



# **An Examination of Welfare Caseload Dynamics in California Using Administrative Micro-Data**

*Final Report*

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March 30, 2001

## **Prepared for:**

U.S. Department of Health and Human Services  
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## Executive Summary

The large welfare caseload declines experienced nationwide since the mid-1990s have stimulated a large body of research examining the determinants of caseload trends. In contrast to most of this research, which relies on *aggregate* caseload data, we use state administrative micro-data to examine California's welfare caseload trends since the late 1980s. This allows us to expand the analysis of welfare caseload trends in two important dimensions. First, we can identify the demographic characteristics of individual aid recipients, which will allow us to examine how the composition of California's welfare caseload has changed over the last 14 years, and help us to identify aspects of caseload dynamics that are hidden in aggregate numbers. In particular, we can assess whether under welfare reform certain groups are being "left behind" in the sense that they represent a growing share of the state's declining welfare caseload. Second, we can track individual aid recipients – and the cases they are associated with – over time, which allows us to broaden our understanding of welfare caseload dynamics by measuring entry and exit rates, changes in case composition, and intrastate migration of aid recipients.

These aspects of caseload dynamics have become more important in the context of welfare reform. For example, increased sanction activity under CalWORKs may cause changes in the composition of the state's welfare caseload, increasing the share of cases that are "child only;" and intrastate migration of aid recipients may have implications for the assessment of county "performance" in achieving welfare caseload reductions and in the ability of recipients to find jobs. Our analysis allows us to explore the effects of sanctions and intrastate migration on the caseload.

## Summary of Major Findings

Our review of caseload trends by ethnic groups provides evidence that the recession in the early 1990s may have had less of an impact on caseloads than we might have expected. Most of the increase in California's welfare caseload over the 1989-1995 period was due to increases in the child-only caseload. Most of the increase in the one- and two-parent caseload was due to a rise in Latino/Hispanic cases, which did not accelerate until two years after the state fell into recession in 1990. This acceleration, moreover, appears to be related to the end of the moratorium on aid receipt for individuals legalized under the Immigration Reform and Control Act (IRCA) of 1986.

One of the principal conclusions to be drawn from this report is that stratifying the aggregate welfare caseload into the three major sub-types reveals several important aspects of caseload dynamics that are hidden in aggregate numbers. Because the timing of the impact of IRCA coincides with the recession in the early 1990s, time series models of aggregate caseload trends that do not account for IRCA are likely to overstate the impact of the recession on caseload trends. Such models are then likely to overestimate the impact of improvements in economic conditions in the second half of the 1990s, and consequently *underestimate* the impact of welfare reform on caseloads during this period.

Since the mid-1990s, one-parent caseloads have fallen substantially, with reciprocity rates now below pre-recession levels for all ethnic groups. This finding suggests that the caseload declines observed since the mid-1990s cannot be entirely accounted for by improvements in economic conditions, given that unemployment and real low-end wages are currently comparable to levels observed in the late 1980s.

We argue that changes in real (inflation-adjusted) benefit levels and unwed birth rates, two factors that are known to influence welfare caseloads, are also unlikely to account for the historically low reciprocity rates achieved under CalWORKs. Although real benefit levels are currently below the levels observed in the late 1980s, the real earned income eligibility threshold for ongoing cases is now higher than in the pre-recession period because CalWORKs has a much more generous earned-income disregard than was in place under AFDC. Furthermore, California's unwed birth rate remained at historically high levels throughout the 1990s, which suggests that changes in fertility patterns are unlikely to have played an important role in causing welfare caseloads to decline in the second half of the 1990s.

In light of these considerations, it is likely that welfare reform has played an important role in reducing welfare reciprocity below historical levels in California. Of course, there are many potential mechanisms through which welfare reform may be affecting caseloads – by increasing the stigma associated with welfare receipt, by providing more effective employment services, by time limits encouraging adults to “bank” time on aid or discouraging potential recipients from applying for aid – and we cannot distinguish among these possible effects. We do note that sanction and time limit policies are unlikely to have had a large direct effect on caseload levels in California. This is because California has adopted partial rather than full-family grant sanctions, and has maintained CalWORKs eligibility for children beyond the five-year federal time limit on TANF receipt. Coupled with California's benefit structure, these policies result in a relatively small financial penalty, compared to most other states, for families under sanction or hitting time limits. Sanctions and time limits are likely to play a much more

important role in reducing welfare caseloads in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

Nevertheless, there is clear evidence of the effects of sanctioning policies under the CalWORKs Program. Specifically, we found a significant number of cases that shifted from aided-adult to child-only status in 1998 and 1999. In addition, we found an increase in child-only cases with very young children, which may be the result of sanctioning activity under CalWORKs, possibly because parents with very young children find it more difficult to participate in work programs.

