.2154556	0	1
Disability	8,853	0.0433751	0.2037116	0	1
Subsidized Housing	8,853	0.2555066	0.4361702	0	1
Midwest	8,853	0.1517	0.3587501	0	1
Northeast	8,853	0.1524907	0.3595162	0	1
South	8,853	0.3482435	0.4764406	0	1
West	8,853	0.3441771	0.475126	0	1
State Minimum Wage	8,823	7.935326	0.7483093	7.25	9.5
State Unemployment Rate	8,823	6.752556	1.057868	2.6	9

For the TANF work requirements, data was obtained from the Urban Institute Welfare Rules Database, where the 2014 work requirements for each state could be acquired. Most states required a minimum of 30 hours of activity per week, two states were determined case-by-case, and two required participants to work full-time. Below is a graph showing the variation of hours.

Figure 3: State Work Hour Requirements Variation (0 = Case by Case Situation)



For state specified variables also included in the models, the 2014 state unemployment rates were obtained from the Bureau of Labor Statistics and the 2014 state minimum wages from the Department of Labor. Below are descriptive statistics for the state work requirements, minimum wage and unemployment rate.

Table 3: Summary Statistics of State Variables

Variables	Obs(N)	Mean	Std. Dev.	Min	Max
TANF Work Hours	8,823	28.21297	8.639344	0	40
State Unemployment Rate	8,823	6.752556	1.057868	2.6	9
State Minimum Wage	8,823	7.935326	.7483093	7.25	9.5

Chapter 5: Results

To reiterate, the data of this study only focuses on TANF recipients, which is important to remember, as there may be only small variations between observations, especially amongst the explanatory variables.

I. Model 1: Probability of Employment

This model looks at the impact of TANF work hour requirements on the probability an individual is employed. After running a logit regression for this binary outcome, the model suggests a negative impact of TANF work hour requirements on employment, as with an increase in work hour requirements decreases employment probability by 1 percentage point, with a p-value of .0100 signaling statistical significance at the 10% level of significance. The implementation of work requirements may fail to consider other variables of recipients that may pose as a serious barrier to employment. Therefore, work requirements may not necessarily lead to more employment, but more people failing to meet the requirements, and therefore, less people receiving TANF.

The model resulted in many statistically significant coefficients of the explanatory variables, as *Female*, *Age, Married,* and *State unemployment rate* all had positive coefficients at significant p-values. The variables *Hispanic*, *Disability*, *Subsidized Housing*, *Midwest, Northeast*, and *State minimum wage* all had negative coefficients with statistically significant p-values. The positive impact of being married suggests that the presence of another adult in the household provides more support, as to watch kids and take care of other responsibilities. In addition, *Female* has a significant positive impact, as there is a large population of single mothers on welfare. The positive significance of

State unemployment rate signifies that as unemployment rate goes up, there are more people on TANF and therefore, those recipients will need to get jobs, explaining the unexpected positive correlation between the unemployment rate and employment. It does not explain general population trends, yet specific to those who are TANF recipients.

The significant negative impact of the variable *Hispanic* shows that there is a larger and more significant negative race effect against the Hispanic population in finding employment in comparison to other racial groups. As well, as one would expect, having a disability would decrease likelihood of employment. The negative impact of subsidized housing suggests that with the reduction of rent, it decreases the need to be employed, as one has less financial responsibility. Importantly, as state minimum wage increases it decreases the individual probability of employment showing that as wage increases, employers will employ less people and labor competition will rise, and generally many recipients of welfare lack advanced skills, education and job training.

These overall results suggest that there are important explanatory factors that affect an individual's likelihood of employment in addition to the negative effect of work requirements, which signal that work requirements may not be having the desired effect in getting people to work.

