

## **Factors Contributing to Longer Stays on Welfare: A Literature Review**

### **Working Paper, Series Four**

This information brief summarizes studies of the amount of time people spend on welfare. Based on the studies, this brief addresses factors which may influence the amount of time a person may stay on welfare. Among those factors are differences in geography, race, age, the number of children, and level of education.

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## Summary

This review summarizes past studies of the time parents spend on welfare and identifies characteristics that are associated with shorter or longer stays on welfare. These characteristics might help identify any underlying barriers or common difficulties in leaving welfare. Knowledge of these characteristics may help policymakers construct effective and equitable policies. (It is the fourth in a series of working papers regarding welfare and welfare reform.)

These studies identify several salient characteristics. On any given month, parents from urban counties, parents who are Asian American or African American, and parents with younger children are more likely to stay on welfare longer than other recipients. On the other hand, parents from rural areas, parents who are white, and parents with older children are more likely to exit welfare sooner.

The review includes an analysis of Minnesota parents, which until now, hasn't been available. Most studies have been of parents from across the nation; none specifically focused on Minnesota families. The Minnesota study (Hirasuna and Stinson) helps remove some of the uncertainty about drawing inferences from parents' experiences in other states.

To conduct such studies, it is preferable to have many years of data so the analysis can identify parents with unusually long stays on welfare. In order to adequately identify the effects of individual characteristics, it is best to examine parents during a relatively stable period of welfare policy. For that reason, most studies are of the pre-welfare reform program Aid to Families with Dependent Children (AFDC).

## The Relevance of AFDC in a Post-Reform Era

**In 1996, the federal government permanently and significantly reformed the welfare system.** Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The federal law created the program Temporary Assistance for Needy Families (TANF), which funds block grants to states. In compliance with TANF, the state of Minnesota adopted the Minnesota Family Investment Program (MFIP).

**AFDC and TANF bear many similarities.** Both are cash assistance programs for low-income families. Both have income limits at which families no longer qualify for assistance. Both require compliance with child support offices. Both can be combined with section 8 housing assistance, property tax refunds, income tax credits, and other government benefits.<sup>1</sup> Moreover, the similarities between AFDC and MFIP are such that many AFDC recipients are now enrolled in MFIP.

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<sup>1</sup> Under AFDC, parents automatically qualified for Medical Assistance. Under TANF, parents must meet an income test.

**Nonetheless, there are significant differences between the two.** For example, MFIP incorporates Food Stamps by converting them into cash grants. MFIP requires a 60-month limit on benefits.<sup>2</sup> Also, MFIP requires parents to participate in work activities.

## **Studies of Time Spent on Welfare Are Part of a Larger Description of Welfare Experience**

**Prior studies of the time spent on AFDC typically examined characteristics correlated with longer or shorter stays for a single episode on AFDC.** These studies are part of a larger description of a parent's experiences on welfare (Bane and Ellwood 1983).

**The dynamics of welfare reciprocity describe a parent's stay as a series of entries and exits.** For example, suppose the parents of a child separate and the custodial parent cannot find a job. To maintain some income for the family, the custodial parent may apply for welfare, and if income and assets are low enough to qualify, that household becomes eligible. Later, the household may leave welfare because the parent finds a job, or a new partner. In some instances, the family may re-enter welfare because the parent separated from the new partner or the parent lost the job.

The events defining a person's path onto and off of welfare are likely to be as unique as the individual. However, even though individual histories are different, there are likely to be common characteristics that correlate with stays on welfare. Identifying those common characteristics may help eliminate some of the barriers that cause higher entry rates, longer stays on welfare, and shorter stays away from welfare.

## **Literature Review**

### **Explanation of Table 1**

A summary of the studies is provided in Table 1 (on [page 8](#)). The columns in the table list selected coefficients, and the final column lists the data set. A positive sign in the columns of coefficients indicates an increased probability of exiting AFDC. The higher probability indicates a shorter expected stay. A negative sign indicates a longer expected stay. The asterisks indicate statistically significant coefficients.