In our review of the caseload trends as distinguished by cumulative time on aid, we found a trend toward a higher concentration of long-term recipients in the caseload between 1992 and 1999, supporting the hypothesis that short-term recipients tend to leave aid more rapidly than long-term recipients. Nevertheless, the number of long-term cases has declined since 1996, except among child-only cases where the number continued to grow until the beginning of 2000. We also noted an upturn in the number of long-term child-only cases in mid-1998, and evidence that long-term recipients are somewhat more likely to be sanctioned than other recipients.

Lastly, with respect to changes in caseload demographics, we found a trend toward a higher concentration of cases with older children. From the perspective of future program expenditures, this finding is significant. This trend would tend to result in lower expenditures as a higher proportion of cases “age out” of the program, and families remaining in the program have less of a need for child care.

In our review of entry and exit trends, we found that a disproportionately large share of the net case inflow between 1989 and 1995 was due to the net inflow of child-

only cases. The net inflow of one-parent cases – the largest segment of the total caseload – was relatively small during this period.

Since 1995, after we remove the effect of case-type transitions, there has been a net outflow of child-only cases, which was led initially by a decline in the number of entries into the program. This may have been due to several factors, including improvements in the economy, undocumented immigration patterns, and a behavioral response among immigrants to concerns about eligibility for cash aid after federal welfare reform. There was also a net outflow of cases among the one-parent and two-parent families, which – like the child-only cases – was led initially by a decline in the number of entries into the program.

In reviewing the migration pattern of cases between regions of the state, we found that the Bay Area and Los Angeles have had net outflows, particularly in the early and mid-1990s. This was probably due in part to high levels of immigration during this period, since Los Angeles and The Bay Area serve as major immigration receiving centers and many of these families subsequently relocate to other areas. We also found that child-only cases – which are primarily citizen children of undocumented immigrants – accounted for approximately 25 percent of the net outflows from Los Angeles. Another likely reason for the movement out of Los Angeles County and the Bay Area, particularly in recent years, is the relatively high cost of living (especially housing) in these areas.

### **Policy Implications**

The net outflows from Los Angeles and the Bay Area raise some concern from a policy standpoint in that unemployment has been relatively low in these regions, compared to the rural areas. The key issue, in this respect, is the extent to which families

on welfare are moving to areas where they do not have jobs and where their employment prospects are worse than they would be if they had stayed in their former county or moved to a different area where jobs are easier to find. Our findings provide some support for increasing the regional CalWORKs grant differentials, given that the high-grant/high-cost counties tend to be in those areas where unemployment has been lower. We note, in this respect, that the current grant differential (about 5 percent) does not come close to covering the differences in the cost of living between the large urban and the rural counties.

We also note, in conclusion, that further research would be warranted in some of these areas. For example, the trend toward a higher concentration of long-term recipients in the program is not a surprising one but raises questions as to how best to serve these families. What specifically are the characteristics of these cases and what are their barriers to employment? Do we need to allocate more resources on a per case basis to address their problems, or allocate existing resources in a different way?

Finally, with respect to our findings on the intrastate migration of cases, it would be helpful to document the lines of movement between migrating cases, in order to focus on the families moving to the rural counties (where unemployment is relatively high) and to determine whether program sanctions played a role in motivating their decisions to move and whether they obtained employment in their new location. We intend to explore these issues in future research.

## 1 Introduction

The large welfare caseload declines experienced nationwide since the mid-1990s have stimulated a large body of research examining the determinants of caseload trends. Most of this research has related *aggregate* caseload trends to economic, demographic, and welfare policy factors in a regression framework, often with the primary goal of determining the extent to which changes in caseload levels are attributable to welfare reform or improvements in economic conditions.<sup>1</sup> By contrast, this report uses state administrative micro-data to examine California's welfare caseload trends since the late 1980s.<sup>2</sup> Using micro-data, rather than aggregate caseload time series data, will allow us to expand the analysis of welfare caseload trends in two important dimensions. First, we can identify the demographic characteristics of individual aid recipients, which will allow us to examine how the composition of California's welfare caseload has changed over the last 14 years. In particular, we can assess whether under welfare reform certain groups are being "left behind" in the sense that they represent a growing share of the state's declining welfare caseload. Second, we can track individual aid recipients – and the cases they are associated with – over time, which allows us to broaden our understanding of welfare caseload dynamics by measuring entry and exit rates, changes in case composition, and intrastate migration of aid recipients.

These aspects of caseload dynamics have become more important in the context of welfare reform. For example, increased sanction activity under CalWORKs may cause changes in the composition of California's welfare caseload, increasing the share of cases

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<sup>1</sup> For example, see Blank (1997), CEA (1997, 1999), Figlio and Ziliak (1999), The Lewin Group (1997), and Wallace and Blank (1999).

<sup>2</sup> Throughout this paper we use the terms "welfare" and "cash aid" to refer to AFDC and CalWORKs (California's TANF program).

that are “child only;” and intrastate migration of aid recipients may have implications for the assessment of county “performance” in achieving welfare caseload reductions.