Table 4: Probability of Employment – Logit Regression

Variables	Logit Coefficients	Average Marg. Effects
TANF Work Hours	-0.0100*	-0.0100*
	(0.00562)	(0.00562)
Female	0.753***	0.753***
	(0.0905)	(0.0905)
Age	0.124***	0.124***
	(0.00490)	(0.00490)
More High School	-0.00454	-0.00454
	(0.101)	(0.101)
Black	-0.0488	-0.0488
	(0.111)	(0.111)
Hispanic	-0.443***	-0.443***
	(0.108)	(0.108)
Married	0.317*	0.317*
	(0.171)	(0.171)
Disability	-4.489***	-4.489***
	(0.304)	(0.304)
Subsidized Housing	-0.378***	-0.378***
	(0.113)	(0.113)
Midwest	-0.773***	-0.773***
	(0.201)	(0.201)
Northeast	-1.165***	-1.165***
	(0.179)	(0.179)
South	-0.0624	-0.0624
	(0.147)	(0.147)
o.West	-	-
State Minimum Wage	-0.283***	-0.283***
	(0.0988)	(0.0988)
State Unemployment Rate	0.225***	0.225***
	(0.0531)	(0.0531)
Constant	-3.519***	-3.519***
	(0.820)	(0.820)
Observations	8,823	8,823

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

II. Model 2: Probability of a Good Job, Given Employed

This logit model examined the effect of TANF work hour requirements on the probability of being employed at a good job, "good" meaning making more than the

living wage of $1450 per month and offered health insurance by their employer. This model only looked at TANF recipients who reported being employed, building on the previous model of employment to analyze the probability that those employed are employed at quality jobs. Looking at a population restricted to those employed at some point in the reference year cut the number of observations to 988. The coefficient of *TANF Work Hours* is negative, suggesting a negative impact on the probability of a good job, yet has p-value of 0.131 meaning a lack of statistical significance.

Other explanatory variables produced statistically significant results, as *Female, Married, Midwest,* and the *State Minimum Wage* had negative coefficients. The negative coefficient for *Female* highlights the possibility of a gender wage gap, which suggests that although they are positively correlated for the probability of being employed, women are not able to get better quality jobs in comparison to men. The negative impact of being married was unexpected, but may signify that with spousal support there is less of a need for a job that pays well. Also, married recipients may not prioritize jobs with benefits, as their spouse may be employed in a job that offers benefits for the family, therefore, they may only work the minimum hours required at lower quality jobs just to receive TANF to supplement their spousal's income. The negative coefficient of the *Midwest* variable may highlight the lack of big corporations creating jobs, as many Fortune 500 companies which provide many jobs are predominantly coastal. In addition, the Midwest is home to a lot of manufacturing and agriculture industries, which have been on the decline in the last several decades. As expected, the negative impact of *state minimum wage* may suggest, that as wage rises, employers offer less benefits, as they now have to pay their employees more.

The variables *More than High School* and *State unemployment rate* produced statistically significant positive coefficients. As one would expect, more education would lead to better job opportunities. However, for the *State unemployment rate*, a possible explanation is that as the unemployment rate goes up, out of those who are employed, those who are in better positions at quality jobs and most likely have more beneficial value to the firm are less likely to be the first to be fired or let go by their employers. Therefore, as unemployment rises those who are employed most likely are those who qualify for better positions compared to other recipients, as hiring may become more selective if unemployment arises due to a rise in wages.

Although, many variables prove statistically significant, it is important to note that the R-squared was only 11 percent, meaning that only 11 percent of the variation in the variable *Goodjob* can be explained in the independent variables in this model.