When statistically significant, most estimated coefficients were consistent with one another and

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<sup>2</sup> Some suggest that this might cause some parents to bankroll their benefits by not applying for welfare even though they would qualify—this may be especially true for younger parents. State law extends benefits to those qualifying for a hardship extension authorized under [Laws 2001, 1<sup>st</sup> spec. sess., ch. 9](#), art. 10, sec. 28.

with economic theory. **Consistency across studies might imply that the results may be more robust, which means that regardless of who is in the sample and what statistical method is chosen, the characteristics are similarly related to shorter or longer stays on welfare.** When that occurs, it might be that the characteristic may apply to a broad group of parents.<sup>3</sup>

The results listed in the columns of coefficients do not imply that every individual with a certain characteristic will stay longer. A parent may stay for a shorter period of time because the parent possesses characteristics correlated with both shorter and longer stays. In such instances, what matters in the final outcome is the magnitude as well as the sign of the regression coefficients.<sup>4</sup> Another reason why the regressions cannot predict the outcome of every individual is that the relevance of a characteristic may be different from one individual to another. For example, a parent with many children might stay on welfare for a shorter period because of receiving assistance with child care needs. Or, the parent may simply have the luck and the skills to necessarily overcome the barriers associated with being the caregiver for many children.

## Summary of the Studies

**For Minnesota, parents from urban areas are less likely to exit from AFDC in any given month. However, at least one previous national study yielded the opposite effect.** The Minnesota study finds that parents from farming-dependent<sup>5</sup> regions have the highest probability of exiting AFDC. The next highest probability is for parents from the remaining rural counties. Parents from urban counties have the lowest probability of exiting AFDC. The results do not imply that every rural county has a short expected stay on AFDC. Some rural counties have a high percentage of parents with long estimated stays on AFDC.

A study of California is consistent with the Minnesota study, but a national study finds the opposite effect. In the national study, rural counties carry a lower probability of exiting AFDC. The conflicting results could occur for many reasons. One might be that the barriers to leaving welfare may be more significant in other states besides California and Minnesota. For example, those states with high rates of rural poverty may include parents with longer stays on welfare.

There are many economic hypotheses as to why parents from urban counties might have a lower probability of exiting AFDC. The barriers to employment may be greater for some urban

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<sup>3</sup> The sign on the coefficients may be inconsistent for many reasons. Two of the more relevant reasons for policy concerns is that the characteristics apply only to a subgroup, of the population. Or, the coefficient may be correlated with other characteristics.

<sup>4</sup> The magnitude of the coefficient matters for policy purposes as well. In cases where the coefficient varies substantially across studies, there may be some question as to how much of an effect the coefficient really has on the outcome. If the coefficient is small in magnitude, then one may expect little effect in addressing the problems associated with the characteristic. Resolving the barriers may be of little use, especially if the cost of removing the barrier is very high.

<sup>5</sup> Farming-dependent counties are designated by the United States Department of Agriculture (USDA). Any county with over 20 percent of its labor and proprietor income in farming for three years from 1987 to 1989 is designated as farming-dependent. Urban counties are designated as Standard Metropolitan Areas.

parents. Poor educational attainment rates in some urban counties may make a difference. A lack of role models may be more prevalent in some urban neighborhoods. Or, it might be that all of these factors may interact in a way that limits the economic prosperity and lengthens the welfare stay of some urban families (Wilson 1990).

Hypotheses about why parents from rural and farming-dependent counties have a higher probability of exiting AFDC focus on the social and economic fabric of these regions. Examples include the possibility of a greater stigma placed on welfare in rural counties. Or it may be easier to find jobs for lesser skilled workers in these counties. The ability to find jobs may be related to the mix of industries located in rural areas.