This report will exploit the demographic and longitudinal information available in California administrative micro-data in order to examine several important aspects of welfare caseload trends in the state. We begin, in the following chapter, by examining trends in caseload demographics, specifically with respect to ethnicity, the age and number of children in the assistance unit, and the extent of previous aid use. By doing so, we can identify whether certain demographic groups have been “left behind” under the CalWORKs reforms. This analysis will also shed light on the impact of the Immigration Reform and Control Act (IRCA) and CalWORKs sanctions on caseload dynamics in the early and late 1990s, respectively. Later in this chapter we describe the CalWORKs sanction policy and the aspects of IRCA that are related to California’s welfare caseload dynamics.

In Chapter 3 we examine entrances to, and exits from, the caseload, as well as switches from one case type to another (from child-only to one-parent case, for example). We discuss case type definitions and their significance later in this chapter. This analysis permits an examination of the extent to which the caseload declines that occurred under federal and state welfare reform have been due to reductions in entries, as opposed to increases in exits. Further, as with the analysis of demographic factors, the analysis in Chapter 3 will point to the impact of IRCA and CalWORKs sanctions on caseload trends. We will be particularly interested in examining the demographic characteristics of cases that transition to child-only status under CalWORKs, to assess whether there is evidence that certain groups are being sanctioned at higher rates.

In Chapter 4, we examine the trends in intra-state migration of AFDC/CalWORKs cases (specifically, between regions of California). We will discuss the potential impact of migration on measured county “performance” in reducing welfare caseloads. This analysis will also permit an assessment of whether there is migration toward or away from regions where unemployment is relatively low, and the role that the CalWORKs grant structure might be playing in encouraging or discouraging such movement.

In the remaining sections of this first chapter, we describe our data sources and case-type definitions that are used in this report. We also provide some context for our analysis by briefly describing California’s welfare reform program (CalWORKs), the provisions of IRCA that are relevant for understanding California’s welfare caseload dynamics, and trends in the state’s cash aid caseload broken down by case type and region.

## **1.1 Data Sources**

This report uses data from California’s statewide Medi-Cal Eligibility Data System (MEDS). MEDS provides statewide individual-level data on monthly participation in Medi-Cal from January 1987 through December 2000. Because recipients of AFDC/CalWORKs are categorically eligible for Medi-Cal, MEDS data can be used to identify receipt of cash aid. MEDS also identifies county of aid receipt, and demographic information including ethnicity, age, gender, and language. Members of a common cash aid assistance unit may be identified by a common case serial number.

Between January 1987 and December 2000, there were approximately 360,000,000 person-months of AFDC/CalWORKs receipt in California. Throughout this

report we construct caseload measures using the full population of AFDC/CalWORKs recipients. When we construct reciprocity rates (caseload counts per 1,000 women aged 15-44), we use population figures provided by the California Department of Finance.

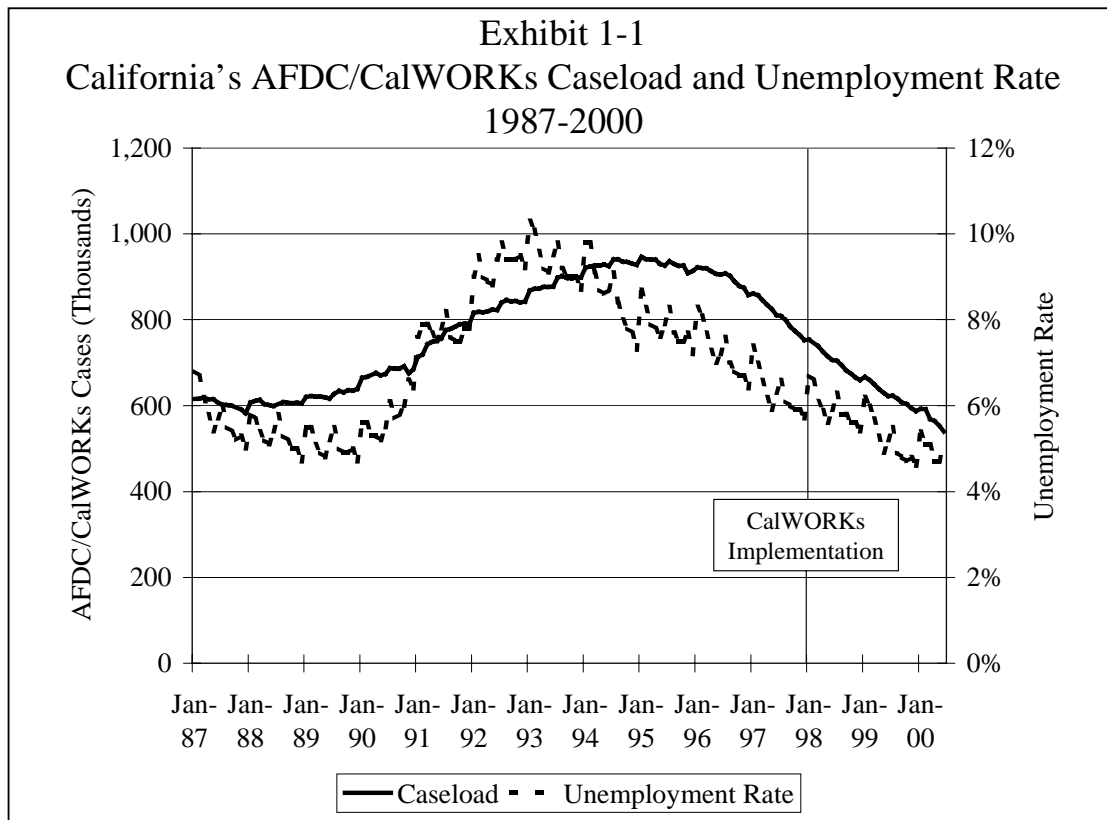
## **1.2 Caseload Trends Under Welfare Reform in California**

