

**Time Limits and Welfare Reform:
New Estimates of the Number and Characteristics of Affected Families**

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ABSTRACT

The 1996 welfare reform legislation stipulates a 60-month time limit on total receipt as well as work requirements after 24 months of receipt. Using Panel Study of Income Dynamics (PSID) data on the monthly patterns of AFDC receipt during the 1980s and early 1990s, we estimate the number and characteristics of recipient families likely to be affected by the 60-month time limit, as well as how quickly families will reach the limits. We present estimates separately for new recipients and for the existing AFDC caseload. We also estimate the fraction of recipients likely to be subjected to work requirements after 24 months of receipt.

We find that very large numbers of low-income families may be affected by penalties and benefit cutoffs as a result of reaching time limits. Unless behavior changes in response to the provisions of the 1996 legislation, around 40% of the current caseload -- some two million families and 3.8 million children -- will hit the 60-month limit on total receipt. Only a little more than half of the recipients meeting the limits do so right away. Characteristics most predictive of reaching the time limit are youth, never-married status, lacking a high school diploma, and the presence of preschool children at the time of welfare entry. A "risk index" based on these traits is highly predictive of reaching time limits and can be used by states to target cases most likely to reach them.

In the case of work requirements, we estimate that a little more than half of the current caseload will be subject to work requirements in that they will accumulate 24 months of receipt and will not be working around the time of the 24th month.

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I. Introduction

A new era in social welfare began when President Clinton signed the Personal Responsibility and Work Opportunity Act on August 22, 1996. Following six decades of guaranteed government aid for economically deprived children, the new bill eliminates the open-ended federal entitlement program of Aid to Families with Dependent Children (AFDC) and creates a new program called Temporary Assistance for Needy Families (TANF), which provides block grants for states to offer time-limited cash assistance. The new welfare legislation makes other sweeping changes affecting child care, the Food Stamp Program, Supplemental Security Income (SSI) for children, benefits for legal immigrants, and the Child Support Enforcement program, and offers states numerous options, such as to cap benefits so payments do not increase if recipients have additional children or to deny assistance to unmarried teen parents and their children.

The 1996 legislation also introduces two major provisions that are linked to the length of welfare receipt. First, recipients are limited to 60 months of total receipt (whether or not consecutive), regardless of work effort, under a state program funded by the TANF block grant. This limit applies to the entire household and to all forms of assistance under the grant. For families currently receiving assistance, the five-year clock will start on the date when that state begins implementation of the block grant. States are permitted to exempt up to 20% of their caseloads from the 60-month lifetime limit by reason of hardship, including families with members who have been battered or subjected to extreme cruelty. States are allowed to impose shorter time limits on total receipt than the 60-month period specified in the legislation.

Second, parents or caretakers who have received assistance in a state's TANF program for 24 months are subject to work requirements. The federal law stipulates that after 24 months of receipt, recipients are required to participate in "allowable work activities" or else face sanctions or penalties. States have broad discretion to decide which activities satisfy this requirement and what penalties to impose when an individual is not "engaged in work" by the 24-month point. States will choose activities that satisfy the state work requirement from a list of allowable work activities contained in the federal legislation. The range of activities includes unsubsidized employment, subsidized private-sector or public-sector employment, on-the-job-training, job-search and job-readiness assistance for up to six weeks, community service programs, vocational education training not to exceed 12 months, and education for recipients who have not completed secondary school.

Adults who are employed when they reach 24 months of receipt satisfy the work requirement; nonworking recipients must find a way to comply with that requirement. If recipients do not participate in allowable work activities, states can reduce their benefits and eventually cut them off altogether if noncompliance continues. With full discretion given to the states to implement the work requirements and impose penalties for noncompliance, there will be a wide range of state programs regarding these requirements. States also have some options to exempt or reduce the work requirement for single custodial parents with young children. However, states must meet specific work participation rates mandated in the federal law and will be penalized by grant reductions for failure to achieve those rates by given dates.¹ Here again, states may implement work requirements after shorter periods of receipt than 24 months if they so choose.

The time-limit and work-requirement provisions in the new legislation raise a set of urgent questions. First and most important, how many families are likely to be affected? Second, given the on-again, off-again pattern of receipt displayed by many AFDC recipients, how much time will it take recipients to accumulate 60 months of total receipt? How many will reach this limit with a single, continuous spell? And how many more will eventually reach the limit? Third, what recipient characteristics -- e.g., youth, low level of schooling, never-married status -- are most predictive of reaching the time limits? Fourth, how many recipients are likely to be affected by the 24-month work requirements?

