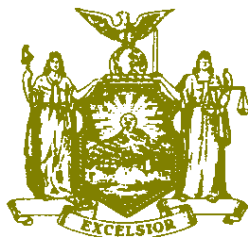


**The New York State  
Office of Temporary and Disability Assistance**

**Welfare Reform in New York State:  
Effects on Work, Family Composition, and  
Child Poverty**

**February 2002**



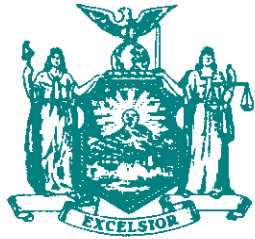
**George E. Pataki  
Governor**

**Brian J. Wing  
Commissioner**

**Welfare Reform in New York State:  
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**February 2002**



The New York State  
Office of Temporary and Disability Assistance

Office of Budget and Performance  
Management

Brian J. Wing, Commissioner  
Robert Doar, Executive Deputy Commissioner

*“Providing Temporary Assistance for Permanent Change”*

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## A. Introduction and Overview

Starting in 1995, welfare policy in New York State underwent a series of major transformations. Focusing on work and personal responsibility, New York set in motion a series of administrative changes that would have a profound effect on the delivery of social services. A year later, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which replaced the nation's primary welfare program, Aid to Families with Dependent Children (AFDC), with the Temporary Assistance for Needy Families (TANF) program. The sweeping legislative changes included in PRWORA provided New York with the additional flexibility needed to advance meaningful welfare reform that would assist individuals and families to make a successful transition from welfare to work and self-sufficiency.

In the past five years, New York's welfare system has evolved from a system that focused on determining client eligibility and distributing benefits, to a system that focuses on securing non-public-assistance means of income support such as employment and child support. A wide range of new policies and programs support the new focus, including strict work and child support requirements. In addition, the State has made major new investments in supports for low income working families in the State, including new resources for child care, children's health insurance, and tax-based wage supplementation.

Details concerning the various program and policy changes are provided in subsequent chapters. However, the focus of this report is on the outcomes of welfare reform for children and families in New York State, i.e., how well New York is achieving the goals of this major change in social policy. As noted in PRWORA and State policy directives,<sup>1</sup> the main goals of welfare reform are to:

- Increase employment among the State's most economically needy families, including welfare recipients and former recipients.
- Reduce teenage pregnancy, out-of-wedlock births, and the rising numbers of children living in single parent families.
- Reduce dependency on government assistance for economic support.

In addition, the study reports on the impacts of welfare reform on child poverty. Although not an explicit goal of the legislative changes enacted under welfare reform, child poverty is closely monitored by policymakers and policy analysts as an indicator of how well welfare reform is working. Moreover, PRWORA requires the monitoring of child poverty rates in each state and the development of corrective action plans by states if child poverty increases significantly.

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<sup>1</sup> See Section 401 of the Social Security Act for the goals of TANF and Office of Temporary and Disability Assistance, 2001-2002 Strategic Plan for New York State's goals.

## Overview of Findings

The main findings of this report are the following:

- ◆ Labor force participation rose in the years following welfare reform, with the largest increases occurring in groups most likely to use welfare (e.g., single mothers);
- ◆ After rising steadily prior to reform, teen pregnancy rates and teen births declined in the period following reform;
- ◆ The slow rise in the percent of children living in single parent families stopped in the period after reform, and for some economically disadvantaged groups, the trend turned down;
- ◆ After rising steadily in the years prior to reform, child poverty declined in subsequent years, reaching a 21-year low of 19.0% in 2000;
- ◆ Child poverty declines further – to 13.9% – when using an alternative poverty measure provided by the Census Bureau. That measure adds income from the Earned Income Tax Credit, Food Stamps, school lunches, and housing subsidies and subtracts taxes paid; and
- ◆ Far fewer families in New York State are dependent on welfare today than in the past.

What is most striking about these findings is that the data clearly show that these successes cannot be solely attributed to the growth of New York State's economy between 1994-2000. Previous periods of economic prosperity—absent welfare reform—had nowhere near the results described in this report. Something else was playing a part in increasing work, raising incomes, and stopping the rise in single parent families. That something else was welfare reform as implemented in New York State.

## Data Sources and Methods

*Data Sources.* A number of different sources were used to compile the data in this report. The primary data sources include the Current Population Survey (CPS) administered by the U.S. Bureau of the Census (BOC) and vital statistics data provided by the New York State Department of Health. Trends in employment, household composition, and child poverty are calculated from the March 2001 Supplement of the CPS. The CPS is the main source of year to year social and economic data for the nation, including the calculation and publication of yearly poverty rates. The BOC provided the tabulations of work rates, household composition and child poverty rates shown in this report. The Department of Health provided pregnancy and birth data.

*Methods.* To assess the impact of welfare reform, we examine trends in work rates and other goals of welfare reform before and after the start of reforms. To distinguish the effects of policy changes from the effects of a growing State economy in the post-reform period, we make two types of comparisons. First, we examine whether groups more

likely to be affected by welfare reform showed greater improvement than those less likely to be affected by the policy changes. Second, we examine whether the types of changes observed after the implementation of welfare reform are typical of previous periods of economic expansion. These methods are similar to methods used in several recent studies conducted at the national level.<sup>2</sup>

The sampling design used by the Bureau of the Census for the Current Population Survey provides sufficient sample size in New York State to support the analyses in this report. Each year, about 3,500 households in the State are interviewed regarding social and economic characteristics of each of the families in the household. Where sample sizes for subgroups are too small for year to year comparisons, we focus on the trends before and after reform. With six full years of data available since the start of major reforms, it is now possible to discern real changes in trends from the year to year fluctuations that affect small, sample-based estimates for individual years at the state level. In addition, whenever subgroups are deemed too small for specific years, we use three-year moving averages rather than values for specific years to examine the trends. This technique is frequently used by the Bureau of the Census in generating state level estimates from the Current Population Survey.<sup>3</sup>

## Report Contents

Chapter B of the report details program and policy changes implemented under New York's welfare reform, including changes in resources dedicated to supporting those who work. Chapter C looks at trends in birth and pregnancy rates as well as changes in single parent family formation. Chapter D examines work rates for various groups of New Yorkers, as well as the labor force participation for those on welfare caseloads. Chapter E presents trends in child poverty rates. Finally, Chapter F provides a summary and some overall conclusions.

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<sup>2</sup> See Haskins, Sawhill and Weaver, 2001; Blank, 2000; O'Neill, 2001.

<sup>3</sup> See U.S. Bureau of the Census, 2000.

## **B. Welfare Reform in New York State**

### **Policy Changes**

The sweeping legislative changes included in PRWORA provided states with much-needed flexibility to advance meaningful welfare reform that would assist individuals and families to make a successful transition from welfare to work and self-sufficiency. New York took advantage of this opportunity and implemented a series of administrative and social changes that have had a profound effect on the delivery of social services.

The former federal Aid to Families with Dependent Children (AFDC) program focused primarily on income support and made little provision for transitioning its recipients to self-sufficiency. In fact, it actually discouraged work and failed to provide individuals with the resources needed to support themselves. With the opportunity provided by PRWORA, New York reshaped its welfare system using the following guiding principles:

- ⇒ Reduce dependency on government programs for economic support;
- ⇒ Increase employment and job retention for those receiving assistance and leaving assistance;
- ⇒ Reduce adolescent pregnancies and out-of-wedlock births; and
- ⇒ Provide access to quality basic education, adequate housing, quality health care, and quality child care for TANF recipients and low-income working poor families.

One of the major changes under TANF is the imposition of a five-year limit on federally funded assistance. Income support changed from an entitlement program for needy families to a temporary and transitional benefit. Now, employment assessments, support services, and time-limited cash assistance are provided to needy families to assist the parent in acquiring the necessary skills to secure and retain employment.

New York's commitment to providing support services to low-income working families is notable. State and Federal Earned Income Tax Credits, Child Care, Medicaid, Food Stamps for non-welfare recipients, and Child Support are important partnering programs that have enabled New York's welfare reform efforts to be successful. As noted below, spending on these programs has significantly increased in the last five years.

The ability to fund a variety of support programs for working families is due in part to the reduction in the welfare caseload. PRWORA mandates that states continue to spend state dollars at not less than 75 percent of the level of state spending in 1994 on the programs replaced by TANF. As a result of caseload decline, New York has been able to continue to maintain benefit levels and commit an increasing amount of State dollars for programs

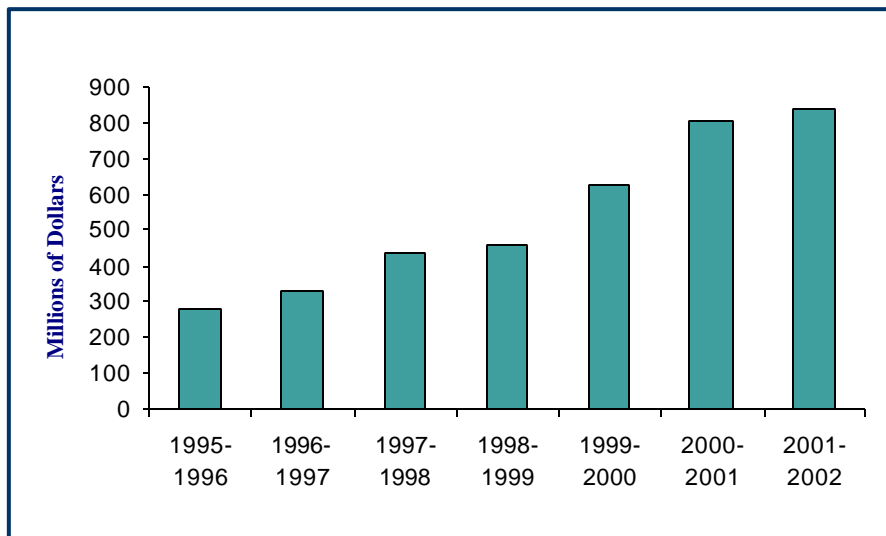
to help low-income parents obtain and retain employment and remain financially independent.