In response to the federal welfare reform legislation of 1996, which replaced the Aid to Families with Dependent Children (AFDC) program with the TANF program, California created the California Work Opportunity and Responsibility to Kids (CalWORKs) program in 1997. Program implementation began in January 1998. Like the AFDC program, CalWORKs provides cash grants to low-income families with children. Also, the program provides employment preparation services to adults in the assistance unit, similar to the services provided under the predecessor Greater Avenues for Independence (GAIN) program; but unlike GAIN, CalWORKs has been fully funded to accommodate all eligible participants. Other changes under the CalWORKs program include participation mandates, community service employment for able-bodied adult recipients on aid more than two years, and a grant reduction (elimination of the adult from the assistance unit) for families on aid more than five years.

One of the most important features of CalWORKs from the perspective of the analysis performed in this report is its sanction policy. California is one of 13 states<sup>3</sup> that have elected not to implement full-family sanctions as a component of their TANF program. Instead, CalWORKs sanctions, which occur primarily when aided adults do not cooperate with work program participation requirements, result in the removal of non-compliant adults from the assistance unit. If all aided adults in the assistance unit are

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<sup>3</sup> Plus the District of Columbia.



removed due to sanction, then we would observe the case to transition from an “aided-adult” case to a “child-only” case. We describe these case types in more detail below.

How does the statewide cash-aid caseload trend differ under CalWORKs, compared to the experience under AFDC? Exhibit 1-1 graphs California’s cash aid caseload trend from January 1987 through June 2000, along with the state unemployment rate. Welfare caseloads increased by more than 50 percent in the first half of the 1990s, rising from an average monthly caseload of just over 600,000 in 1989 to over 900,000 cases in 1994 and 1995. Caseloads began declining in 1995, and have fallen by 28 percent since CalWORKs was implemented in January 1998.

Caseload levels are now below the pre-recession levels experienced in the late 1980s. Because the state’s population has grown over this period, the CalWORKs reciprocity rate in June 2000 is now significantly less than the AFDC reciprocity rate

observed in the late 1980s, a period with a comparable level of economic activity as measured by the state's unemployment rate and real wage levels for low-wage workers. In Chapter 2 we examine whether the demographic composition of California's cash aid program has changed substantially as caseloads have declined since the mid 1990s.

### **1.3 Welfare Case Types – Definitions and Significance**

One of the principal features of our analysis is that we stratify families into one-parent, two-parent, and child-only case types based on family structure and the composition of the cash aid assistance unit. *One-parent* cases are the most typical welfare cases; these are cases with single aided parents, usually mothers, with one or more children. *Two-parent* cases have two resident parents and their children, with at least one parent receiving welfare. When we refer to these two case types collectively, we will use the term *aided-adult* cases, because both have at least one aided adult in the assistance unit.

We refer to cases without an aided adult in the assistance unit as *child-only* cases. In California, the most common reason that parents are not aided is that they are ineligible non-citizens. Cases associated with sanctioned parents, parents receiving SSI/SSP, and non-needy caretaker relatives comprise most of the remainder of the child-only caseload.<sup>4</sup>

When we examine California's aggregate welfare caseload, the dynamics appear to be quite simple: caseloads rose in the recession in the early 1990s, and fell as the economy recovered in the second half of the decade, with perhaps an assist from welfare

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<sup>4</sup> For readers familiar with CalWORKs aid codes, the child-only case type includes cases with a zero-parent aid code, as well as cases with one-parent (all families) and two-parent aid codes in which all eligible adults are inactive (e.g., due to sanction).

reform in the late 1990s. Exhibits 1-2 and 1-3 suggest that the real story is far more complex: the aggregate caseload trend masks important differences in the trends in the three major case types, and the differences in the case type trends point to key factors affecting California's welfare caseload dynamics.

