

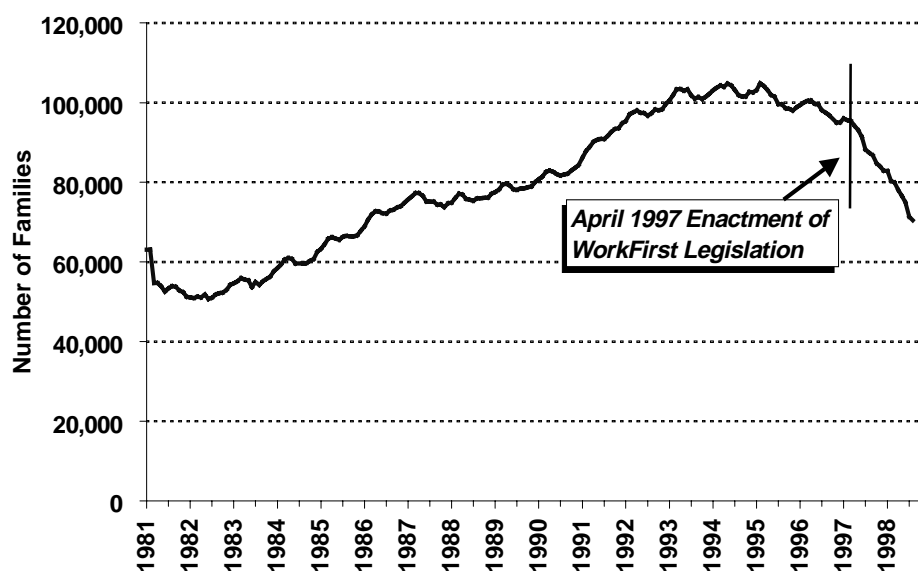
Interpreting the Decline in Washington State's Welfare Caseload

In 1997, the Washington Legislature passed, and Governor Gary Locke signed, legislation creating WorkFirst, Washington's welfare reform program. The legislation directs the Department of Social and Health Services to "implement strategies that will cause the number of (welfare) cases in the program to decrease by at least fifteen percent during the 1997-99 biennium and by at least five percent in the subsequent biennium." Washington's welfare caseload has decreased by 20 percent since the enactment of WorkFirst, although some of this decrease is due to factors other than the change in state welfare policy. This report discusses the factors that lead to declines in the welfare caseload and describes the focus of the legislatively directed evaluation of WorkFirst. It is provided as a supplement to the JLARC's November 1998 report of the implementation of WorkFirst around the state.

WorkFirst constitutes Washington's implementation of the federal Temporary Assistance for Needy Families (TANF) program. TANF and the WorkFirst program fundamentally change the nature of income assistance. TANF allows for greater state direction of welfare programs and replaces the previous federally controlled Aid to Families with Dependent Children (AFDC) program.

Figure 1 shows the number of families on public assistance in Washington State between 1981 and June 1998. The welfare caseload increased for 13 years before reaching a high of **104,838** cases in February 1995. In April 1997, when the WorkFirst legislation was signed, the caseload had already fallen 10 percent, and stood at **94,158**. By August 1998, Washington's welfare caseload dropped to **70,507**, a 25 percent reduction since the enactment of WorkFirst.

Figure 1
Total Families on Public Assistance (AFDC/TANF) in Washington: 1981 to August 1998