## Work Support Programs

New York has invested in a variety of work support programs to help parents remain financially self-sufficient, ranging from child care subsidies and the Earned Income Tax Credit to increases in Child Health Plus, Medicaid, housing, and transportation. In addition, administrative changes in the child support enforcement program have resulted in dramatic increases in child support collections, making it more likely that a family can support itself without welfare.

*Child Care.* Since 1995, funding for child care has tripled, increasing by \$561 million (see Figure B.1). In 1995, the state provided 72,000 child care subsidies. In 2001, funding was provided for 174,000 subsidies, an increase of 142 percent. New York now ranks second in the nation in providing child care subsidies. Not only is this funding critical for enabling parents to make the transition from welfare to work, it also finances subsidized child care for low-income families, thus easing their financial burden and lessening the likelihood they will need welfare.

**Figure B.1: Child Care Funding in New York State: 1995-2001**



Source: New York State 2001-02 Executive Budget.

*Earned Income Tax Credit.* Both New York State and the federal government offer earned income credits to low-income workers. Congress adopted the federal earned income tax credit in 1975. It subsequently expanded the scope and size of the credit three times – in 1986, 1990, and 1993. In 1994, New York State created a State Earned Income Tax Credit (EITC) program at 7.5 percent of the federal credit. The New York

State EITC was expanded in 1995 and 1996. In 2002, it was raised to 27.5% of the federal credit, making New York's EITC the second most generous in the nation.<sup>4</sup>

There are several financial benefits of the EITC. First, because it is based on earned income, it resembles a wage subsidy, with the highest subsidies paid to the lowest paid workers. By increasing the net return to work effort, it is intended to encourage either higher labor force participation or additional work effort by those already working. Either outcome means that the credit helps to make work a more attractive alternative to welfare. Second, it offsets all or part of the payroll tax burden faced by lower-income workers. The EITC is an integral partner to welfare reform because it targets tax relief to low- and moderate- income taxpayers, while its refund feature provides cash rebates to the lowest-income workers. The EITC has no effect on an individual's eligibility for TANF, Medicaid, Supplemental Security Income (SSI), Food Stamps, or Low-Income Housing.

It is generally recognized that both the federal and State EITC have provided positive incentives to work and increased earned income for working parents. National census data indicates that the EITC, more than any other program, has raised children out of poverty. The EITC's work incentives result from the fact that people with no earnings get nothing, while those with modest earnings receive significant benefits.<sup>5</sup> Specifically, Earned Income Tax Credits have been shown to increase work among single mothers. Nationwide, the federal EITC is lifting 4.8 million persons out of poverty, including 2.6 million children.<sup>6</sup>

You qualify for the New York State earned income credit if you qualify for the federal earned income credit. EITC eligibility and credit amounts vary by family size with workers with children being able to receive greater amounts before the credit phases out. To qualify for the NYS EITC for the year 2000, earned income must have been less than \$27,413 for a working parent with one child, less than \$31,152 for a working parent with two or more children, and less than \$10,380 for a worker with no dependent children. For 1999, there were 1.27 million NYS families that claimed the federal EITC and 1.14 million New York State families that claimed the State EITC. Combined together, the average federal and State credit was \$1,849 in 1998, the most recent year for which statistics are available.<sup>7</sup> Table B.1 summarizes federal and State credit usage for all taxpayers.

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<sup>4</sup> See NYS 2001-2 Executive Budget.

<sup>5</sup> See Ellwood, 2001.

<sup>6</sup> See Johnson, Nicolas 2001.

<sup>7</sup> Note that because eligibility for the EITC extends fairly high up the income scale (i.e., the phase out period is gradual), many EITC users have fairly high income, making the average subsidy significantly lower than the maximum available to the lowest wage workers.

**Table B1: Federal and State Earned Income Tax Credit  
by NYS Family Size: 1998**

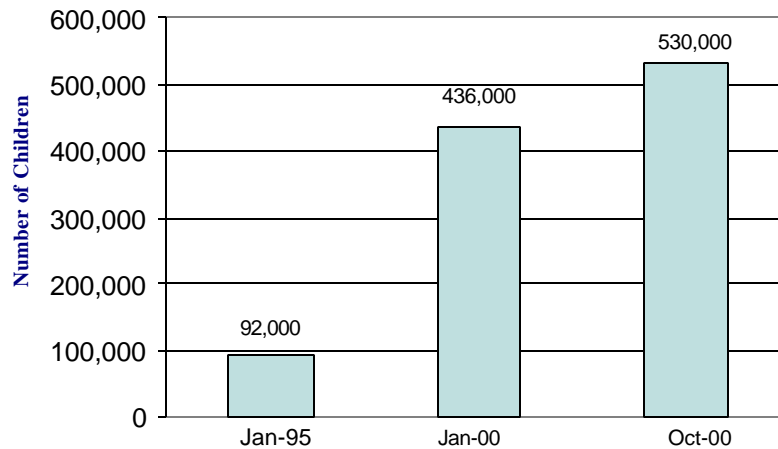
Family Size	Claimants	% of Total Claimants	Total Credits Paid (in thousands)	% of Total Credits	Average Credit
New York State					
No Children	208,821	18.3	\$9,186	2.7	\$44
One Child	464,159	40.7	\$132,813	38.4	\$286
Two or More Children	468,633	41.0	\$203,994	58.9	\$435
All Families	1,141,613	100	\$345,993	100	\$303
Federal	1,270,362	-	\$1,963,974	-	\$1,546
Total State and Federal	2,411,975	-	\$1,964,320	-	\$1,849

Source: New York State Department of Taxation and Finance.

*Child Health Plus (CHP)*. Maintaining family health coverage is a concern for those on public assistance who contemplate leaving as well as those who have left assistance. Health coverage is also a concern to those who might think of turning to public assistance for the first time (MDRC, 2000). Child Health Plus serves uninsured, low-income children not eligible for Medicaid. Since 1995, the number of children enrolled in Child Health Plus has increased nearly six times from 90,000 to more than 530,000. Figure B.2 illustrates the growth in the Child Health Plus program.

Child Health Plus is clearly an important work support for families leaving welfare or those who might otherwise require temporary assistance. The expansion of Child Health Plus, along with the recent extensions of Medicaid coverage, ensure that the vast majority of families leaving welfare can have health insurance. More generally, research

**Figure B.2: NYS Child Health Plus Enrollment**



Source: New York State 2000-2001 Executive Budget.

indicates that Child Health Plus increases access to health care and improves the health status of New York State children in needy working families.

The U.S. Census Bureau reports that in the year 2000, 15.1 percent of New Yorkers were without health insurance coverage. This is down from 16.0 percent in 1994. The number of uninsured children under age 18 in New York State also decreased during this time period, from 14.1 percent in 1994 to 10.5 percent in 2000.<sup>8</sup> Employment-based insurance, combined with the availability of Child Health Plus and Medicaid, have enabled more New Yorkers to have adequate health coverage.

*Child Support.* The Child Support Enforcement program helps to strengthen families and reduce welfare spending by placing the responsibility for supporting children on those parents with the financial resources to provide such support. Between 1995 and 2000, child support collections almost doubled from \$671 million to over \$1.19 billion. This represents a 93 percent increase in annual collections.

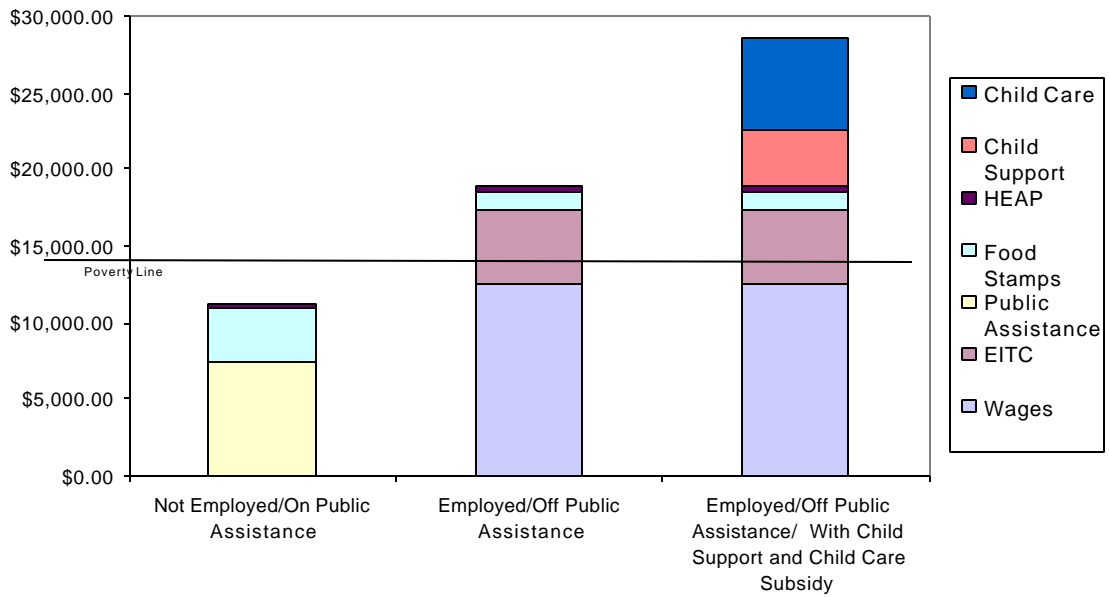
Child support is an integral part of welfare reform. For families receiving public assistance, the establishment and enforcement of support obligations provides a step toward self-sufficiency. If the child support collected is high enough, the family is able to leave the welfare rolls altogether. Furthermore, by providing child support enforcement services to families not in receipt of public assistance, future dependence on public assistance is avoided. Since 1995, 129,173 public assistance cases have been closed with child support payments. Of the \$1.19 billion in collections for the year 2000, more than \$450 million was collected for 227,000 former welfare families.