### **Some nonwhites have a lower probability of exiting AFDC.**

- **African Americans have a lower probability of exiting than whites.** The relative lack of economic success of African Americans is well documented in the literature. Many of the problems already mentioned with urban counties may apply to African Americans as well. To some extent, the problems that plague certain ethnic groups may be inextricably linked with problems that plague inner city neighborhoods.
- **Asian Americans have a lower probability of exiting AFDC than whites.** A study of Asian Americans in Minnesota on MFIP or AFDC, found that between January 1997 and August 2000, more than 46 percent of Asian Americans eligible for welfare were immigrants. Among this group, 93 percent cited their nationality as Cambodian, Hmong, ethnic Laotian, or Vietnamese. Recent Asian immigrants may face multiple barriers to employment. In the data used in this study, more than 70 percent of Asian American parents had not completed high school, nearly triple the percentage of non-Asian AFDC parents who had not completed high school. In addition to their lack of educational attainment, recent Asian immigrants may also have poor English language skills and weak soft-skills.<sup>6</sup> Moreover, some Asian Americans face the same barriers as other minorities, including segregated housing, poor access to jobs, and poor school districts.
- **On return episodes, American Indians have a lower probability of exiting than whites.** The Minnesota study finds that American Indians have a higher probability of exiting AFDC in any given month of their first episode. However, American Indian parents exhibit a lower probability than whites on subsequent episodes. The results on first episodes are somewhat surprising. Statistics show that some nonmetropolitan Minnesota counties with Indian reservations have unusually long estimated stays on AFDC on their first episode. Kanabec, Mille Lacs, and Cass counties all have Indian

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<sup>6</sup> Soft-skills are those skills that are not necessarily taught as part of a formal education. Skills such as getting to work on time and the ability to communicate with others in the workplace are two examples.

reservations and all are within the ten longest estimated median stays on AFDC.<sup>7</sup> This might imply a wider variation in times spent on AFDC by American Indians. The results might also imply that those who return may have more impediments to leaving AFDC.

- **Hispanic parents are expected to exit earlier than whites.** At least some of this may be related to migrant farm labor. In some Minnesota counties, Hispanic single parents make up more than 50 percent of the single-parent households on AFDC. These counties have highly cyclical caseloads, which peak in summer months and drop dramatically in winter months. Shorter stays for Hispanics are not always the case. Sandefur and Cook (1997) find Hispanics are less likely to exit than whites. However, their study is of the nation and may include many more Hispanics from many different communities. Also, the shorter stays in Minnesota might be an incomplete picture. Some migrant farm laborers may return to their permanent home in the winter and subsequently enroll in AFDC in their home state.

**Most analyses show that older parents are more likely to exit than younger parents. However, the Minnesota study finds the opposite effect. Age of the parent has a negative and statistically significant relationship to the probability of exiting AFDC.** Human capital theory suggests that older parents will have more experience and skills, which would lead to a higher probability of exiting AFDC. The unexpected negative sign might be due to age being a poor indicator of skills for Minnesota's AFDC parents. Or, there might be an opposing effect such as older parents being less likely to exit by marriage.

**Parents with older children are more likely to exit than parents with younger children.** There are several conjectures regarding the age of the child and the time spent on AFDC. Younger children may be more likely to require child care. Younger children may also need more medical attention thereby making AFDC and Medical Assistance a more viable option. Finally, younger children have more time on AFDC, before they become adults and ineligible under program rules.

**Families with more children are less likely to exit AFDC.** Because benefits increase with the number of children, families with more children must have higher incomes before becoming ineligible for AFDC. Also, parents with more children may need to spend more for child care and health care which may reinforce the need for higher wages; and under the AFDC program, unemployed parents with many children may have less time to search for a job.<sup>8</sup>

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<sup>7</sup> The longest time is 18 months for Ramsey County, which includes the city of St. Paul. Kanabec is estimated at 12 months. Mille Lacs is estimated at ten months. Cass County is the tenth highest with ten months. The time spent on welfare was for the first episode and includes the same method for left-censoring as in the regression. That is, to focus primarily on parents on their first episode, the first two years were dropped. Any parent with an episode in the first two years of the data set was not included in the analysis on first episodes.

<sup>8</sup> The effect may be relatively small; descriptive statistics that do not separate independent effects of different characteristics on the length of stay on welfare, find a shorter estimated stay for parents with two children compared to one. The stay is shorter by only one month and the Kaplan-Meier estimates for parents with three or more children have the longest estimated stays. This conflict may be due to other factors correlated with the numbers of children that were not separated out with the Kaplan-Meier analysis.