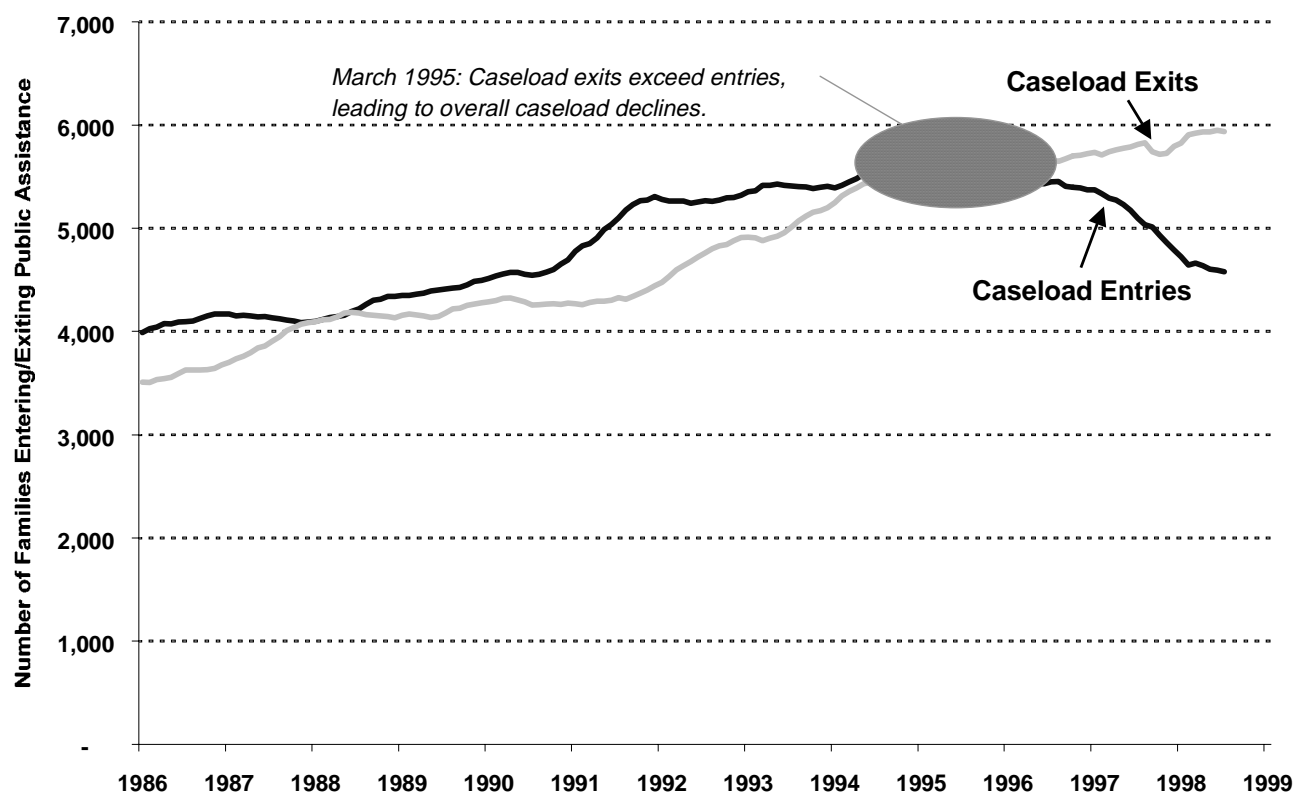


Examining Caseload Changes: Welfare Entries and Exits

Decreasing welfare caseloads are often interpreted to mean that more recipients are **leaving** public assistance. Similarly, caseload **increases** are usually seen as more individuals **entering** the welfare system. Both entries and exits, however, determine the size of welfare caseloads. Just as a school's enrollment depends on the number of new students *and* graduates each year, the size of the public assistance caseload is dependent on the rates at which families enter and leave the system. Decreasing caseloads, for example, may result from both more people exiting welfare *and* fewer families entering or returning to public assistance.

Figure 2 displays the average¹ number of families entering and exiting welfare caseloads in Washington State between 1985 and 1998. Beginning in early 1995, the number of families entering public assistance began to decline, while caseload exits increased only slightly. **The change in the rate of families entering the welfare system has significantly influenced the size of the welfare caseloads since 1995.**

Figure 2
Entries and Exits in Washington's Welfare Caseload: 1986 to 1998



WSIPP 1998

Source: Office of Financial Management

¹ Twelve month moving average.

What Factors Influence Changes in Welfare Entries and Exits?

In the late 1980s, the federal government began allowing a large number of states to waive, or modify, AFDC requirements through the use of experimental pilot programs. Welfare reform waivers required states to carefully research the effects of their reforms. This research provides insight into the events that cause welfare cases to decline. These events include:

- ***Economic Conditions***
 - ⇒ Labor market (job availability and wage rates)
 - ⇒ Reduced tax burden for low-income families
- ***Demographic Changes***
 - ⇒ Shifts in the total population eligible for welfare
 - ⇒ Changes in marriage patterns
- ***Public Assistance Policies***
 - ⇒ Work requirements and eligibility guidelines
 - ⇒ Amount families may earn while receiving public assistance
 - ⇒ Education and training opportunities
 - ⇒ Child care and medical subsidies

Clearly, many of these factors have changed significantly in Washington during the period prior to, and during the caseload decline. The contribution of each factor is difficult to calculate. In assessing caseload declines prior to 1996, recent research suggests that the economy has played an important role.

What Other Research Says about the Influence of the Economy on Caseloads

In May 1997, the President's Council of Economic Advisors (CEA) issued a report entitled *Explaining the Decline in Welfare Receipt*. This widely circulated study found that over 40 percent of the nationwide decline in welfare cases between 1993 and 1996 could be attributed to the economic expansion that occurred during those years. Individual reform efforts in states accounted for 30 percent of the decline; the cause of the remainder could not be identified.