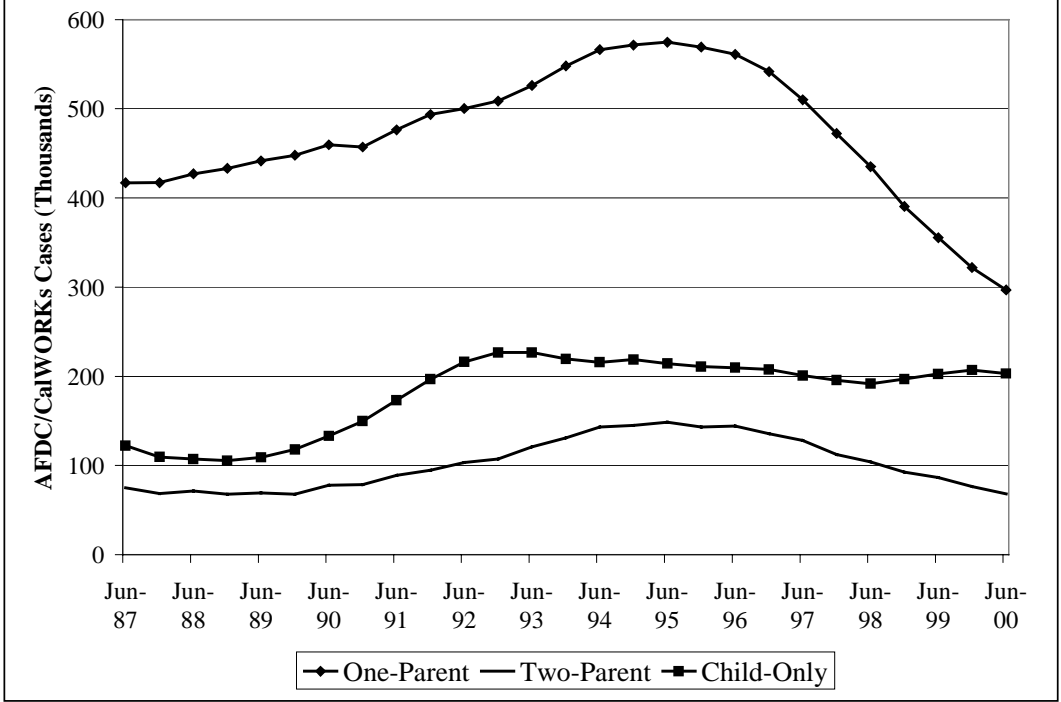
Exhibit 1-2 graphs the trend in caseload levels for each case type, while Exhibit 1-3 graphs the trend relative to June 1989 caseload levels, in order to more clearly reveal the patterns in the different caseloads. California's child-only caseload surged between 1989 and 1992, a year ahead of the recession and well ahead of the rise in the one- and two-parent caseloads. In late 1992, the number of child-only cases abruptly stopped growing, while the one- and two-parent caseloads surged forward. Most recently, while the aided-adult caseload has fallen sharply since CalWORKs implementation in 1998 (continuing a trend that began in 1995), the child-only caseload has not declined, and in fact has grown substantially as a share of the state's caseload, rising from 22 percent in June 1995 to 36 percent in June 2000.

In an earlier report we speculated that the divergence in child-only and aided-adult case type trends in the first half of the 1990s was caused by IRCA.<sup>5</sup> As an amnesty program, IRCA legalized undocumented immigrants who had been living in the United States since 1982, as well as certain seasonal agricultural workers. Out of 2.7 million immigrants legalized under IRCA, more than 1.6 million resided in California. Given the potential public costs, most immigrants legalized under IRCA were barred from receiving welfare for five years after application for legalization. Most of these immigrants applied

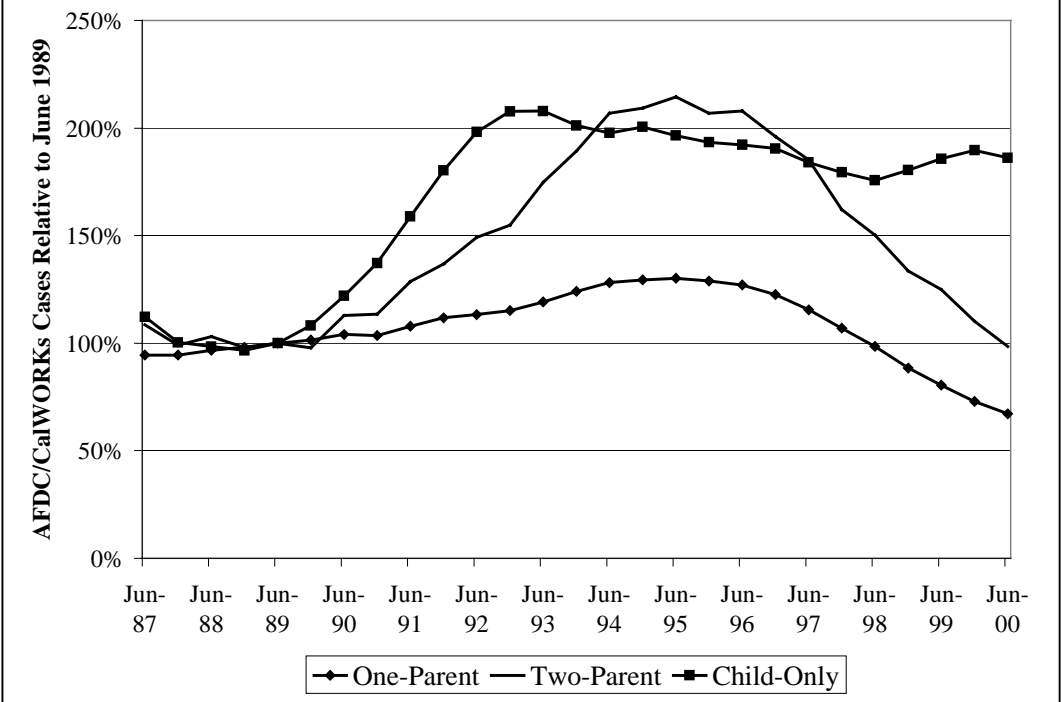
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<sup>5</sup> See MaCurdy, et al (2000).