**Female single parents have a lower probability of exiting AFDC in comparison to male parents.** The Minnesota study and Hoynes (2000) both produce consistent results. There are many hypotheses regarding why male parents may exit earlier than females, but none is well documented in the literature. It might be that male-female wage differentials play a role with men receiving higher wages. Another possibility might be that males might be less likely to stay at home and take care of the children. They may be more likely to seek traditional male roles of being the breadwinner.

**In most instances, not having a high school diploma is often correlated with longer stays on AFDC.** In Minnesota, parents who return for their second or subsequent episode have a lower probability of exiting AFDC if they do not have a high school education. For parents on their first episode, the estimated effect is reversed.<sup>9</sup> Most studies indicate that a high school diploma, which may be an indicator of skills, increases the probability of exiting AFDC. However, Turner (1999) finds an opposite and statistically significant effect.

**Good labor market conditions may contribute toward a higher probability of exiting AFDC.** The probability of exiting AFDC increased with the growth rate in jobs. What may be particularly important for AFDC parents initially exiting AFDC is job growth in lesser skilled occupations. Also, there is some evidence that lower county unemployment rates contribute to shorter stays on AFDC. However, sample sizes for unemployment rates may be too small to produce reliable results.

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<sup>9</sup> In Minnesota, the high school dropout rate for Hispanic parents on AFDC (65 percent) was also high. Under conventional thinking, that higher dropout rate might imply a lower probability of leaving AFDC. However, since many of these families come to Minnesota to work in lower skilled economic sectors such as hourly work in sugar beet farms, vegetable processing plants, or meat packing plants, the lack of a high school diploma may not be a significant barrier to employment. It is also possible that these parents spend more time on AFDC, but since they are in Minnesota only during summer months, their recorded stay on AFDC in Minnesota is very short.

**Table 1. Review of Previous Analyses on the Probability of Exiting AFDC**

+ : Indicates a higher probability of exiting AFDC.

- : Indicates a longer expected stay.

\* : Indicates statistically significant coefficients. (See [page 3](#) for a more thorough explanation of the table)

Author(s)	Race					Age of Parent	Age of Children	Number of Children	Female	High School Dropout	Data
	Urban	Hispanic	Asian Amer.	Afrn. Amer.	Amer. Indian						
O'Neill, Bassi, and Wolf				_*		-		_* <sup>1</sup>		_* <sup>2</sup>	NLS <sup>3</sup>
Blank		_* <sup>4</sup>	_*	_*	_*	+	- <sup>5</sup>	_* <sup>6</sup>		_* <sup>7</sup>	SIME/DIME <sup>8</sup>
Harris	+/-	-	- <sup>9</sup>	-	-	+/- <sup>10</sup>	+/- <sup>11</sup>	- <sup>12*</sup>		_* <sup>13</sup>	PSID
Bane and Ellwood (1994) First Episode on AFDC		+/-	+/-	_* <sup>14</sup>	+/-	+/-	+/-	+/-		_*	PSID
Bane and Ellwood (1994) Subsequent Episodes on AFDC		+	+	+	+	_* <sup>15</sup>				-	PSID
Petersen		+	+ <sup>16</sup>	+	+		+	-		_*	SIPP
Klawitter, Plotnick, and Edwards	- <sup>17</sup>	+	+	_*	+		-				NLSY
Fitzgerald	_* <sup>18</sup>	-				_* <sup>19</sup>	_* <sup>20</sup>	_* <sup>21</sup>		_* <sup>22</sup>	SIPP
Sandefur and Cook	_* <sup>23</sup>	_*		_*		_* <sup>24</sup>	_* <sup>25</sup>	_* <sup>26</sup>		_*	NLSY
Turner		+	+ <sup>25</sup>	+	+	_* <sup>27</sup>	_* <sup>28</sup>	_* <sup>29</sup>		_* <sup>30</sup>	SIPP
Hoynes	_* <sup>31</sup>	-	_* <sup>32</sup>	_* <sup>33</sup>	- <sup>34</sup>	+ <sup>35</sup>	+ <sup>36</sup>	_*	_*		LDB
Hirasuna and Stinson (MN Study) First Episodes	_* <sup>37</sup>	_* <sup>38</sup>	_*	_*	_* <sup>39</sup>	_*	_*	-	_*	+	MNDHS <sup>33</sup>
Hirasuna and Stinson (MN Study) Subsequent Episodes	_*	_* <sup>40</sup>	_*	_*	_*	_*	_*	-	_*	_*	MNDHS