*Combined Effects of Supports.* The combined effects of the increased supports noted above can substantially increase the resources available to working families. Figure B.3 below compares the income of a family of three on welfare with a low-wage working family (\$6 per hour) that receives various supports noted above. As shown, the addition of food stamps and the EITC raises a family's income substantially above what the family would receive on welfare, and above the federal poverty level. The further addition of other income supports such as child care and child support can further bolster a family's income. Note that none of these comparisons consider the possibility that the family also receives transportation subsidies, the value of health insurance, or housing subsidies.

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<sup>8</sup> U.S. Census Bureau, Current Population Survey. March 2001.

**Figure B.3: Comparison of Income for a Family of Three On and Off Public Assistance**



**Source: NYS Office of Temporary and Disability Assistance.**

The following sections examine whether the policy changes and program investments discussed above appear to be leading to the desired outcomes of welfare reform.

## C. Teen Pregnancy, Out-of-Wedlock Births, and Single Parent Families

The rising rates of child poverty in the period leading up to welfare reform were primarily driven by increases in single mother families, particularly never married single mothers.<sup>9</sup> Nationwide, the number of children living with a single parent rose from 5.8 million in 1960 to 19.8 million in 1999. The percent of single parent families headed by never married mothers rose from 1% in 1960 to about 31% in 1995, a dramatic increase.<sup>10</sup> In 1999, 41 percent of children in female-headed households were poor.<sup>11</sup>

The increase in the number of single parent families has become a national concern. Generally, children living in single parent households are financially and socially disadvantaged. Children born out of wedlock, especially those born to teen mothers, are at a high risk of relying on government assistance for financial support and of living in poverty. Children born to teenage mothers are twice as likely to drop out of high school, twice as likely to have a child before age twenty, and one-and-one-half times as likely to be out of school and out of work in their late teens and early twenties. Reducing the number of single parent families, particularly those resulting from teen pregnancy and out-of-wedlock child bearing is a major goal of welfare reform. Indeed, three of the four enumerated purposes of TANF in PRWORA refer to the need to reduce out-of-wedlock pregnancies and promote two-parent, married families.

Under welfare reform in New York State, key policy changes include:

- The elimination of absent parent provisions as a condition for receiving welfare.
- Requiring teenage mothers receiving welfare to attend school or work and to live with their parents.
- Work requirements as a condition for receiving welfare, with limited child-related exemptions.
- Increased funding for teen pregnancy prevention programs, including abstinence education.
- Time limits on cash aid.

In addition, the strict enforcement of child support requirements is designed not only to increase the resources available to support the children of single parents, but also to discourage irresponsible fatherhood.

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<sup>9</sup> Blank, 1995; Haskins and Primus, 2001.

<sup>10</sup> Haskins and Primus, 2001.

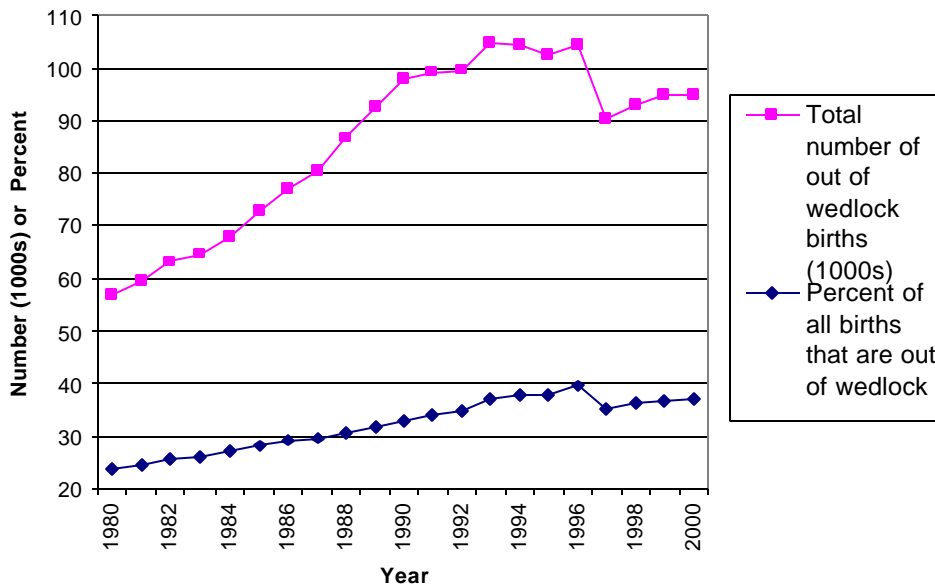
<sup>11</sup> Annie Casey Foundation, 2001.

The analysis below describes the changes that have occurred in childbearing and family composition since implementation of welfare reform. It also addresses the possible role played by factors other than welfare reform in these changes.

## Findings

*Births and Pregnancies.* As shown in Figure C.1, the total number and percent of births that were out-of-wedlock in New York State increased throughout the 1980s and early 1990s. However, around the mid-1990s, these measures leveled off or declined.

**Figure C.1: Total Number and Percent of Out-of-Wedlock Births in New York State: 1980-2000**



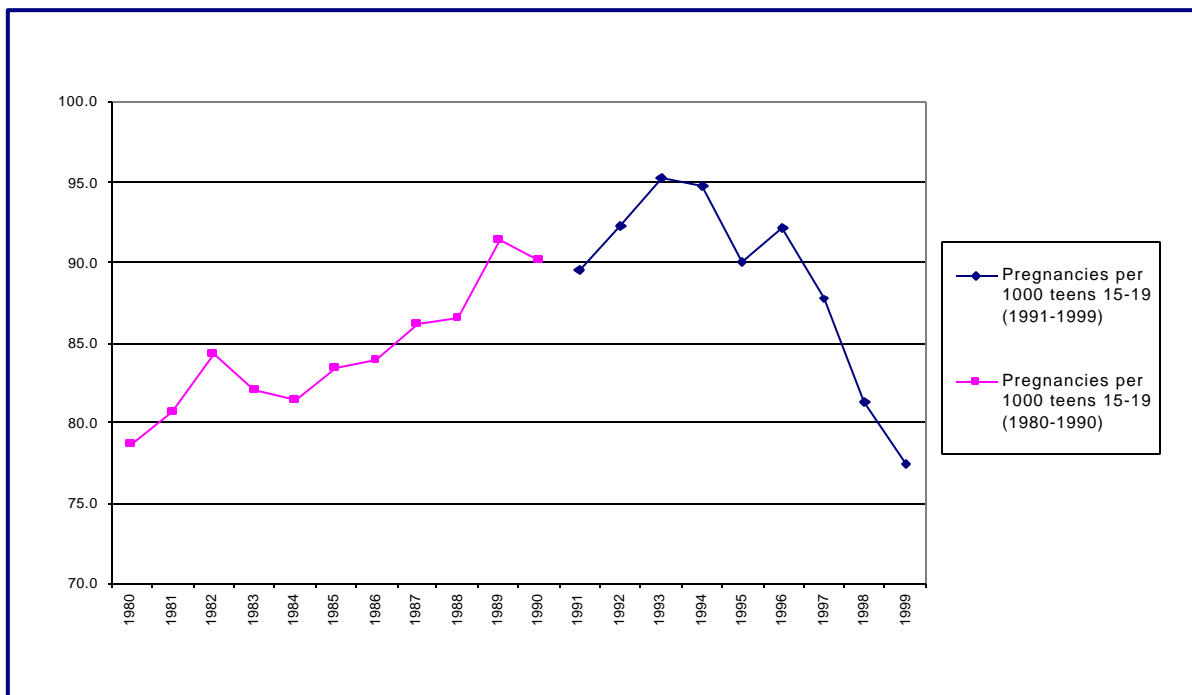
Source: New York State Department of Health.<sup>12</sup>

For teenagers, the pattern was similar. Figure C.2 shows teenage pregnancy rates while Figure C.3 shows teenage birth rates, including rates of non-marital births among teens.<sup>13</sup> As shown, teen pregnancies (Figure C.2) and total teen births (Figure C.3) turned down in mid-decade.

<sup>12</sup> Note that in 1997 there was a change in the method of determining a mother's marital status in New York City. Also, data from the DOH for the year 2000 is still considered provisional and may be subject to minor changes.

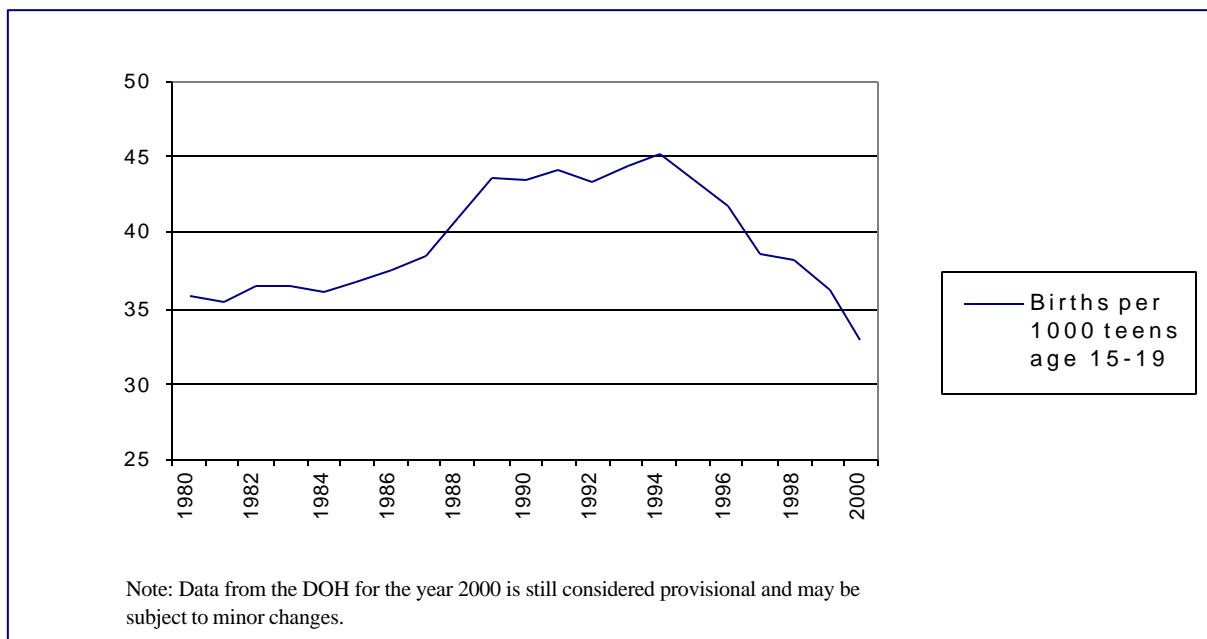
<sup>13</sup> Note that two different series are shown for teen pregnancy because the method of measuring teen pregnancy changed slightly in the early 1990s. Beginning in 1991, all spontaneous fetal deaths were counted by DOH in the teenage pregnancy rate; prior to 1991 only spontaneous fetal deaths of 20 or more weeks were counted.