In this paper, we use data on the monthly patterns of receipt of AFDC recipients during the 1980s and early 1990s to estimate the number and characteristics of recipient families likely to be affected by the 60-month time limit, as well as how quickly they are likely to reach the limit. We also estimate the number of recipients likely to face work requirements. We begin with a brief review of the literature on welfare dynamics and then present our estimates. Details on our data are presented in an appendix.

II. Background

Numerous studies have shown that spells (i.e., continuous periods of receipt) of AFDC are often quite short, typically lasting less than two years (Blank 1989; Fitzgerald 1991; Harris 1993; O'Neill, Bassi, and Wolf 1987; Pavetti 1993). However, most recipients have more than one spell of AFDC use, with nearly 60 percent of those who leave the program eventually returning to it for

¹ The work participation rate for all families is set at 25 percent for fiscal year 1997. The rates then increase by 5% in each subsequent fiscal year to a maximum of 50% for fiscal year 2002 and beyond. Participation rates for two-parent families are 75% by FY 1997 and 1998, and 90% by FY 1999 and beyond.

additional support (Harris 1996). When multiple spells are added together, the median length of total welfare receipt is roughly four years² (Bane and Ellwood 1994; Pavetti 1995).

Bane and Ellwood (1983) were first to point out the crucial distinction between the nature of recipients first starting to receive benefits (the "ever on" population of recipients) and recipients who comprise the AFDC caseload at any given point (the "point in time" population of recipients). Since long-term recipients accumulate in the system and are much more likely to show up in the caseload at any point in time, the caseload is dominated by long-term recipients at any point. Pavetti (1995) estimates that over three-quarters (76%) of AFDC caseload families at any point are in the midst of welfare "careers" lasting 60 months or more. In contrast, only about one-third (35%) of the "ever on" families first beginning to receive AFDC will have "careers" lasting 60 months or more.

The "ever on" and "point in time" distinction is crucial for estimating how many families are likely to be affected by time limits. A 60-month limit applied to families first starting to receive benefits will affect only a minority of them, since most never accumulate 60 months of receipt. Limits applied to the existing caseload are a different matter altogether, since long-term recipients comprise such a large share of the point-in-time caseload. Our new estimates distinguish between new and continuing recipients.

The characteristics of long-term recipients have been identified in numerous studies, most notably in the work of Bane and Ellwood (1983, 1994), in a special report by Ellwood (1986), and more recently by Pavetti (1995). Pavetti's estimates are typical in showing the likely problems of long-term recipients in making successful transitions to the labor force: 63% of long-term (i.e., 60 or more total months of receipt) recipients lacked a high-school degree or GED when they first began to receive welfare; 39% reported no prior work experience; 53% were under age 25; 58% had never been married; and 52% had a child under the age of 13 months. We would expect to find a similar distribution of characteristics among recipients reaching the 60-month time limits.

III. New Estimates

Our estimates of the number of recipients likely to be affected by the lifetime limit and work requirements are based on actual patterns of AFDC receipt and employment between 1983 and 1995. Our data come from the Panel Study of Income Dynamics, a representative longitudinal survey that began to collect monthly data on AFDC receipt in 1983. The details of our sample selection and variable construction are presented in an appendix. One noteworthy limitation of the

² These estimates come from simulations of total time recipients spend on welfare, using exit rates for first and higher order spells and return rates based on monthly data from the National Longitudinal Survey of Youth (Pavetti 1993) and from a similar procedure done by Bane and Ellwood (1994) using 21 years of annual data from the PSID.

data is that immigrants to the United States after 1968 are not included in the PSID, and are thus excluded from all of our analyses.

There are several sources of bias -- some positive, some negative -- in our estimates. Many states have adopted stricter work requirements and shorter time limits than those mandated by the federal law (Pear, 1997). Some states require welfare recipients to work within the first three months of receipt and reduce benefits for those who do not meet the work requirements. Many states have also shortened the time limit on total receipt to less than five years, but may allow recipients to reapply for benefits after a specified time off welfare.³ Some states have granted exemptions from or extensions of the time limit in cases where adults cannot find work or must care for disabled relatives. Because the 1996 legislation gives great latitude to states to develop their own welfare programs, variations in the time-limit and work-requirement provisions across states will continue to grow. Although we concentrate on the 60-month federal provisions on time limits, we also present estimates of the affected fraction of the caseload in states with shorter time limits for total receipt.