## Table Footnotes

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- <sup>1</sup> Number of children less than six was significant at the 0.01 level.
- <sup>2</sup> Years of school completed.
- <sup>3</sup> National Longitudinal Survey of Young Women.
- <sup>4</sup> Significant for nonwhites in all exits and in exits by marriage.
- <sup>5</sup> Used the number of children below five.
- <sup>6</sup> Significant at the 0.05 level for the Weibull hazard and for spell endings by earnings.
- <sup>7</sup> Number of years of education; only significant when considering spell endings by earnings.
- <sup>8</sup> Seattle and Denver income maintenance experiments—provides monthly data from 1971 to 1976.
- <sup>9</sup> White versus nonwhite.
- <sup>10</sup> Four age categories (<22, 22 to 25, 26 to 30, and 30 to 35); all variables except for age 30 to 35 had negative coefficients.
- <sup>11</sup> Youngest child less than three years old resulted in a higher probability of exiting.
- <sup>12</sup> Families with three or more children were less likely to exit.
- <sup>13</sup> Significant when the parent exits by finding a new job.
- <sup>14</sup> Significant in all exits and exits by marriage.
- <sup>15</sup> Parents over 40 are more likely to exit than parents 21 and under.
- <sup>16</sup> Included a variable for all other races besides African American and the reference variable—white.
- <sup>17</sup> Urban residence at age 14.
- <sup>18</sup> Significant when considering other exits besides marriage and earnings.
- <sup>19</sup> Significant when considering all exits, or exits other than earnings or marriage.
- <sup>20</sup> Whether there are children under six years old. Significant for whites in all exits or in exits other than by marriage or earnings.
- <sup>21</sup> Significant for whites in all exits, and in exits other than by marriage or earnings.
- <sup>22</sup> Years of education completed. Significant for African Americans exiting by earnings.
- <sup>23</sup> Youngest child under 2; Significant with a stepwise hazards model without unmeasured heterogeneity.
- <sup>24</sup> Two or more children.
- <sup>25</sup> Used nonwhites and whites.
- <sup>26</sup> Two urban categories, urban inside urbanized area and urban outside urbanized area. Significant for both.
- <sup>27</sup> Categories for Filipino, Cambodian, Laotian, and Vietnamese. Except for Filipino, all were significant.
- <sup>28</sup> Significant for all exits and exits by marriage.
- <sup>29</sup> Includes all other races besides Filipino, Cambodian, Laotian, Vietnamese, African American, and Hispanic.
- <sup>30</sup> Five age categories (<20, 20 to 24, 25 to 34, 35 to 44, and 44 to 54); all were statistically significant except for the ages 45 to 54.
- <sup>31</sup> Three age categories for the youngest child (<3, 3 to 5, and >5); the youngest child over six is more likely to exit.
- <sup>32</sup> Urban areas are standard metropolitan statistical areas. For the Twin Cities, the seven-county definition was used.
- <sup>33</sup> Minnesota Department of Human Services. Data includes all parents who remain single throughout their stays on AFDC and have eligible children.

## **Conclusion**

This information brief reviews characteristics associated with longer or shorter stays and also summarizes some of the potential causes for these differences. Policymakers and analysts may wish to consider these results in their efforts to design better policies so that more cash grant welfare recipients will be less dependent on welfare and more self sufficient. For example, policymakers may consider the effects of their policies upon different regions across the state. One possibility is to consider whether families in some urban counties may bear a disproportionate number of families that reach the 60-month time limit, especially in urban counties with concentrations of Asian American and African American parents and with relatively low rates of job growth.

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