**Exhibit 1-2**  
California's AFDC/CalWORKs Caseload by Case Type



**Exhibit 1-3**  
Case Type Levels Relative to June 1989



for legalization in 1987 and 1988, so the five-year moratorium on welfare receipt ended by the beginning of 1994.

What is the expected effect of IRCA on welfare caseloads? It is unlikely that IRCA had a significant effect on the number of *adults* receiving aid before 1992, due to the five-year moratorium on aid receipt. The expected effect on child-only welfare receipt is less obvious. Even before IRCA, the native-born children of immigrants legalized under IRCA were permitted to receive welfare, as are all native children regardless of their parents' immigration status. However, it is likely that legalization made parents more willing to apply for aid. Further, Johnson (1996) cites evidence from a variety of sources supporting the claim that IRCA encouraged friends and relatives of IRCA immigrants to come into the United States as undocumented aliens. Thus, IRCA may have increased the likelihood that current residents would apply for welfare for their children, and induced subsequent undocumented immigration.

If IRCA is the key factor driving caseload trends between 1989 and 1995, this explanation points to increases in Latino/Hispanic child-only cases in the 1989-1992 period, followed by large-scale switches in case type by continuously aided Latino/Hispanic cases from child-only to aided-adult status in the 1992-1995 period, as opposed to changes in entry and exit rates for the underlying case types. With administrative micro-data we can directly observe these case-type transitions, and therefore we can separately identify the effects of entries, exits, and switches in case types on the underlying caseload trends. In Chapters 2 and 3 we examine the impact of IRCA on California's caseload.

We also speculated that the divergence in child-only and aided-adult case type trends in the late 1990s was caused by CalWORKs sanctions. If sanctions are at least part of the reason that the child-only caseload is growing as a share of the CalWORKs caseload, then we should observe ongoing cases switching from aided-adult to child-only status in substantial numbers in the CalWORKs period. In Chapter 3 we examine the extent to which these case type transitions occurred.

#### **1.4 Distinguishing Caseload Trends by Region**

The aggregate caseload trend masks not only variation in underlying case-type trends, but also variation in trends across the diverse regions of the state. Within California, there are significant regional differences in economic conditions, immigration patterns, and, to a lesser degree, in the implementation of welfare reform. For this reason, when we examine patterns or intrastate migration, we divide the state into five regions: the Bay Area, Los Angeles, Other Southern California (excluding Los Angeles), the Farm Belt, and North/Mountain. In this section, we define the five regions, and then examine the aggregate caseload trends across the regions.

The five regions are mapped in Exhibit 1-4 and their component counties are listed in Exhibit 1-5. Although there are many ways the state can be divided, we believe this mapping defines regions that differ in ways that are related to welfare reciprocity. Three of the five regions—the Bay Area, Los Angeles and Other Southern California—are large, densely populated urban areas with a mixture of industries. The Farm Belt and North/Mountain regions have much more resource-based economies. This distinction is vital to understanding many aspects of the regional variation in welfare reciprocity in