Table 5: Probability of a Good Job – Logit Regression

Variables	Logit Coefficients	Average Marg. Effects
TANF Work Hours	-0.0232	-0.0232
	(0.0154)	(0.0154)
Female	-1.451***	-1.451***
	(0.253)	(0.253)
Age	0.00587	0.00587
	(0.0133)	(0.0133)
More High School	0.609**	0.609**
	(0.236)	(0.236)
Black	0.145	0.145
	(0.306)	(0.306)
Hispanic	0.319	0.319
	(0.315)	(0.315)
Married	-1.023***	-1.023***
	(0.375)	(0.375)
Disability	-0.102	-0.102
	(0.677)	(0.677)
Subsidized Housing	-0.238	-0.238
	(0.354)	(0.354)
Midwest	-1.753***	-1.753***
	(0.460)	(0.460)
Northeast	0.315	0.315
	(0.342)	(0.342)
South	-0.215	-0.215
	(0.300)	(0.300)
o.West	-	-
State Minimum Wage	-1.308***	-1.308***
	(0.224)	(0.224)
State Unemployment Rate	0.513***	0.513***
	(0.155)	(0.155)
Constant	6.479***	6.479***
	(1.943)	(1.943)
Observations	988	988

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

III. Model 3: OLS on Individual Income

This model looks at the impact of TANF work hours on an individual's income. Based on the OLS regression, the impact of TANF work hours is negative, but the p-

value of 0.743 signifies the variable in this model is statistically insignificant. The R-squared is 0.324.

Other explanatory variables produced statistically significant impacts on income. *Employed, Age, More than High School*, and *South* were all statistically significant with positive coefficients. As expected, employment has a huge impact on one's income, and as one gets older, the more money they most likely will make. In addition, having more than a high school education has a significant impact on one's income, as better paying jobs will be more available for those with a higher level of education. A possible explanation of the positive coefficient on the *South* variable may be because there are more job opportunities compared to some other regions.

The variables *Married, Disability, Subsidized Housing, Midwest*, and *West* were all statistically significant with negative coefficients. Negative impact of marriage may come from women recipients relying on spousal income and therefore, settling on more part-time work and lower paying jobs, similar to the explanation mentioned in earlier models. It is expected that disability impacts employment, therefore negatively effecting one's earnings. An OLS regression model was also ran on a family's income for additional reference, whose regression results are in Appendix A6.

Table 6: Individual Income - OLS Regression

Variables	Coefficient
TANF Work Hours	-0.275
	(0.838)
Employed	978.7***
	(55.32)
Female	20.76**
	(9.448)
Age	27.38***
	(2.202)
More High School	312.5***
	(42.29)
Black	1.792
	(22.21)
Hispanic	-17.67
	(12.25)
Married	-265.6***
	(70.80)
Disability	-131.5**
	(58.00)
Subsidized Housing	-91.54***
	(13.93)
Midwest	-49.50**
	(22.74)
o.Northeast	-
South	58.17***
	(21.89)
West	-36.32*
	(21.60)
State Minimum Wage	-1.722
	(12.33)
State Unemployment Rate	-0.619
	(6.964)
Constant	-434.3***
	(100.7)
Observations	8,823
R-squared	0.324

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Chapter 6: Conclusion

This paper analyzed the effect of TANF work hour requirements on whether an individual was employed, the probability of a good job, and on an individual's income. Work requirements had a statistically significant negative effect in the probability of employment, suggesting that an increase in work requirements has the reverse effect of policy objective.

Explanatory variables play a significant role in the overall effect of policy implementation. Being female has a positive impact on being employed, yet has a negative effect on the probability the job is good quality, which highlights the possibility of a gender wage gap or discrimination in the labor market. It may also be that the females in the population are less qualified for the better-quality jobs. Being Hispanic resulted in having a significant negative effect compared to other racial groups in being employed, which represents a greater barrier for Hispanic recipients to enter the labor force and attain economic mobility. Regionally, the Midwest had the biggest significant, yet negative impact in all three models. This highlights regional disparities that must be considered when analyzing and implementing national policies.

Interestingly, education was not statistically significant in whether an individual was employed, however, it was significant in whether the job was a good job. This shows that education is important in the quality of a job and plays a key role in various socioeconomic outcomes. Its lack of significance in other models may be due to small variation between the observations. Prioritizing a work-first approach, rather than an education has been an important critique of the welfare to work policies. As education's importance in economic mobility is minimized through policy reform, the policy

condemns its recipients to low-quality jobs. Financial independence becomes less likely with a lack of education and skills. The implementation of stricter work requirements may have greater and more complicated implications for recipients who are the most disadvantage due to race, gender, low-income, educational attainment and single-parent households.