**Figure C.2: Teen Pregnancy Rates in New York State: 1980-1999**



Source: New York State Department of Health.

**Figure C.3: Births Per 1000 Teens Age 15-19 in New York State**

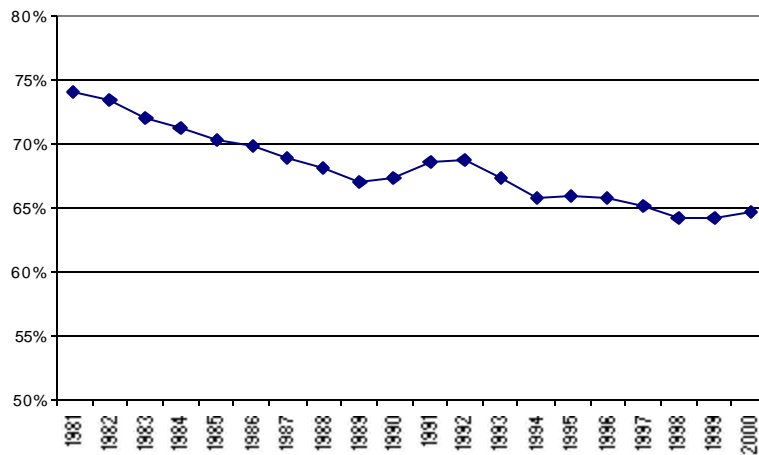


Source: New York State Department of Health.

*Single Parent Families.* In New York and the nation, rising rates of out-of-wedlock births played a major role in the steady rise of poor female-headed single parent families. Because out-of-wedlock rates are falling, we would expect to find that the percent of single parent families and the percent of all children living with single mothers has stopped rising or even fallen in the latter part of the 1990s.

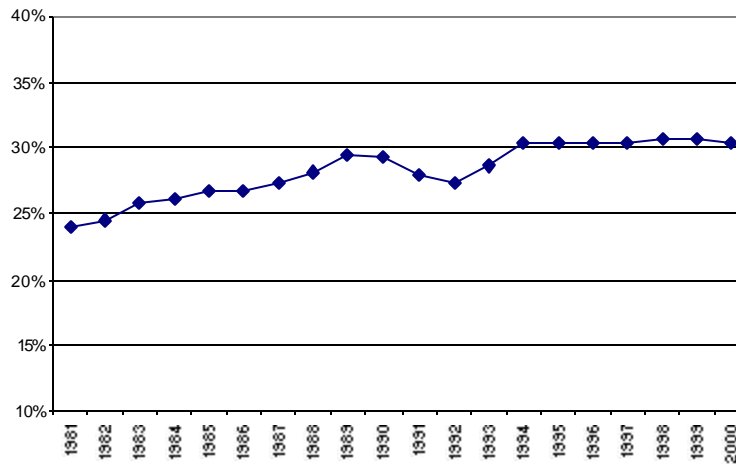
Results from the Current Population Survey regarding the relative share of all families in New York that are headed by married couples and by single mothers appear in Figures C.4 and C.5 below.

**Figure C.4: Percent of New York State Families Headed by Married Couples (Three Year Averages)**



Source: U.S. Bureau of the Census. Current Population Survey.

**Figure C.5: Percent of New York State Families Headed by a Single Mother (Three Year Averages)**

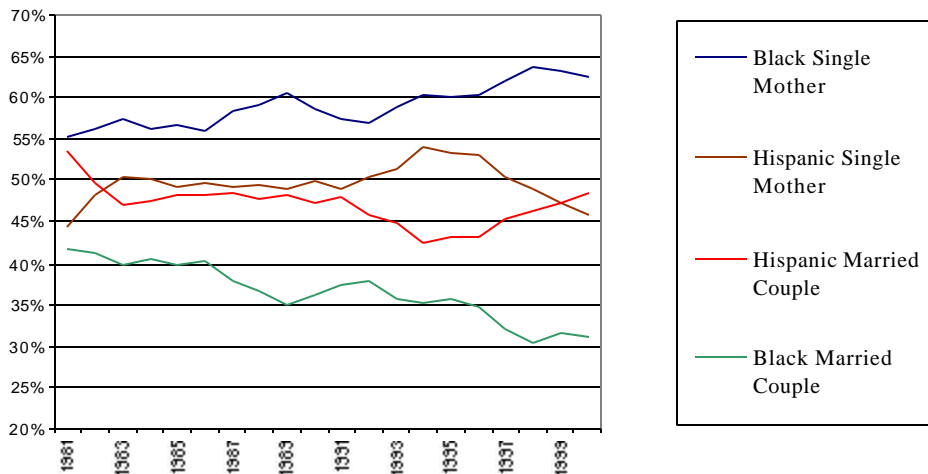


Source: U.S. Bureau of the Census, Current Population Survey.

The figures show that the long and steady decline in the share of married couple families and the steady increase in the share of single mother families has slowed down in the latter part of decade, and there is some indication of a reversal of these trends.

In Figure C.6, family composition changes are shown by race and ethnic group. The rise in single parent families and decline in married couple families appears to have stopped for black families. For Hispanic families, there is a clear and strong reversal of the trends, with married couple families now a larger share of all Hispanic families than single mother families.

**Figure C.6: Married and Single Mother Families in NYS by Race and Ethnicity (Three Year Averages)**

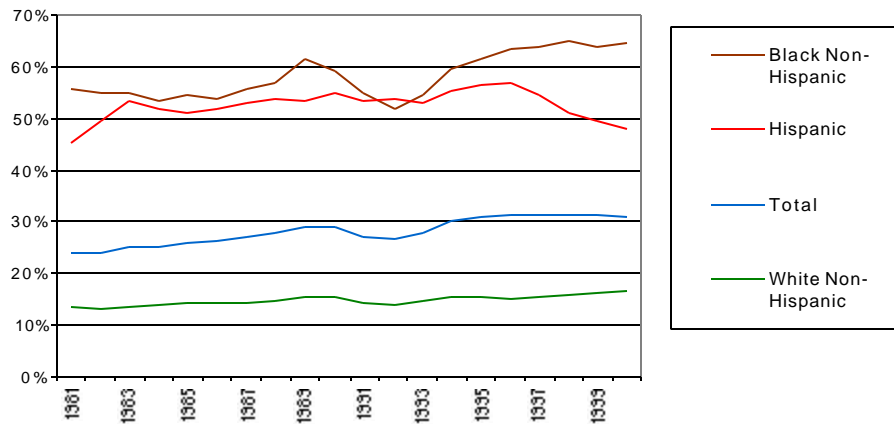


Source: U.S. Bureau of the Census, Current Population Survey.

Finally, the percent of all children living with single mothers is shown in Figure C.7. Given the above trends, it is not surprising that the rising percent of all children living with single mothers in New York State has stopped; and for Hispanic children, the trend is sharply down.

The changes in the rates of pregnancy, birth, and single mother families described in this chapter are consistent with the expectations and the explicit goals of welfare reform. Moreover, the recent changes in these trends do not seem to be a result of changes in the economy. Note that prior to the mid-90s, there was little change in birth and pregnancy trends despite greatly varying economic conditions, including the period of economic expansion between 1984-1988, and the period of economic contraction between 1989 and 1992. And although economic trends appear to have some effect on family composition prior to welfare reform, periods of economic expansion appear to be associated with increases in single parent family formation (not decreases) and periods of recession have lead to decreases in single parent formation (not increases). Thus, it is not possible to attribute the changes above to the economic expansion of the late 90s.

**Figure C.7: Percent of Children Living with Single Mothers by Race/Ethnicity  
(Three Year Moving Average)**



**Source: U.S. Bureau of the Census, Current Population Survey. Three Year Averages.**

Although the pattern of change is consistent with the expectations of welfare reformers and appears to be unrelated to the expanding economy, there are other possible causes of these changes. Other possible factors include family planning, increased public education about HIV and other sexually transmitted diseases, and a generally rising trend in conservative attitudes toward premarital sex.<sup>14</sup>

Further research will be required to convincingly isolate the impact of welfare reform and related policy changes on child bearing and family composition. However, for now we can report that desirable changes have occurred, that they are consistent with the theory and expectations of welfare reform, and that changes made in social policy since 1995 are leading causes.

<sup>14</sup> Terry-Humen, Manlove and Moore, 2001.