Exhibit 1-4

5 Regions of California

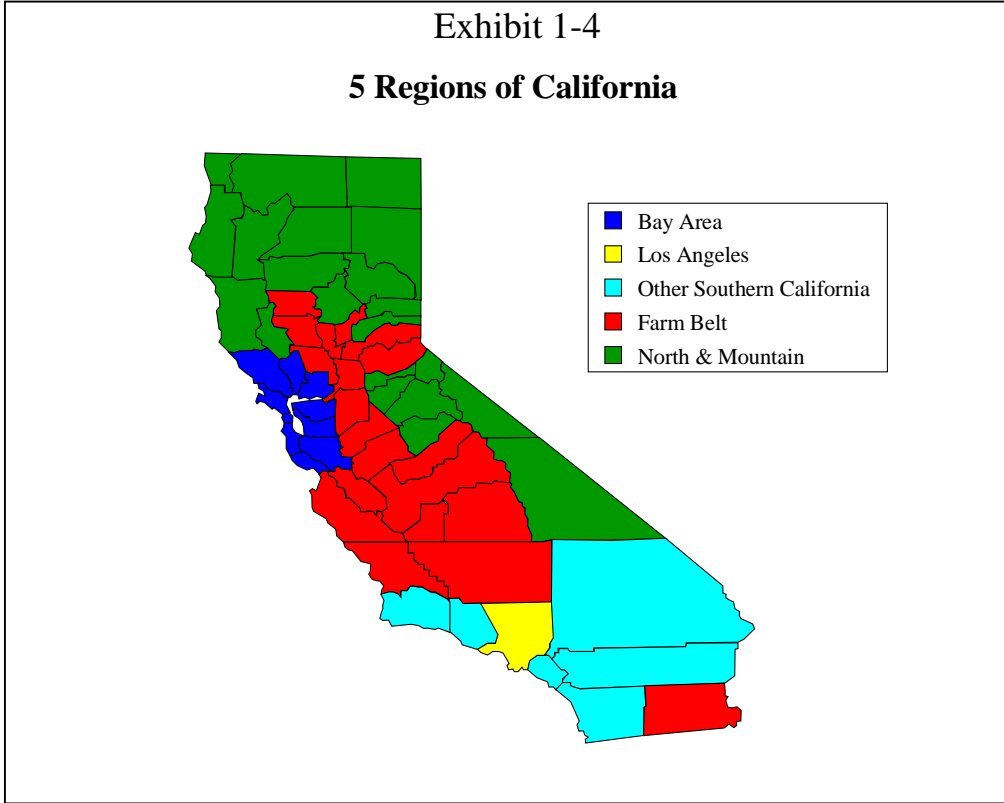


Exhibit 1-5

Counties Included in Each of the Five Regions

Bay Area	Los Angeles	Other Southern California	Farm Belt		North & Mountain	
Alameda	Los Angeles	Orange	Colusa	Placer	Alpine	Modoc
Contra Costa		Riverside	El Dorado	Sacramento	Amador	Mono
Marin		San Bernardino	Fresno	San Benito	Butte	Nevada
Napa		San Diego	Glenn	San Joaquin	Calaveras	Plumas
San Francisco		Santa Barbara	Imperial	San Luis Obispo	Del Norte	Shasta
San Mateo		Ventura	Kern	Stanislaus	Humboldt	Sierra
Santa Clara			Kings	Sutter	Inyo	Siskiyou
Santa Cruz			Madera	Tulare	Lake	Tehama
Solano			Merced	Yolo	Lassen	Trinity
Sonoma			Monterey	Yuba	Mariposa	Tuolumne
					Mendocino	

California. Within the urban group, Los Angeles County is separated out both because this single county accounts for over one-third of the state caseload and because it fared worst in the recession of the early 1990s. Within the resource-based regions, the Farm Belt and North/Mountain counties differ both demographically and in the mix of agricultural products.

Exhibit 1-6 shows how aggregate welfare reciprocity rate trends differ across the five regions that make up California, while Exhibit 1-7 graphs regional unemployment rates over the same period.<sup>6</sup> Reciprocity rates refer to the number of welfare cases per 1,000 women aged 15-44 residing in each region. These plots reveal persistent differences in levels of reciprocity, which are related to persistent differences in regional unemployment rates. The Bay Area has had the lowest reciprocity rates, closely followed by the Southern California region. Reciprocity and unemployment have been consistently highest in the state's rural Farm Belt and North/Mountain region.

In Chapter 4, we examine the trends in regional migration of AFDC/CalWORKs recipients. We will discuss the potential impact of migration on measured county "performance" in reducing welfare caseloads. With the wide variation in the cost of living within the state, there is the potential for "adverse migration" of aid recipients, whereby those who are most likely to be persistent users of cash assistance have great incentive to move to the low-cost/high-unemployment regions of the state.

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<sup>6</sup> Exhibits 1-6 and 1-7 present the June and December values of the 6-month moving average of the welfare caseload, and the January, April, July and October unemployment rates. We used these values instead of monthly values because graphing fewer data points allows us to obtain greater clarity in the distinction between the different regional trend lines. This method does mask the relatively high degree of seasonality observed in the Farm Belt and North/Mountain welfare caseload trends, which reflects the greater seasonality in unemployment rates in the two rural regions.