The TANF program may fail to heavily consider the significance of these independent factors in the lives of recipients, although this paper is not able to conclude the absolute effects of work hour policies on various outcomes. With generally low R-square values, an exploration of more and different explanatory variables would be useful. For future research, it would be beneficial to examine the impact of training programs and job preparation on recipient employment and earnings, as these factors from the SIPP data were not able to be included in this study due to possible endogeneity issues in the models. This will help show how economic growth is affected by investment in human capital. In addition, comparing the effectiveness of different programs meant to help individual's in low socioeconomic classes to work, such as the Earned Income Tax Credit. Finally, it is important to further analyze the long-term impacts of welfare program policy through examination of income growth and economic well-being of both the individual and the family. It is important to see whether generational trends show economic mobility or cycles of poverty.

Overall, this paper examined the effects of work requirements on recipients' personal economic mobility through an examination of job quality and earnings. It is essential to evaluate the execution of welfare objectives at the aggregate level. As eligibility requirements become more stringent, it increases the population of

disconnected individuals, who are those in dire need, but without access to aiding resources. The implementation of stricter policy may have an unintended reverse effect and do more harm than good. It may lead to a continuous cycle of generational poverty and dependency on assistance, and therefore, welfare will have failed to efficiently aid the population in need.

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Appendix A

Figure A1: Number of Families Receiving TANF

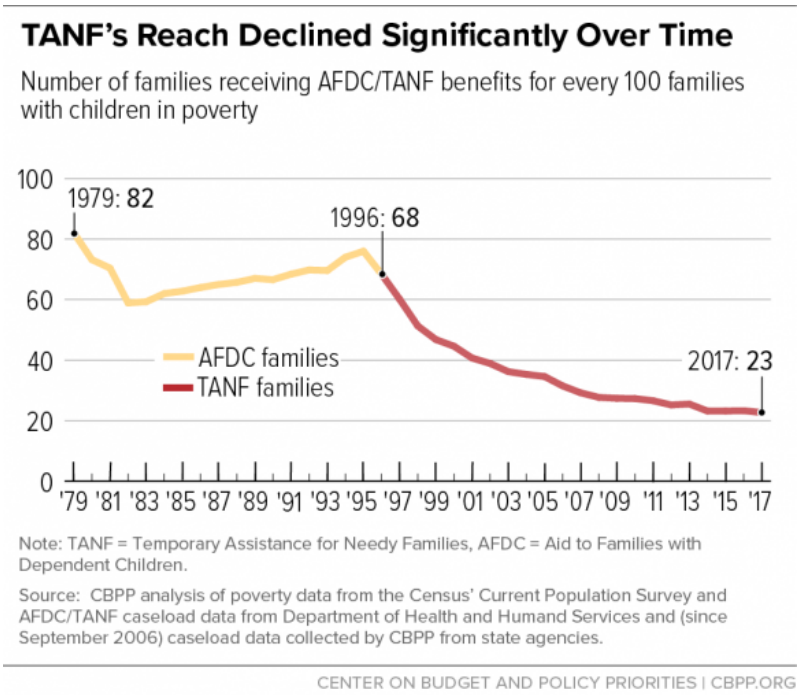