## D. Employment

Employment is the centerpiece of New York's welfare reform strategy. Increases in labor force participation make it less likely that a family will need welfare or grow dependent on government aid. Many of New York's welfare reform policies and programs are designed to encourage and support work among welfare recipients and those who might otherwise turn to the government for cash aid. The most important such provisions include:

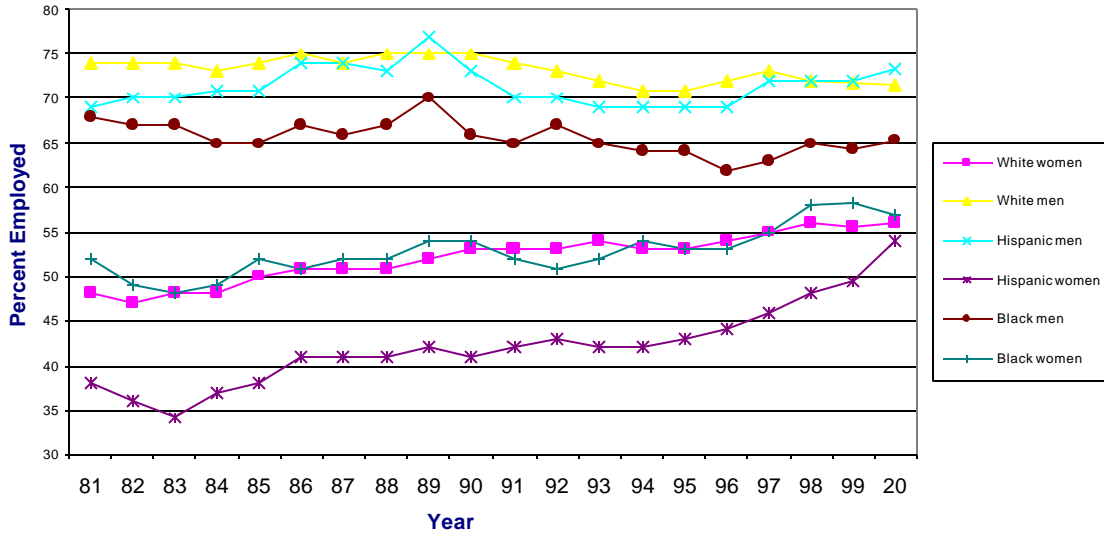
- Strong work requirements for those on welfare;
- Generous earning disregards for those who work while on assistance;
- Greatly increased work support services such as child care for welfare recipients and low-income working families;
- Increases in the State's Earned Income Tax Credit;
- Expanded health insurance coverage for low-income children not eligible for Medicaid; and
- Expanded job search, job development and job placement services.

In this section, we use the Current Population Survey (CPS) to examine whether expected increases in labor force participation occurred in the years following welfare reform. As noted in the introduction, we try to distinguish work increases due to changes in welfare policy from those due to the improving economy by comparing changes in the work rates for groups more or less likely to be affected by the new welfare rules and by looking at the pattern of change over time.

### Findings

*Work Rate by Gender and Ethnicity.* Figure D.1 shows trends in employment rates by gender and by race or ethnic group for the years 1990-2000. In the period following 1994, the increase in total work rates is attributable to rising rates among women. Work rates for white and black men remained essentially the same following reforms. In contrast, rates for all groups of women rose, with Hispanic women exhibiting the sharpest increase.

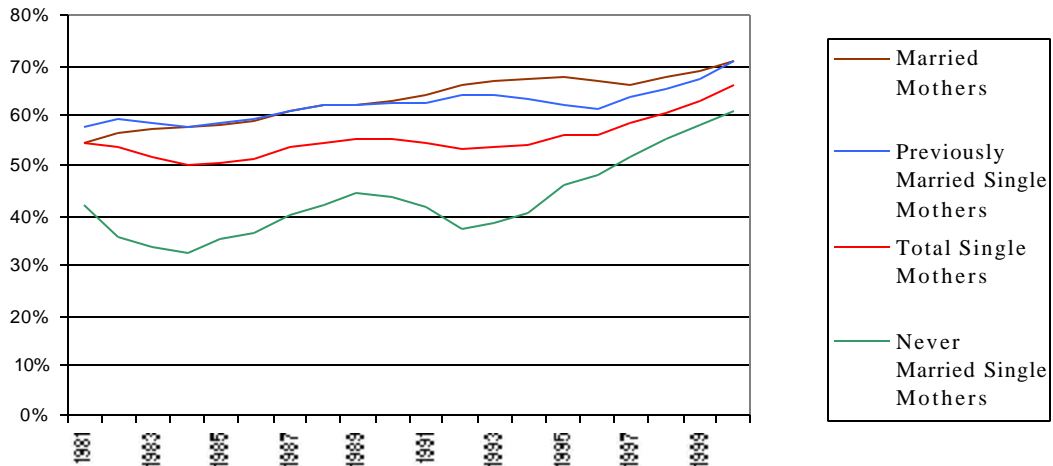
**Figure D.1: Work Rates in New York State by Gender and Race/Ethnicity**



Source: U.S. Bureau of the Census, Current Population Survey.

*Work Rate by Marital Status.* Analysis of work rates by mother’s marital status reveal that the groups that are most likely to utilize welfare show the largest increases. As shown in Figure D.2, employment increased regardless of a mother’s marital status, no doubt due to the expanding economy during the period. But work rates for single mothers increased by far more than work rates for married mothers. Most striking, work rates for never married single mothers, the group most likely to use and become dependent on welfare, increased by unprecedented amounts. Between 1994 and 2000, work rates for never married single mothers increased from 40.6% to 60.8% (three year averages), an increase of 50% in just five years.

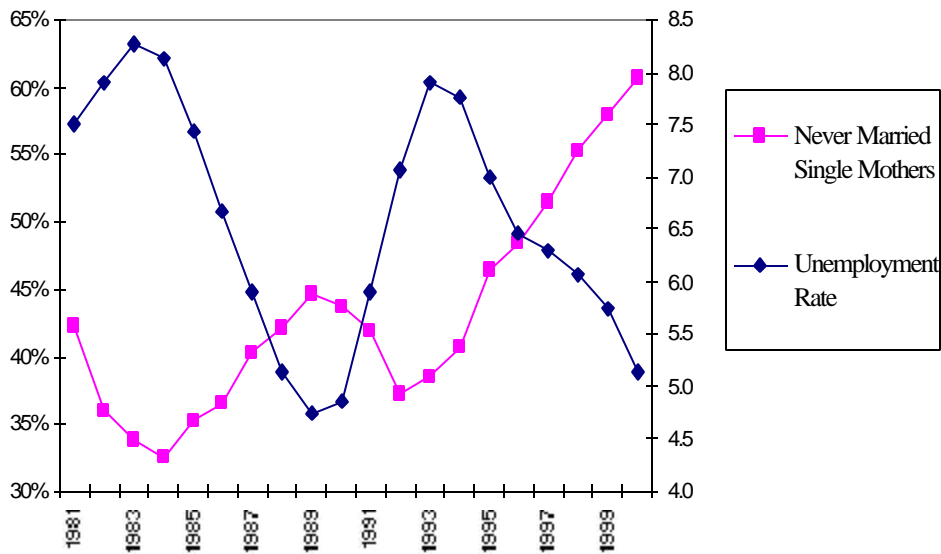
**Figure D.2: Employment Rates in NYS by Mother’s Marital Status (Three Year Moving Average)**



Source: U.S. Bureau of the Census, Current Population Survey.

Examination of trends prior to and after 1994 reveals that only a small part of the change in employment for single parents can be attributed to economic factors. For example, from 1984 to 1988 there was a period of economic expansion that culminated in an unemployment rate similar to the current rate. Yet as shown in Figure D.3, the employment rate for never married single mothers grew modestly during that period. From 1989 to 1992, a period of economic contraction, employment rates fell by a similar although slightly smaller amount. As shown in D.3, the employment changes prior to welfare reform are relatively small compared to the changes evident during the recent post-welfare reform period of economic expansion.

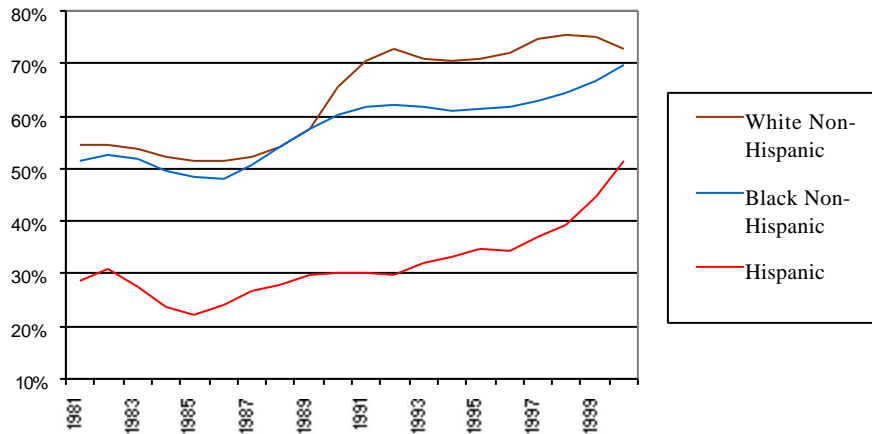
**Figure D.3: Work Rate for Never Married Single Mothers and NYS Unemployment Rate (Three Year Averages)**



Source: U.S. Bureau of the Census, Current Population Survey and NYS Department of Labor.

**Figure D.4** shows work rates for single mothers by ethnicity. Work rates for minority single mothers, particularly Hispanic mothers rose dramatically in the period following reform. For example, work rates for Hispanic single mothers increased by 54.7%, rising from 33.3% in 1994 (three year average) to 51.6% in 2000. Work rates for black non-Hispanic single women rose by 14.0%, while rates for white single mothers rose far more slowly. Also note that the increases are greater than in the previous economic expansion.