States will probably differ the most in their definition of “allowable work activities” to satisfy the work requirement. Some states have opted for a very limited set of allowable work activities, including only paid employment and school enrollment for teenage recipients. Other states have adopted a more inclusive set of work and training-related activities, including job search, community service and vocational training. Because our data can only identify paid employment among AFDC recipients, our estimates of those subject to work requirements are based on the strictest definition of allowable work activities. Because we miss some of the work and training activities that states will allow to satisfy the work requirement, our estimates will overstate the percentage of recipients facing work requirements and potential penalties after 24 months of receipt.

The 1996 legislation specifies that the existing AFDC caseload will be subject to the 60-month clock on lifetime receipt at the point when a state switches from the AFDC to the block-grant TANF program. Although it is not clearly stated in the legislation, we assume that this limit will be applied to new cohorts of recipients who first begin receiving benefits under the new TANF program. We present estimates separately for new recipients and the existing AFDC caseload.

Finally, it is crucial to note that our data reflect the actual behavior of recipients prior to the passage of the 1996 legislation. This may well differ from the behavior of recipients subject to the work requirements and time limit mandated by the 1996 legislation. Since one would expect recipients subject to time limits to develop strategies for providing for their families in the event of a

³ For instance, Massachusetts and Michigan require work within two months and Virginia and North Carolina require work within three months. Indiana and North Carolina have a two-year total time limit, and Montana has a two-year time limit in any five-year period.

cutoff to their benefits, our use of data based on recipient behavior before the imposition of time limits may overstate, perhaps substantially, the number of recipients who will actually be affected by such limits. Moreover, one might expect recipients, knowing that they will face a work requirement, to step up their job search activities and find work before reaching 24 months and also reduce their chances of hitting the 60-month limit. We speculate on the nature of the possible biases -- some positive and some negative -- in our discussion of results.

How many families reach the 60-month time limits? Shown in Table 1 are estimates of the fraction of first-time and current caseload recipients who accumulate 61 or more total months of receipt. The rows of the table distinguish between recipients who reach the 60-month limits with a single, uninterrupted spell of receipt and the recipients whose interrupted pattern of receipt leads to 60-month accumulations over a longer period of time.

For new recipients, we estimate that about one-twelfth (13%) of the women beginning welfare spells in the late 1980s accumulated 60 months of welfare receipt immediately (i.e., in a single, uninterrupted spell) and an additional one-tenth accumulated 60 months of receipt within eight years of first receipt. In all, the fraction of first-time recipients reaching the 60-month limit within eight years (23%) is only slightly above the 20% fraction that can be exempted from the 60-month limit according to hardship provisions in the federal legislation.

Much larger fractions of the current caseload can be expected to hit the 60-month limits. Some 23% of the caseload at any point will compile 60 consecutive months of receipt, with an additional 18% compiling 60 total months of receipt within eight years following the imposition of limits. Again, barring behavioral changes in response to the time limits, more than two-fifths (41%) of the current caseload can be expected to reach the 60-month time limits within eight years -- a fraction that is twice as large as the 20% fraction that can be exempted from the 60-month limits. The most recent caseload data, for calendar year 1995, show roughly 4.9 million total recipient families and 9.3 million recipient children. Applying our 41% figure, we estimate the number of families and children running up against the 60-month time limits amounts to be 2.0 million and 3.8 million, respectively.

What are the characteristics of recipients who reach the time limits? Table 2 presents information on the characteristics of recipients most likely to reach the 60-month limits. Since the number of families first beginning to receive AFDC in the PSID sample is relatively small, the data in this table are based only on the "current caseload" sample and thus provide estimates of the effects of time limits applied to the existing caseload.

The classification variables include a set of demographic risk factors as well as the events associated with the onset of the AFDC spell. Data presented in the second column of the table show the characteristics of the entire set of current caseload families, regardless of whether they reached the 60-month limits.

Taking the first row of Table 2 as illustration, it can be seen that a little over half (54%) of the current caseload is made up of mothers who first started to receive AFDC when they were less than 22 years of age. Not surprisingly, young mothers are more likely to reach a 60-month limit, as indicated by the finding that 70% of the mothers reaching the 60-month limit were under 22 years when they first received AFDC.

The most prevalent demographic risk factor is having a young (under age 3) child at initial receipt of AFDC. The vast majority (85%) of the current-caseload mothers had very young children when they first began to receive benefits; nearly all (97%) of the mothers reaching the 60-month limit began receipt with very young children. Never-married status at the point of first receipt characterizes 75% of the women reaching the 60-month limits, while lacking a high-school diploma and prior work experience characterizes 67% and 55%, respectively, of the mothers reaching the 60-month limit.

Events associated with the beginnings of welfare spells also serve to differentiate between families that do and do not reach the time limits. Although a minority (41%) of the current caseload mothers began to receive AFDC as a result of an out-of-wedlock first birth, a majority (60%) of mothers reaching the 60-month limit entered welfare at the time of a nonmarital birth. In contrast, very few cases (9%) reaching the 60-month limit began welfare with a divorce.