Figure A2: TANF Adult Recipients by Educational Attainment

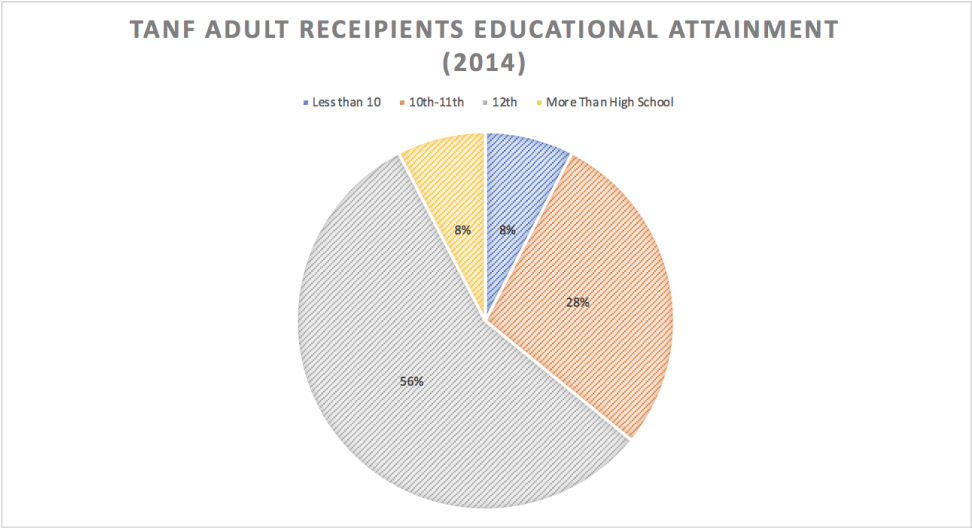


Figure A3: TANF Adult Recipients by Race/Ethnicity

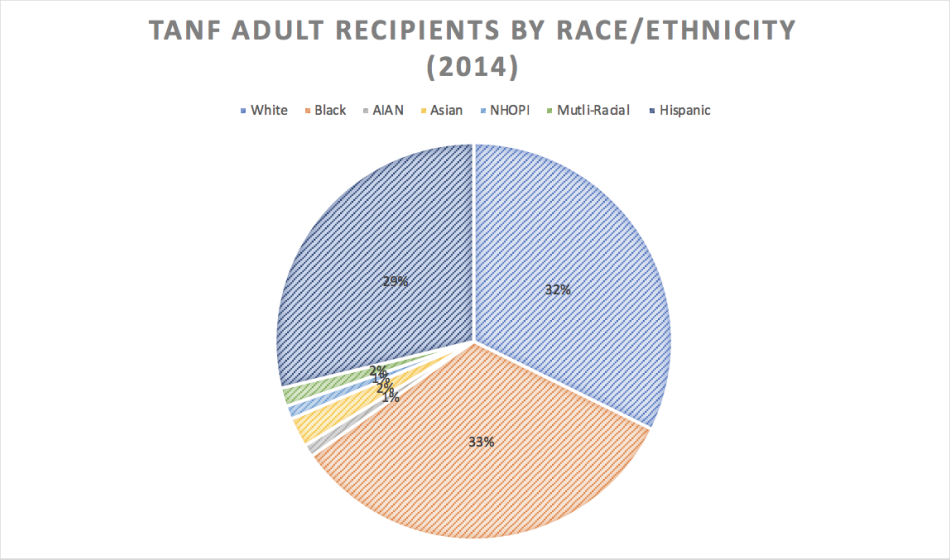


Figure A4: TANF Adult Recipients by Marital Status

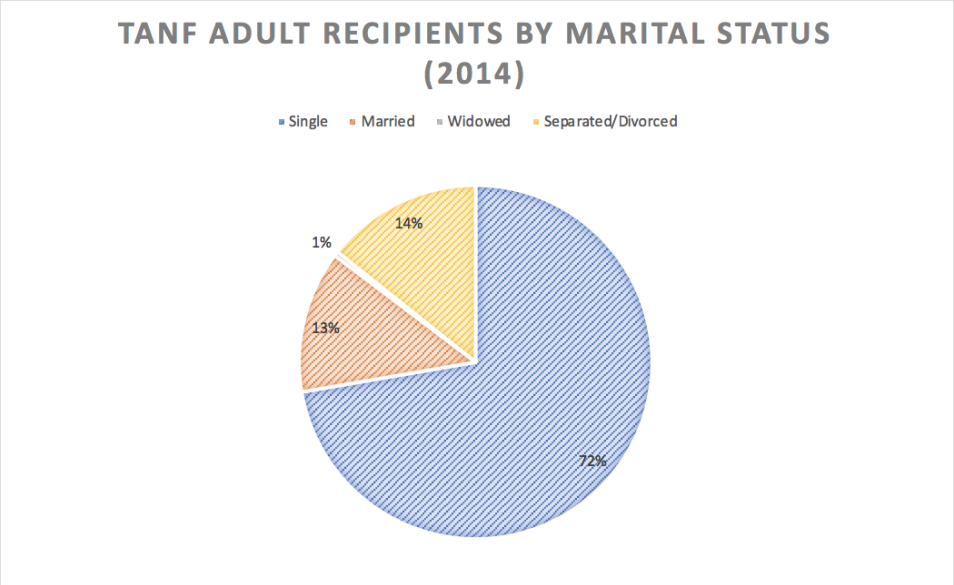
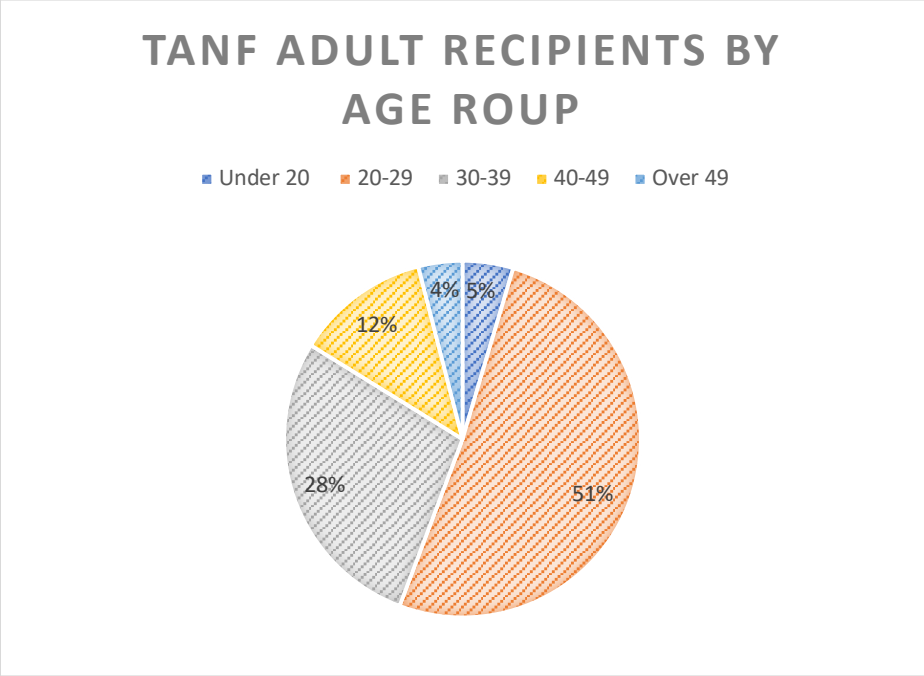


Figure A5: TANF Adult Recipients by Age Group (2014)



Appendix B

Figure B1: OLS Model on Family Income

Variables	Coefficient
TANF Work Hours	-0.275
	(0.838)
Employed	978.7***
	(55.32)
Female	20.76**
	(9.448)
Age	27.38***
	(2.202)
More High School	312.5***
	(42.29)
Black	1.792
	(22.21)
Hispanic	-17.67
	(12.25)
Married	-265.6***
	(70.80)
Disability	-131.5**
	(58.00)
Subsidized Housing	-91.54***
	(13.93)
Midwest	-49.50**
	(22.74)
o.Northeast	-
South	58.17***
	(21.89)
West	-36.32*
	(21.60)
State Minimum Wage	-1.722
	(12.33)
State Unemployment Rate	-0.619
	(6.964)
Constant	-434.3***
	(100.7)
Observations	8,823
R-squared	0.324

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1