This report led to a renewed national debate on the factors that influence welfare participation. Several researchers questioned the methods used in the CEA analysis, specifically the economy's impact on welfare caseloads.² Other researchers constructed models that relied on different sets of assumptions and yielded different results.³ One study found that the economy explained nearly 80 percent of declining welfare caseloads (1993-1996), while only 6 percent of the caseload drop could be attributed to state welfare reforms.⁴

These studies only considered the effect of state-level welfare reforms that occurred *prior* to the new federal requirements. Federal and state reforms enacted under TANF, which are just now being evaluated, may have different impacts on caseloads.

² Alberto Martini and Michael Wiseman, *Explaining the Recent Decline in Welfare Caseloads: Is the Council of Economic Advisers Right?* (The Urban Institute, July 1997).

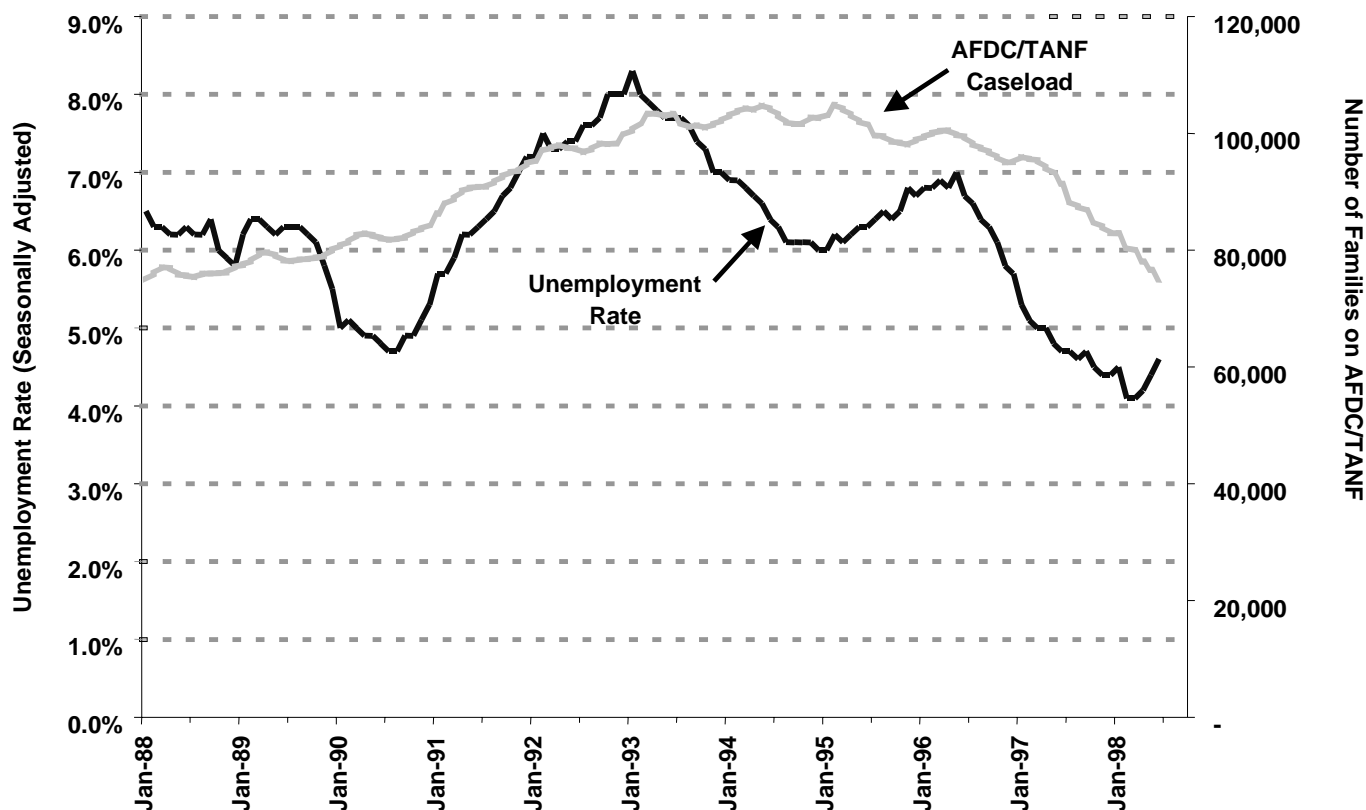
³ Many studies that came after the CEA report used monthly or quarterly time-series data which yielded different results compared to the annual data employed in the CEA findings. See Rebecca M. Blank, *What Causes Public Assistance Caseloads to Grow?* (Northwestern University: Department of Economics, Manuscript, December 1997), and David Stapleton, *Determinants of AFDC Caseload Growth*, (Prepared for the U.S. Dept. of Health and Human Services, July 1997).