What characteristics best predict which recipients will reach the time limits? Table 3 reorganizes the information in Table 2 to address a somewhat different question: what fraction of various groups of current-caseload recipients are likely to reach the limit? Consistent with Table 1, we estimate that about one-third (32%) of current-caseload mothers will reach the 60-month limits within seven years following the starting of the time-limit “clock.”⁴ The demographic risk factors presented in Table 3 are all associated with higher-than-average risk of reaching the time limit. Never-married marital status is most predictive of the fraction (45%) reaching the 60-month limit within seven years.

As with Table 2, the events associated with spell beginnings are indicative of which individuals are likely to reach the limits. Mothers in the current caseload whose welfare spells began with an out-of-wedlock birth are most likely to reach the 60-month limit. Nearly half (47%) accumulate enough welfare use to reach the 60-month limit within seven years. In contrast, very few (13%) of the women whose first welfare spell began with a divorce accumulate 60 months of receipt.

A risk index. It is possible to combine this demographic information about the recipients to predict who among them is most likely to reach the time limits. Suppose we construct a “risk

⁴ The 37% figure in Table 1 differs from the 32% figure in Table 3 because it is based on event-history methods applied to the complete set of PSID recipients. The 32% figure in Table 3 is based on recipients observed for at least 84 months following initial receipt.

index,” giving one point each for the following characteristics of the mother at the time of first receipt: i) under age 22; ii) never married; iii) lacks a high-school diploma; iv) no prior work experience; and v) youngest child under age 3. This risk index is highly predictive of reaching time limits. One-fifth of the current caseload recipients scored “5” on the index and more than half (53%) reached the 60-month limit within eight years. At the other end of the scale, two-fifths (43%) of the recipients scored 0, 1 or 2 on the index, and only 19% of them reached the 60-month limit within eight years (Table 4). Thus, it is possible to target cases most likely to reach the 60-month limit with a few pieces of easily obtained demographic information. States may want to direct different types of services to the likely long-term recipients.

Other time limits. As of February, 1997, 18 out of 41 states that have submitted their TANF plan to Health and Human Services have opted for less-than-60-month limits on total receipt (National Governors’ Association, 1997). Many (i.e., Indiana, Florida, Oregon, Massachusetts, Virginia, and North Carolina) have set their limits as low as 24 months. If anything, the number of states adopting less-than-60-month limits is likely to grow. In Table 5 we provide estimates of fractions of current-caseload recipients accumulating various durations of welfare receipt -- 18 months, 24 months and 36 months. As with our calculations involving 60-month limits, we allow for the fact that recipients who cycle off and on welfare will not accumulate the given number of months in a single continuous spell.

Not surprisingly, the fraction of recipients reaching the limits falls as limits are set more generously. An 18-month limit would be reached right away by 60% of the current caseload and by 76% within five years. Comparable fractions for a 24-month limit are 52% and 69%, respectively, and 39% and 55% for 36-month limits. In all cases, more than half of the current caseload eventually reaches these limits.

Work requirements at 24 months. In Table 6 we present estimates of the number of recipients likely to be subject to work requirements. The federal law mandates that work requirements be imposed on recipients who receive benefits for 24 months and who are not employed or engaged in other allowable work activities when they reach this time limit. The first line of Table 6 provides an estimate of the proportion of recipients not working in their 24th month of receipt. Fifteen percent of recipients who reach 24 months of receipt are employed at this point, leaving 85 percent subject to work requirements. Since we have estimated that over two-thirds (69%, from Table 5) of all current-caseload recipients will eventually accumulate 24 months of receipt, our estimate of the fraction of all current-caseload recipients likely to be subject to work requirement is 59% ($=.69 \times .85$).

Because work is highly dynamic among welfare recipients and many nonworking recipients at any point have worked recently or are engaged in job search and may soon work, we present in the second row of Table 6 a more inclusive estimate of the proportion of 24-month recipients

working near the time they accumulate 24 months of receipt. When we count work in any month within a 6-month window centered at the end of the 24th month of receipt, the proportion of recipients “working” increases to 25%, leaving 75% of 24-month recipients and 52% of the entire caseload subject to the state work requirements. Even with this more liberal estimate of recipient employment, states will be faced with the challenging job of finding work or some other form of allowable work activity for more than half of their caseloads -- recipients least likely to be employable -- and reducing benefit payments or imposing other forms of sanctions on those not able to find work.