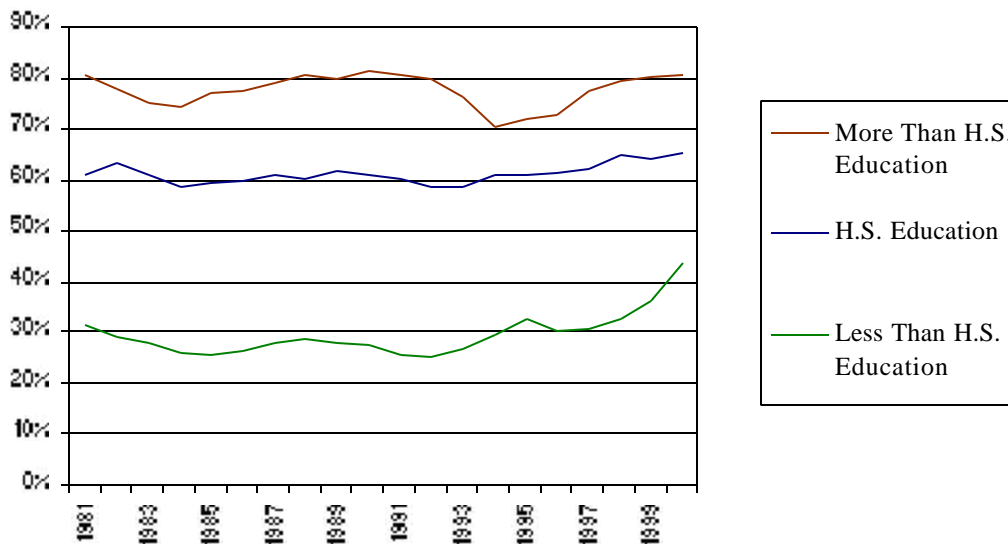
**Figure D.4: Work Rate of Single Mothers in NYS by Race/Ethnicity**  
(Three Year Averages)



Source: U.S. Bureau of the Census, Current Population Survey.

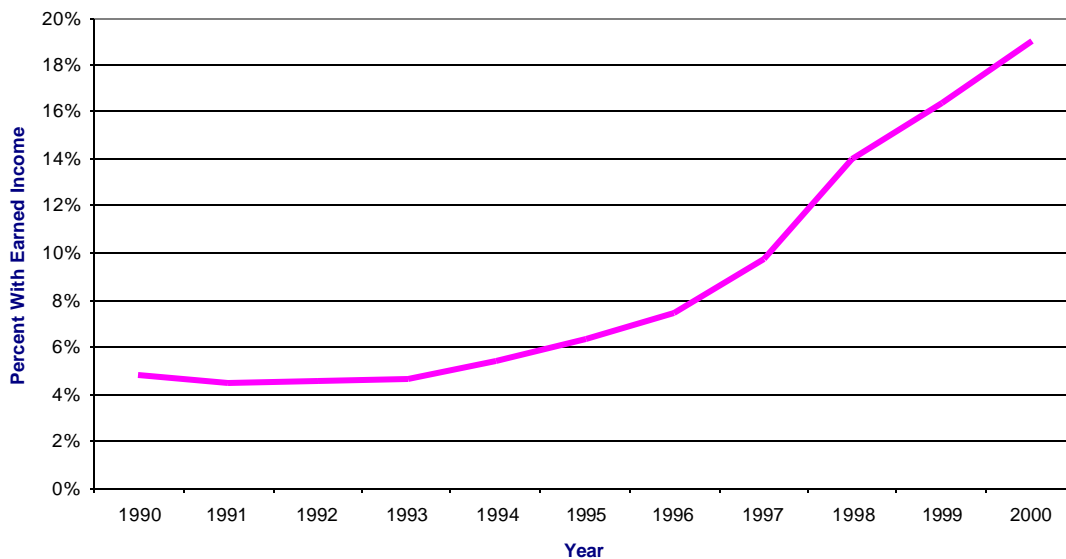
Figure D.5 shows work rates for single mothers by education status. Throughout the 80s and early 90s, work rates for single mothers with less than a high school education were extremely low. Without work or a spouse that worked, such mothers were at high risk of poverty and dependency on the government for support. However after 1994, work rates for this group rose by 47%, from 29.6% in 1994 to 43.6% in 2000. In comparison, work rates for those with a high school diploma rose 7.8% over the same period (from 60.5% to 65.3%), while work rates for those with greater than a high school education rose by 14.2% (from 70.7% to 80.8%).

**Figure D.5: Single Parent Work Rates in NYS by Education Level**  
(Three Year Averages)



*Work Rates For Welfare Recipients.* As noted above, the new welfare policies such as work participation requirements and earned income disregards are also aimed at encouraging those on assistance to work in the regular economy and eventually to leave assistance for employment. Figure D.8 shows the proportion of welfare recipients that received earned income while on assistance from 1990 to 2000. Although there were numerous attempts in the early part of the decade to encourage work, including the period after the Family Support Act of 1988 and during the AFDC waiver period, labor force participation among welfare recipients did not increase until 1995, rising steeply in each of the years after.

**Figure D.8: Percent of AFDC or Family Assistance Recipients with Earned Income In New York State: 1990-2000**



Source: New York State Welfare Management System, End of Month Extracts, December 1990-2000.

*Summary:* The results described in this chapter signal major change in the labor force participation decisions of some of the State’s most economically vulnerable families. The patterns of change since implementation of welfare reform and the historical trends prior to reform clearly point to welfare reform as a major independent cause of the trends. Regardless of cause, such changes increase the self-sufficiency of New York’s most disadvantaged families and, as noted below, make it far less likely that children in the State will live in poverty.

### The Welfare Caseload

During the period leading up to reform efforts, welfare caseloads and child poverty rose steeply in both New York and the nation. Critics of the previous AFDC program viewed the easy availability of cash aid as a cause of rising rates of non-marital births, single parent families, child poverty and ultimately dependence on government support.

As a result, reducing dependency became the major goal of welfare reform in New York and the nation.

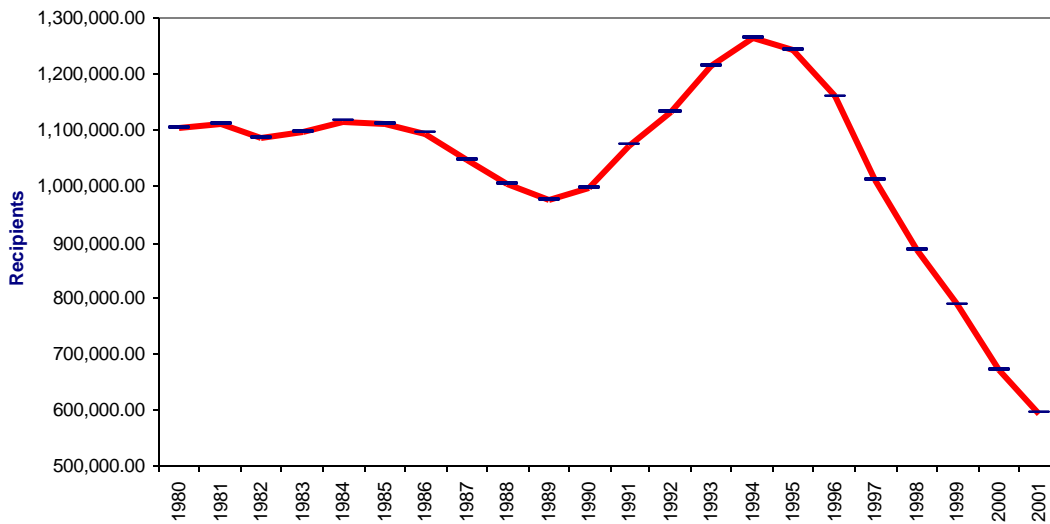
Virtually all of the provisions of welfare reform discussed above are aimed at reducing dependency on government cash. These include measures that require, encourage and support work, as well as reforms that promote marriage and support by two parents. In addition, welfare reform included new requirements for eligibility verification and fraud investigation that were designed to stop the inappropriate use of assistance programs.

This section examines the extent and nature of caseload decline, including its relationship to the expanding economy during the period.

## Findings

*Caseload Decline.* Figure D.9 shows the AFDC/TANF caseload since 1980, including the steep declines that have occurred in the period since 1994. From 1994 to 2001, the average monthly caseload declined from 1,264,071 to 594,487, a reduction of 53% in only six years. As illustrated by the graph, the reduction since the implementation of welfare reform is unprecedented, far surpassing previous declines in both the amount and the speed of caseload reduction.

**Figure D.9: AFDC and TANF Recipients in NYS: 1980-2001**



Note: Data for 2001 is based on average monthly recipients for January through July of 2001.

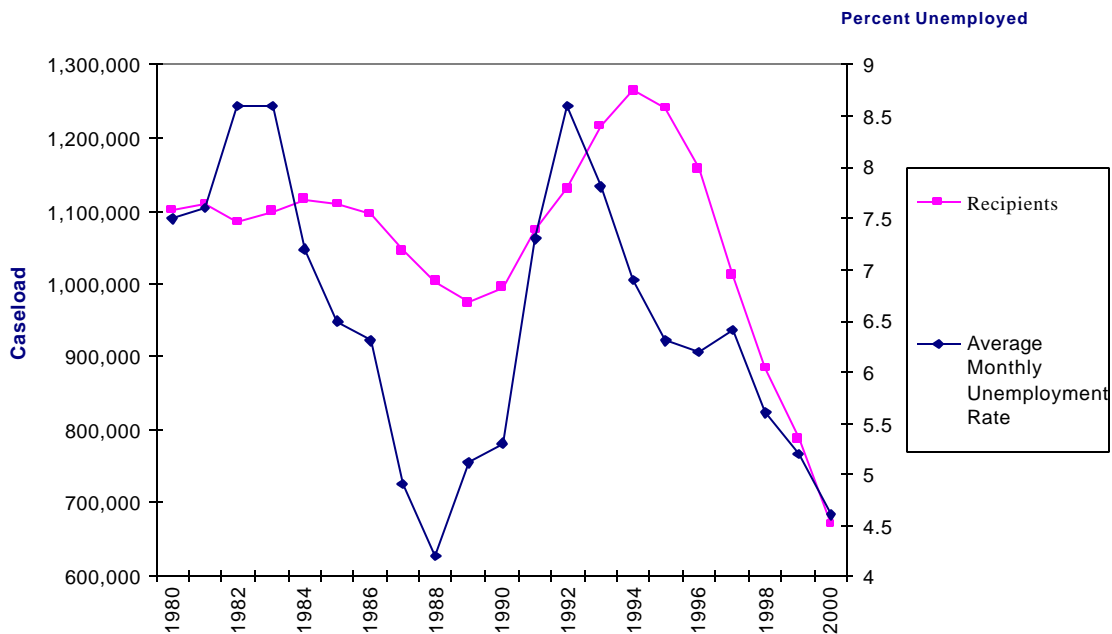
All other years are calculated January-December.