⁴ James P. Ziliak, et al, *Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?* (University of Oregon: Department of Economics, 1997 Manuscript).

How Has the Economy Affected Welfare Caseloads?

In recent years the Washington economy has generated a substantial number of new jobs, although the rate of economic growth has been geographically uneven across the state. Figure 3 displays the unemployment rate and welfare caseloads in Washington State between January 1988 and June 1998. Low unemployment is an indicator of improved job prospects for low-income workers. The figure demonstrates a general, but imprecise, association between Washington's unemployment rate and the size of welfare caseloads.

Figure 3
Unemployment Rate and Total Welfare Caseload in Washington State



WSIPP 1998

Source: U.S. Bureau of Labor Statistics and Washington State Flash Reports

Another measure of economic vitality in Washington is the rate of job growth. Since 1983, Washington has experienced a continual increase in the number of non-agricultural jobs, with an average of 66,000 new jobs created each year between 1984 and 1997⁵. The slowest period of job growth in Washington occurred between July 1992 and July 1994, when annual job growth remained below two percent. This period also corresponded with increases in the state's welfare caseload.

How much of the decline in welfare caseloads since 1995 resulted from changes in welfare policy and how much has been caused by the robust economy? While it is too early to answer, this research question will be central in the Institute's overall evaluation of Workfirst.

⁵ Data from United States Bureau of Labor Statistics (<http://stats.bls.gov/790home.htm>).

How Do Demographic Changes Impact the Welfare Caseload?

Changes in the total population eligible to receive welfare benefits can affect long-term trends in caseloads. Unfortunately, statewide annual data on the population eligible to receive benefits—low-income parents—do not exist. The state Office of Financial Management (OFM), however, estimates some demographic data that can be used to make general inferences about those most at risk of going onto public assistance.

The majority of families receiving TANF in Washington State are single mothers with children.⁶ And, approximately 83 percent of all adults in the single parent TANF caseload are between the ages of 18 and 39.⁷ Therefore, examining trends in the *total* female population aged 18-39 provides a practical indicator of how demographic patterns may influence the welfare caseload. Table 1 shows OFM's estimates of the population trend for this age group in Washington State between 1987 and 2020.

Table 1
Total Female Population (Ages 18 to 39)
Washington State, 1988 – 2020

Year	Population	Change (From Previous Year)
1987	833,988	
1988	843,082	+ 9,094
1989	858,949	+ 15,867
1990	875,037	+ 16,088
1991	884,084	+ 9,047
1992	890,015	+ 5,931
1993	894,300	+ 4,285
1994	892,564	- 1,736
1995	890,484	- 2,080
1996	886,948	- 3,536
1997	885,562	- 1,386
1998	885,303	- 259
2000	890,880	n/a
2005	907,336	n/a
2010	972,147	n/a
2015	1,047,044	n/a
2020	1,106,216	n/a

WSIPP 1998

Source: Office of Financial Management, 1998

The tail end of the baby boom generation—born in the early 1960s—entered this age group in the 1980s. Between 1987 and 1993, Washington's 18 to 39-year-old female population increased 7 percent. After 1993, however, the growth in this age group began to decline, resulting in a smaller overall population that could potentially apply for public assistance. This decline also coincided with the general downward trend in welfare caseloads in Washington.

⁶ In June 1998, single parent families accounted for 90 percent of the entire TANF caseload.

⁷ Office of Research and Data Analysis, Washington State Department of Social and Health Services, May 1998.

Washington's Plan for Evaluating Welfare Reform

The Joint Legislative Audit and Review Committee (JLARC) and the Institute are collaborating on a legislatively required evaluation of WorkFirst. The legislation sets the following direction:

assess the success of the program in assisting clients to become employed and to reduce their use of temporary assistance for needy families.

The research is designed to identify those Workfirst program elements that are most successful and cost-effective in meeting these broad legislative goals. This information will help state legislative and executive decision-makers refine the program, if necessary, in the years ahead.

Among the specific questions that the evaluation will address are these: What are the total earnings of individuals after exiting welfare? Which individuals are more likely to stay on assistance for long periods of time? Which Workfirst program elements assist welfare recipients to become self-sufficient?

The first analysis of WorkFirst outcomes will be available in spring 1999. In addition to the Institute's reports, a November 1998 report from JLARC will describe how the reform has changed practices in local and regional welfare offices around Washington State. This study will also review the use of performance-based contracts for WorkFirst services.

Monthly data on Washington's welfare caseload is available from the Institute's web page (www.wa.gov/wsipp). For further information, contact Mason Burley, Steve Lerch, or Jim Mayfield at (360) 586-2677.