IV. Some Implications

Our estimates suggest that alarming numbers of low-income families may face sanctions or benefit cutoffs as a result of the time limits mandated by the 1996 welfare legislation. When the 60-month limit on receipt is applied to the current caseload, we estimate that 41% will reach the limit within 8 years -- more than twice as high as the fraction allowed exemptions under the 1996 legislation.

Only a little more than half of the recipients meeting the limits do so right away. In the case of the 60-month limits, 23% of recipients reach the limit right away, and an additional 18% are estimated to reach it in the following three years. Thus, states cannot assume after five years that the bulk of women who will eventually reach the 60-month limits will already have done so.

We estimate that more than half of the current caseload will be subject to work requirements and possible penalties if they cannot find work or fail to engage in allowable work activities after 24 months of TANF receipt. This estimate will be much higher in states with stricter work requirements. As of February 1997, eighteen states require recipients to work before 24 months; a number of these impose work requirements immediately (i.e., Oklahoma, Tennessee, Texas, Iowa, Florida, Oregon, Michigan).

There are some reasons to believe that our estimates of recipients subject to the 60-month limit and 24-month work requirements overstate, perhaps substantially, the likely numbers of affected cases. Our estimates presume that the behavior of past recipients, all of which was observed prior to the passage of the 1996 legislation, is predictive of behavior under state-designed TANF programs. If the mere presence of time limits or if training, childcare and other support programs facilitate permanent exits from welfare, then our figures will overstate the fraction of recipients reaching the limits.

By how much might altered behavior change our figures? We begin our speculation on this important question by noting that although much of the dramatic fall in caseloads since 1995 may reflect improving economic conditions, at least some of it may reflect changes in behavior surrounding the pre-TANF debate over welfare reform and in anticipation of likely time limits.

Some states had implemented TANF-like welfare programs with time limits under waivers from the federal government prior to the passage of the August 1996 legislation. On the one hand, the falling caseloads suggest that post-TANF behavioral responses may be substantial and our estimates may overstate affected numbers of recipients. On the other hand, the most responsive and work-ready recipients may already have been culled from the caseload prior to TANF, in which case our estimates may instead understate the fraction of post-TANF recipients likely to run up against time limits.

Although none of the welfare-to-work experiments of the 1980s approximated the TANF structure, some of the demonstrations had more of an impact on AFDC receipt than others and hint at possible changes in behavior reflecting changes in welfare policy. For instance, The SWIM (Saturation Work Initiative Model) program in San Diego achieved the greatest reductions in AFDC receipt of any of the welfare-to-work demonstrations, primarily by speeding up welfare exits. Overall, SWIM reduced the average amount of time spent receiving welfare by about 9% over five years (Friedlander and Burtless, 1995). SWIM's success has been attributed to its strong enforcement of a continuous participation requirement, possibly reaching deeper into the recipient population than programs implemented in other sites. The mandatory nature of the program made it particularly successful in reducing AFDC receipt among current recipients, who represent a more disadvantaged group of longer-term recipients (Gueron and Pauly, 1991).

This suggests that in states where maximum participation in work requirements and strict enforcement of time limits is a priority, recipients may change their behavior and begin to work sooner or leave welfare more quickly, so fewer may be affected by the time limits than we have estimated. However, if the proportionate reduction in caseloads caused by the new legislation is similar to the 9% reduction caused by the SWIM treatment, then our adjusted estimate of the fraction of the current caseload hitting the 60-month limit would still be high -- 37%.

Early JOBS program evaluations provide another gauge of the degree to which recipients change their behavior in response to welfare-to-work training programs. One of the most successful JOBS programs was California's Greater Avenues for Independence (GAIN) program, which has been operating since the mid-1980s. A job placement program in Riverside County produced some of the most dramatic results: over a three-year period, the GAIN program increased employment by 25 percent but reduced AFDC participation by only about 13 percent (Riccio, Friedlander, and Freedman, 1994). A 13% reduction in our estimated fractions still leaves 35% reaching the 60-month limit.

We have shown that an easily observed "risk index" is highly predictive of recipients most likely to reach the 60-month limits. Only about one-fifth of recipients with low scores on an index based on young age, never-married status, high-school dropout, no prior work experience and youngest child under age 3 reach the limit as compared with more than half of recipients with high

scores. States can use this kind of information to target their efforts on families most likely to reach the limits.

As with the risk index, the “first spell” vs. “current caseload” distinction differentiates among recipients with respect to their chances of reaching the limits. Women first beginning to receive welfare typically have much shorter welfare experiences than does the average woman on the caseload at any point, even when we count only the welfare receipt of current recipients after a time-limit clock would start ticking. In fact, the fractions of “first spell” recipients reaching limits are only about half as large as the “current caseload” recipients. Thus, states can also use the distinction between “first spell” and “current caseload” recipients to predict chances of reaching the limits. However, since only about 2% of the current caseload consists of cases that began within the past month, this information is of limited value.