Source: New York State Welfare Management System.

*Role of the economy.* To explore the effect of the economy on the caseload, Figure D.10 shows the yearly caseload along with changes in the unemployment rate, the single best indicator of the strength of the economy. As illustrated in Figure D.10, the caseload

clearly changes in response to changes in the unemployment rate, usually with some time lag in the caseload response. However, the graph shows that relatively large swings in the unemployment rate occasion much smaller proportionate changes in the caseload. For example, between 1983 and 1988, the unemployment rate declined from 8.6% to 4.2%, a decrease of over 50%. In contrast, caseloads decreased by 93,124 recipients, a decline of just 8.7%. This disproportionate pattern of change is also evident in periods of rising unemployment prior to welfare reform. However, after 1994, the pattern is reversed with relative declines in the caseload now greater (steeper) than the relative declines in the unemployment rate. Clearly, other factors are affecting the caseload beginning around 1994.

**Figure D.10: AFDC/TANF Recipients and Unemployment Rate in NYS**



Source: NYS Welfare Management System and New York State Department of Labor.

One method for approximating the effect of welfare reform on the caseload is to compare the recent caseload to caseloads in past years with similarly low unemployment rates. As shown in Figure D. 10, the unemployment rate in 1988 was 4.2%, similar to (even a bit lower than) the 4.6% unemployment rate in 2000. Yet the caseload in 2000 was 671,707, a third (331,284 recipients) less than the 1,002,991 in 1988. Thus, it appears that at least half of the 47% decline in the caseload since 1994 can be attributed to factors other than the economy, including changes in welfare policy and related work supports such as the EITC.

## E. Child Poverty

From its inception as the Aid to Dependent Children program in the mid-1930s, welfare policy in the U.S. aimed to insure that children did not go without the basic economic necessities of daily living. However, beginning in the early 1980's, serious concerns were raised that welfare might be doing more to reduce rather than increase the economic well-being of children. Critics pointed to the work disincentives in welfare laws and incentives for out of wedlock births and single parent family formation. Rising child poverty in New York and the nation in the years prior to and following the passage of the Family Support Act of 1988 (a previous attempt at reform), helped to produce a consensus on the need for more radical reform of the welfare system.

Although policymakers agreed that the welfare system needed to be changed, there was much controversy regarding the likely effects that major reforms might have on child poverty. Some analysts argued that the types of reforms proposed might increase rather than abate child poverty; others argued that even if child poverty did not increase, more poor children might fall into severe levels of deprivation (e.g., living at half the poverty level or below, rather than near the poverty level). This might occur if some needy families declined to seek assistance, or were discouraged from applying, or were terminated or pushed off the rolls without alternative means of support. As a result of the concerns in this area, TANF legislation included provisions for monitoring child poverty in the states and instituting corrective action plans if child poverty increased.

In this chapter we examine what actually happened to child poverty in New York State in the years following the implementation of welfare reform. Specifically, we examine:

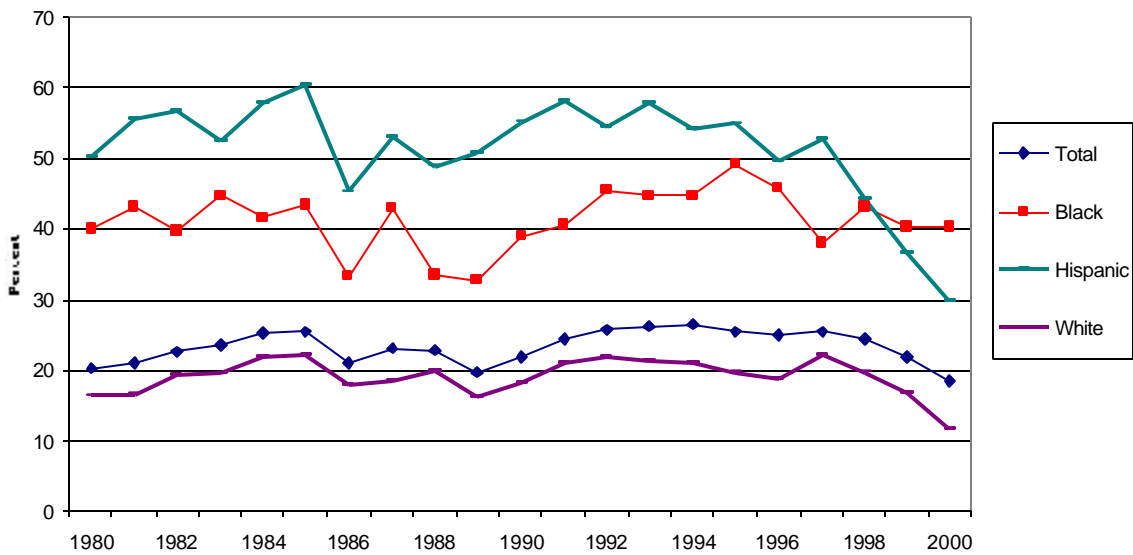
- Did child poverty rise, fall, or remain the same in the years following reform?
- Is there evidence of increasing levels of serious economic deprivation for some children?
- Which groups of New Yorkers have experienced the greatest changes in child poverty?

To answer these questions, we present yearly tabulations by the Bureau of the Census on child poverty in New York State. We focus first on the nation's "official" poverty measure and then on the main alternative poverty measure employed by the Census, one that includes the value of cash-like supports such as Food Stamps and housing subsidies. This measure may be more pertinent to New York because of the State's emphasis on generous supports for working families.

## Findings

*Children Living in Poverty (Official Measure).* After rising steadily in the early part of the decade, child poverty began a period of decline in New York State starting in 1995 (see “Total” in Figure E.1 and Table E.1). Overall, child poverty has declined by more than a quarter (28.0%) since 1994, from 26.4% in 1994 to 19.0% in 2000, its lowest level in the 21 year period measured. For Hispanic children, the reductions were unprecedented. The child poverty rate for Hispanics was cut almost in half -- declining from 54.2% in 1994 to 29.8% in 1999, a decline of 45% in only six years.

**Figure E.1: Child Poverty in New York State: 1980-2000**



Source: U.S. Bureau of the Census, Current Population Survey.

Figure E.1 also shows that the expanding economy can account for only a portion of the decline in child poverty. This can be seen by comparing the changes in total child poverty during the previous economic expansion of 1984-1988 to the changes during the most recent period. The recent declines in child poverty are larger, and in the period after the passage of PRWORA and New York’s Welfare Reform Act (1997-2000), the declines are quite rapid.

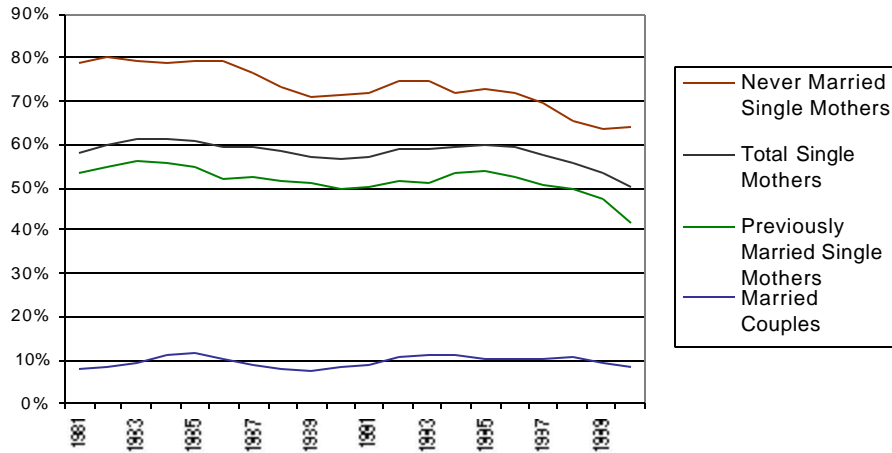
**Table E.1 :Number of Poor Children Under 18 in New York State and Child Poverty Rates  
By Race/Ethnicity: 1990-2000**  
(Numbers in Thousands)

Year	Race/Ethnicity	Total Number Of Persons Under 18	Number of Children Below		Percent of Children Below	
			50% of Poverty	100% of Poverty	50% of Poverty	100% of Poverty
1990	Total	4624	444	1016	9.6	22.0
	Black	849	168	332	19.8	39.1
	Hispanic	810	202	447	24.9	55.2
	White	3576	257	647	7.2	18.1
1991	Total	4632	536	1139	11.6	24.6
	Black	888	197	360	22.1	40.6
	Hispanic	733	178	426	24.3	58.1
	White	3513	320	745	9.1	21.2
1992	Total	4450	562	1152	12.6	25.9
	Black	942	231	429	24.5	45.6
	Hispanic	737	204	401	27.7	54.4
	White	3256	323	709	9.9	21.8
1993	Total	4512	596	1181	13.2	26.2
	Black	959	266	430	27.8	44.8
	Hispanic	789	242	455	30.7	57.7
	White	3334	304	715	9.1	21.4
1994	Total	4681	570	1238	12.2	26.4
	Black	955	214	427	22.4	44.7
	Hispanic	767	204	416	26.6	54.2
	White	3433	317	720	9.2	21.0
1995	Total	4768	565	1216	11.9	25.5
	Black	975	250	479	25.6	49.2
	Hispanic	856	220	470	25.7	54.9
	White	3542	301	698	8.5	19.7
1996	Total	4803	619	1204	12.9	25.1
	Black	1122	283	515	25.2	45.9
	Hispanic	829	201	411	24.2	49.6
	White	3434	308	646	9.0	18.8
1997	Total	4645	598	1187	12.9	25.5
	Black	997	246	379	24.7	38.0
	Hispanic	924	231	487	25.0	52.7
	White	3399	334	755	9.8	22.2
1998	Total	4782	548	1175	11.5	24.6
	Black	1022	222	442	21.7	43.2
	Hispanic	941	192	417	20.4	44.3
	White	3500	309	691	8.8	19.7
1999	Total	4770	574	1037	12.0	21.8
	Black	949	223	383	23.6	40.4
	Hispanic	862	176	316	20.5	36.7
	White	3501	305	594	8.7	17.0
2000	Total	4597	401	873	8.7	19.0
	Black	1040	230	420	22.1	40.4
	Hispanic	784	111	234	14.2	29.8
	White	3277	142	388	4.3	11.8

Source: U.S. Bureau of the Census, Current Population Survey, March 1991-2001  
Note: People of Hispanic origin may be any race.