It is also possible that migration of recipients between states will cause our estimates to overstate the numbers of recipients reaching the time limits. The reason here is administrative: there is no provision in the 1996 legislation to set up a cross-state system for tracking recipients who move from one state to the next. Thus, a recipient accumulating 59 months of total receipt in one state may be able to start the clock again by moving to another state. How prevalent is cross-state migration likely to be? Substantial, at least in the case of new recipients. We estimate that some 15% of new recipients who eventually accumulate five years of total receipt will have moved between states at least once before reaching the five-year total. The current caseload is much less mobile: only about 3% of the current caseload move between states before accumulating five total years of receipt.

Even with optimistic assumptions about behavior, then, it is likely that substantial numbers of recipients will eventually reach the time limits imposed by the legislation. Although the fraction doing so may well be less than the 41% of the current caseload we estimate, assuming five-year limits, based on behavior observed in the past 15 years, the numbers of affected families and children will almost certainly run into the millions.

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Data Appendix

Our data come from the Panel Study of Income Dynamics -- a national survey study of a large and representative sample of families. Since 1968 the PSID has followed, interviewed annually, processed, analyzed, and disseminated information from a representative sample of about five thousand families (Hill, 1992). With the exception of immigrants arriving after 1968, the study is designed to produce an unbiased sample of mothers receiving welfare or at risk of beginning first spells of welfare.

The survey's original design focused on poverty by oversampling lower-income and minority households. Since the first two years of the study, nonresponse losses to the Panel have been relatively small, and checks against other data indicate no worrisome sample bias. Weights have been created to adjust for the original oversampling of the poor and for differential nonresponse to the Panel, and are used throughout the analyses presented here.

Interviews are usually conducted with the "head" of each family, who is asked to provide extensive income and employment information about himself or herself and about all other individuals in the family age 16 and older. In the case of mothers who are not yet heads of their own households, this means that AFDC receipt information will be reported by a proxy respondent. The PSID began asking about the month-to-month pattern of receipt of AFDC benefits in its 1984 interview, which covered the period beginning in January of 1983.

First spell sample. Our first-spell analysis sample for 60-month limits consists of 253 mothers (regardless of headship status) who began first spells of welfare receipt between 1983 and 1991. Since our analysis of 24-month limits required monthly details on employment status and such information is only available in the PSID for heads and wives, the sample size for our 24-month analysis of new recipients is smaller -- 174. In the case of women whose first births occurred during the PSID panel period, the identification of first spells was fairly straightforward: we used fertility data to determine first births and then examined the income records of the mother and all co-resident household members to see if anyone reported income from the AFDC program in the years following the first birth.⁵

Identification of first spells is more difficult in the case of mothers whose first children were born before 1967. Here we assumed that mothers with co-resident children who reported income from the AFDC program after five consecutive years of nonreceipt were beginning their first spell.

⁵ We also required that at least one child co-reside with the mother. On the other hand, we did not require that the mother herself report receipt of AFDC income. In many instances, particularly in three-generation households, the person receiving the AFDC check may not be the mother but rather the grandmother or some other relative of the child on whose behalf the AFDC benefit is paid. We assume in this instance that age-eligible children who co-resided with the mother are part of the household AFDC "case". In keeping with most other work on AFDC using the PSID, we also consider the PSID's "other welfare" category to be AFDC income. It is a residual category, included in the questionnaire after respondents report explicitly on AFDC, Food Stamps, SSI, Workers' Compensation, Unemployment Insurance, and Social Security.

This procedure produces a small amount of misclassification. Bane and Ellwood (1994, Table 2.2, p. 38) estimate that less than 10% of the women who eventually return to AFDC after a previous episode of receipt do so after five years. Since our definition of first spells required an examination of data on the five calendar years preceding a possible onset of AFDC receipt, our time series on first spells begins in 1973.

Our PSID-based procedures differ from those used in previous analyses of these data. Most analysts, including Bane and Ellwood (1983, 1994), Ellwood (1986), and Harris (1993), draw data from mothers who were heads (or spouses of heads) of households at the time when the welfare spell began. We impose no restrictions on the mother's position in the household of residence in any of the years of our data. In fact, some 26.5% of the first welfare spells identified in our analysis began when the mother was neither head nor spouse of head of her own family, so this sample-definition issue is an important one. One consequence of our broader definition of the sample is more complete representation of spells begun with out-of-wedlock births. In particular, we would expect that our procedures would capture considerably more of the first AFDC spells of young never-married women, who often spend their first few years of motherhood living with their parents.