The strong connection between welfare reform and the decline in child poverty is also illustrated in Figure E.2. As shown, child poverty declined substantially for single mothers in the last half of the decade. In contrast, child poverty for married couples remained steady. Moreover, since 1994, child poverty for single mothers declined by more than twice as much as in the previous economic expansion of the 1980s (see the “Total Single Parents” in Figure E.2).

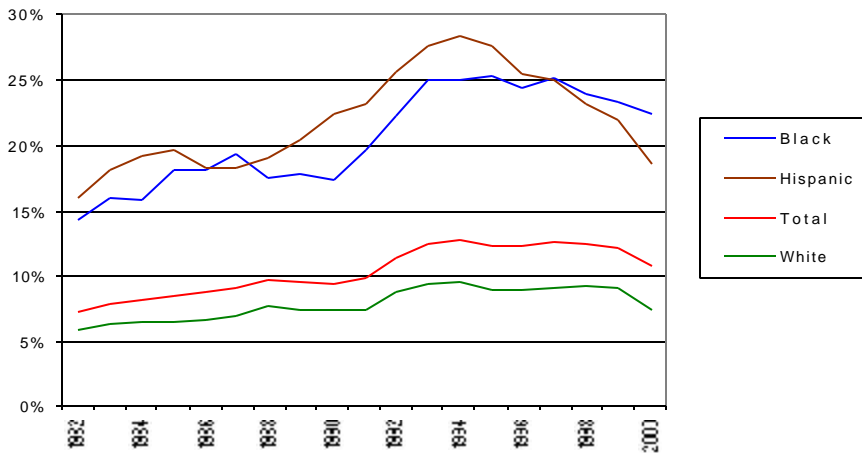
**Figure E.2: Child Poverty by Marital Status of Mothers**  
(Three Year Averages)



Source: U.S. Bureau of the Census, Current Population Survey.

*Children Living in Severe Poverty (Official Measure).* The data also show that the most dismal predictions of PRWORA critics have not been realized (see Figure E.3). After

**Figure E.3: Children Living Below 50% of the Poverty Line in New York State**  
(Three Year Averages)



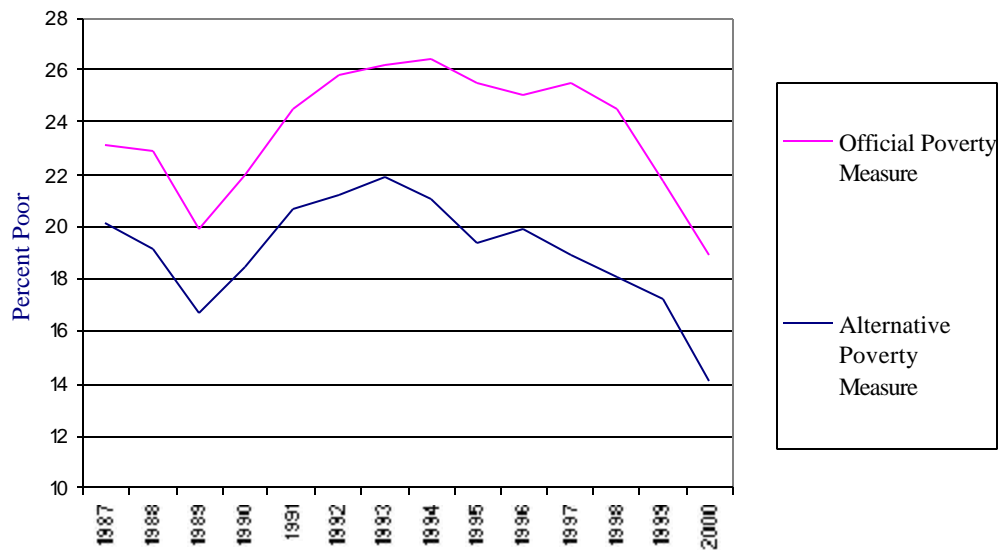
Source: U.S. Bureau of the Census, Current Population Survey.

rising steadily throughout the 1980s and early 1990s, the percent of children living in severe poverty (less than 50% of the poverty level) declined in the latter part of the decade. Hispanic children experienced particularly dramatic declines. The data indicates that the large reductions in the welfare rolls experienced since 1994 -- including families exiting the rolls and decreases in families applying for welfare -- did not result in observable increases in severe deprivation among New York's children. Moreover, the rise in severe poverty throughout the economic expansion of the 1980s makes it unlikely that the recent decline in severe poverty is attributable to the economy.

*Alternative Poverty Measures.* The official poverty measure is much maligned. The most common objections are that it does not count income from the EITC or the value of other government benefits such as food stamps or housing subsidies. In addition, it does not subtract from income payroll and income taxes. Others criticize the measure for not subtracting unavoidable work-related expenses such as child care and transportation.

Figure E.4 shows a commonly calculated alternative to the official poverty measure. The measure adds to total family income the value of food stamps, housing subsidies, school meal programs and the EITC. It also subtracts payroll taxes and any New York State income taxes or federal income taxes paid by the family. Unfortunately, the measure does not incorporate all of the increased subsidies for basic needs provided in recent years to low-income families. For example, the value to the family of Medicaid, child care subsidies, or Child Health Plus insurance is not included in the data shown.

**Figure E.4: Percent of New York Children in Poverty Using Official and Alternative Poverty Measures**



Source: U.S. Bureau of the Census. Current Population Survey.

There are two important results shown in Figure E.4. First, child poverty is much lower in all years using the broader measure. Moreover, the percent reduction in poverty after welfare reform is greater using the broader measure than when using the official measure.

*Summary:* From the data presented in this chapter, it appears that predictions of increases in child poverty or increases in the percent of children living in severe poverty have clearly not come to pass. On the contrary, child poverty has been decreasing steadily in New York State and is now at its lowest level in 21 years. Moreover, there have been huge decreases in poverty for Hispanic children. This large decline is no doubt related to the much larger changes for Hispanics in the numbers of children living with single mothers and in the work rates for single Hispanic mothers (see Figures C.7 and D.4 respectively).

This pattern of change provides strong evidence to support a main assumption of welfare reformers: that child poverty would be reduced by policy changes that reduced the numbers of children living with single parents and that increased employment rates for the most economically vulnerable single mothers, even as income from welfare became less available. Finally, analysis of changes in child poverty during the previous economic expansion show that the strengthening economy cannot by itself account for size and nature of the changes in child poverty.

## **F. Summary and Conclusion**

Like much of the nation, New York State has witnessed an unprecedented decline in the number of families in receipt of AFDC/TANF. The most desirable reductions in the caseload are those stemming from changes in the underlying causes of economic dependence, including reductions in the numbers of children that rely on only one parent for support and increases in the number of single parents that work. Changes in these underlying conditions not only reduce dependence on government, but also reduce the number of children living in poverty. This study has shown that the huge reductions to date in dependence on cash aid from the government have been accompanied by real changes in the underlying causes of poverty and dependence – causes explicitly identified in welfare reform goals.

Specifically, we found that since the implementation of welfare reform in New York State:

- ◆ employment rates increased sharply for single mothers with the greatest labor market disadvantages, i.e., those most likely to need welfare;
- ◆ the percent of welfare recipients with earned income rose dramatically in the period after 1994;
- ◆ teen pregnancy rates and teen births have declined;
- ◆ the rise in single parent families has stopped;
- ◆ child support payments have increased;
- ◆ fewer families are dependent on cash aid from the government;
- ◆ fewer children are living in poverty today than in 1994; and
- ◆ predicted increases in severe economic deprivation have not occurred.

In short, New York's most vulnerable families are far more self-sufficient today than in the past.

The study also addressed the relative role played by the economy and by the policy changes in producing these changes. Understanding the role of the expanding economy over the period is important not only for correctly judging the impact of reforms, but for predicting the impact of a future economic downturn on the caseload. Examination of economic changes over time has shown that the expanding New York economy appears to account for only a portion of the types of impacts discussed in this report. However, it

should be acknowledged that making precise estimates of the relative contributions of economic and policy changes is a complex undertaking, usually requiring the skilled application of sophisticated econometric techniques. Nonetheless, the approach used here concurs with findings of more sophisticated studies at the national level that have shown that many of the changes observed nationally are attributable to welfare reform and related policy changes.<sup>15</sup>

Perhaps most noteworthy are the changes we are beginning to see in family composition in New York State. The rise in single parent families, particularly those stemming from teen and non-marital births, is the single most important cause of dependency and child poverty. Having two parents actively concerned and contributing to the social and economic welfare of a child is the best protection that a child can have against poverty and other forms of deprivation.

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<sup>15</sup> For a recent review of all such studies see Blank, 2001.

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