Our sample and procedures also differ from analyses (e.g., Pavetti, 1993, 1995; Klawitter et al., 1996) of welfare using data from the National Longitudinal Survey of Youth. NLSY questions about welfare receipt are targeted explicitly to the sample mother and child, leading undoubtedly to a more accurate identification of first welfare spells. However, while the NLSY's cohort design produces extremely rich data on women age 14-22 in 1979, it fails to provide representative samples of all first welfare spells in any of its interview years.

Current caseload sample. To simulate the effects of imposing time limits on the current caseload, we formed a "current caseload" file by pooling all recipients receiving benefits in January, 1983, February, 1983, and so on through December of 1991. In all, 746 women receiving AFDC contributed at least some data to our analysis of 60-month limits, while 632 women contributed observations to our analysis of 24-month limits. (The latter is smaller because it requires information on both welfare receipt and employment, which is available only for household heads and wives.) Each of these person-month samples is treated as if it were independent of the others, although there is obviously heavy overlapping of recipients across these samples. For each sample, information was compiled on the total number of subsequent months of receipt, along with the demographic characteristics of the recipient at the time when their initial spells of receipt first began. Similarly, information on the events associated with the onset of their first spells was compiled for each of the monthly samples.

Beginning events. In contrast to previous work on events associated with the beginnings of welfare spells, we sought to define events explicitly in terms of the demographic and economic

changes producing them. Also in contrast to most previous work, we allowed for an AFDC spell beginning to be associated with more than one event. PSID data provided consistent definitions of the following events over the entire period of analysis: i) *first births to never-married women*: first births to never-married women who were not coresiding with a male partner during the months surrounding the birth;⁶ ii) *other first births*: first births to all other circumstances; iii) *other births*: second or higher-parity births; iv) *divorce or separation*;⁷ v) *departure from parental nest*: the mother left the household of her parents after a first birth that occurred more than one year prior to the beginning of the AFDC spell; vi) *decrease in mother's work hours*: mother's annual work hours dropped by 500 hours or more between the calendar year just before first AFDC receipt and the year of first AFDC receipt; vii) *decrease in others' work hours*: the combined work hours of family members other than the mother fell by more than 500 hours between the calendar year just before first AFDC receipt and the year of first AFDC receipt, with no change in family structure between those years.⁸

Demographic characteristics at the beginning of the spell. After identifying instances of first spells, we measured the following information about the mother when the first spell began: i) age; ii) marital status; iii) race (black v. all other); iv) the size of the largest city in the metropolitan area of residence; v) region; vi) years of schooling; vii) prior work experience. In developing our measure of work experience, we determined whether the work hours of the mother exceeded 250 in either of the two calendar years preceding the onset of AFDC. Work hours above this threshold led us to classify the mother as having work experience; fewer hours were not deemed to constitute work experience.

⁶ Suppose AFDC income was first reported in calendar year t . We considered a welfare spell to be birth-related if the birth occurred in calendar years $t-1$, t or $t+1$. The lack of monthly income detail, the possibility of receipt of AFDC benefits during pregnancy, and the assumption that first AFDC receipt as late as 23 months following a birth might indeed be related to the birth led us to use the three-year window.

⁷ In the case of divorce or separation, we did not require that the mother be married to the man with whom she was living prior to the dissolution. If AFDC income was first reported in year t , the spell was considered to be related to divorce or separation if a woman: i) reported a divorce or separation in either year $t-1$ or t ; ii) was coresiding with a partner in year $t-1$ but not in year t ; or iii) was coresiding with a partner in year t but not in year $t+1$.

⁸ We imposed the restriction on family structure to ensure that the drop in work hours was not caused by the departure of other family members from the household. Our definition of family structure change did not apply to newborns; a situation in which work hours of members other than the mother fell and a birth occurred still qualified as this event, provided that the family's composition did not otherwise change.

Table 1: Fraction of new recipients and the total caseload accumulating 60 months of total receipt

<i>Time limit: 60 months of AFDC receipt</i>		
Fraction of recipients reaching limit in:	New recipients	Total caseload
61 months (i.e., with a continuous spell of receipt)	13%	23%
73 months	16	31
85 months	18	37
97 months	23	41

Table reads: "13% of first-time recipients accumulate 61 months of receipt within 61 months following first receipt; 16% do so within 73 months following first receipt. 23% of the entire caseload accumulates 61 months of receipt within 61 months following the simulated imposition of the time limit."

Source: Authors' calculations based on data from the Panel Study of Income Dynamics

Table 2: Selected characteristics of “current caseload” recipients who reach a 60-month time limit

	<i>Recipients who reach 60-month time limit</i>	<i>All recipients</i>
CHARACTERISTICS AT THE START OF FIRST SPELL		
Mother younger than 22 years	70%	54%
Mother never married	75	55
Living in large city	38	37
Living in Northcentral region	43	39
Black	68	50
High school dropout	67	57
Youngest child younger than 3 years	97	85
No prior work experience	55	51
EVENTS ASSOCIATED WITH THE START OF FIRST SPELL		
First birth to unmarried mother	60	41
First birth to other circumstances	18	18
Second + Birth	15	22
Divorce/separation	9	22
Mother left parental nest and no first birth	7	8
Fall in mother’s work hours	18	24
Fall in other family members’ work hours	33	33
No event	1	5

Table reads: 70% of current caseload recipients who accumulate 60 months of AFDC receipt were under age 22 when they first started to receive AFDC. 54% of all current caseload recipients were under age 22 when they first started to receive AFDC.

Note: Recipients meeting the 60-month constraint accumulated a total of at least 61 months of receipt within 84 months following the simulated imposition of the time limit.

Source: Authors' calculations based on data from the Panel Study of Income Dynamics.

Table 3: Fractions of “current caseload” recipients with various characteristics who reach a 60-month time limit

	<i>% of recipients who reach 60-month time limit in seven years</i>
ALL RECIPIENTS	32%
CHARACTERISTICS AT THE START OF FIRST SPELL	
Mother younger than 22 years	42
Mother never married	45
Living in large city	34
Living in Northcentral region	35
Black	44
High school dropout	39
Youngest child younger than 3 years	37
No prior work experience	35
EVENTS ASSOCIATED WITH THE START OF FIRST SPELL	
First birth to unmarried mother	47
First birth to other circumstances	33
Second or higher parity birth	22
Divorce/separation	13
Mother left parental nest and no first birth	29
Fall in mother’s work hours	25
Fall in other family members’ work hours	33
No event	5

Table reads: 32% of the current caseload accumulated 60 months of AFDC receipt within 84 months following the imposition of the time limit. 42% of current caseload recipients who were under age 22 when they first started to receive benefits accumulated 60 months of AFDC receipt within 84 months following the simulated imposition of the time limit.

Note: Recipients meeting the 60-month constraint accumulate a total of at least 61 months of receipt within 84 months following the simulated imposition of the time limit.

Source: Authors' calculations based on data from the Panel Study of Income Dynamics.

Table 4: Fractions of “current caseload” recipients with various scores on a “risk index” who reach a 60-month time limit

	<i>Recipients who reach the 60-month limit</i>	<i>Percent of all recipients with risk-index score</i>
RISK INDEX SCORE		
0 or 1	19%	21%
2	19	22
3	39	17
4	34	19
5	53	20

Table reads: 19% of the current caseload scoring 0 or 1 on the risk index accumulated more than 60 months of AFDC receipt.

The risk index gives one point each for the following characteristics of the mother at the time of first receipt: i) under age 22; ii) never-married status; iii) lacks a high-school diploma; iv) no prior work experience; and v) youngest child under age 3.

Note: Recipients meeting the 60-month constraint accumulate a total of at least 61 months of receipt within 84 months following the imposition of the time limit.

Source: Authors' calculations based on data from the Panel Study of Income Dynamics.

Table 5: Fraction of current caseload recipients accumulating 18, 24 and 36 months of total receipt

	<i>Time limit</i>		
FRACTION OF CURRENT CASELOAD RECIPIENTS REACHING LIMIT IN:	18 months	24 months	36 months
18 months	60%	---	---
24 months	63	52%	---
36 months	70	61	39%
48 months	74	67	48
60 months	76	69	55

Table reads: "60% of current caseload recipients accumulate 18 months of receipt within 18 months following the imposition of time limits."

Source: Authors' calculations based on data from the Panel Study of Income Dynamics

Table 6: Employment status of “current-caseload recipients” who accumulate 24 of total receipt

	<i>Employed</i>	<i>Not employed and therefore subject to work requirements</i>
AMONG RECIPIENTS WHO REACH 24 MONTHS OF RECEIPT, THE FRACTION:		
Employed in 24th month	15%	85%
Employed within a 6-month window of 24th month	25%	75%

Table reads: "15% of current-caseload recipients who accumulate 24 months of receipt within 60 months are employed in their 24th month of receipt and not subject to work requirements."

Source: Authors' calculations based on data from the Panel Study of Income Dynamics