Exhibit 1-6  
Regional Welfare Reciprocity Rates

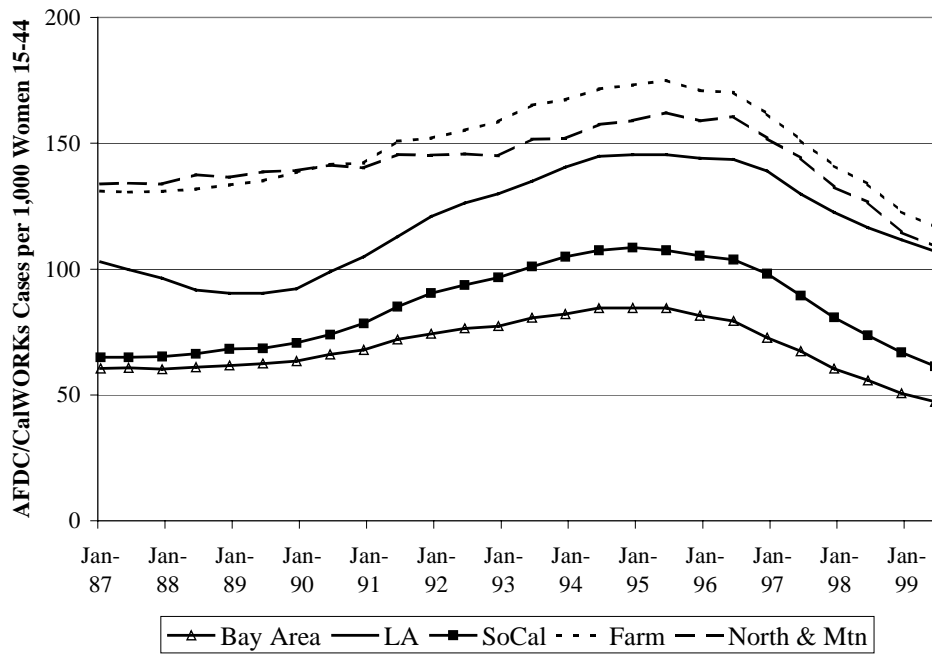
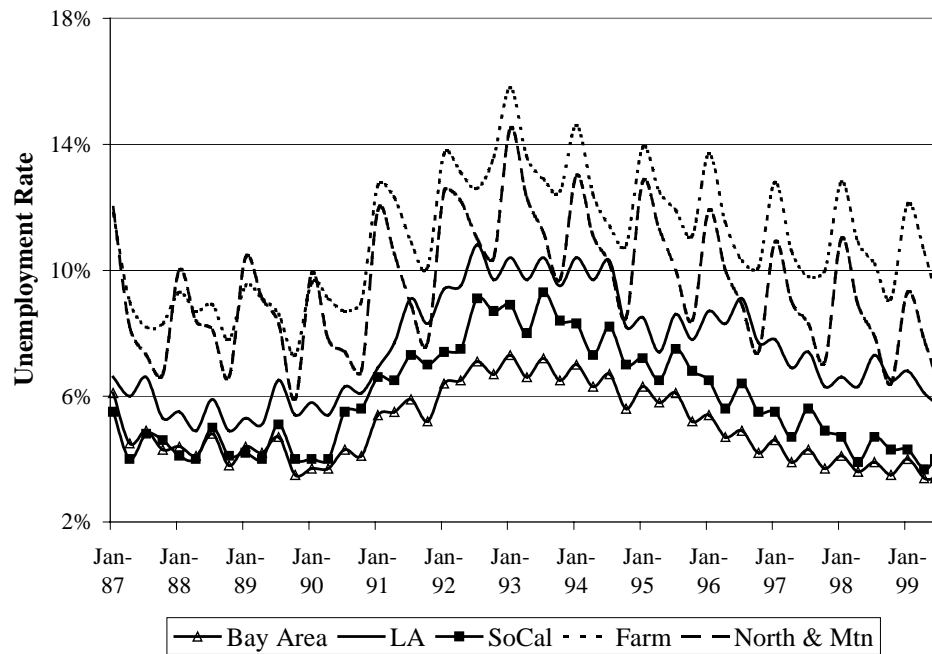


Exhibit 1-7  
Regional Unemployment Rates





## 2 Caseload Demographic Trends

In this chapter we stratify California's one-parent, two-parent, and child-only caseloads along several different dimensions in order to examine changes in the demographic composition of the caseload and assess factors affecting caseload trends. Specifically, we examine trends in ethnicity, the number of children in the assistance unit, the age of the youngest child in the assistance unit, and previous cumulative time on aid.

### 2.1 Ethnicity

*The One-Parent Caseload.* Exhibit 2-1 graphs the one-parent caseload trend, broken down by ethnicity. The exhibit has three key features. First, it shows that between 1987 and 1995, almost all of the variation in the aggregate one-parent caseload trend is due to variation in the Latino/Hispanic trend. The White, African-American, and Other (primarily Asian) ethnic groups show only a relatively constant upward trend. Second, the deep recession California suffered in the early 1990s appears to have had only a weak impact on one-parent caseloads. Exhibit 2-2 shows the average annual percentage change in the reciprocity rate for each ethnic group over four periods: June 1987 – June 1990, June 1990 – June 1992, June 1992 – June 1995, and June 1995 – June 2000.<sup>7</sup> The reciprocity rate change measures the percentage change in cases per 1,000 women aged 15-44, and therefore controls for differences in population changes among the four ethnic groups.<sup>8</sup> As the state's unemployment rate rose from 5 to 9 percent

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<sup>7</sup> A glance at Exhibit 1-1 shows that California experienced low and slightly declining unemployment over the 6/1987-6/2000 period, a rapid increase in unemployment in the 6/1990-6/1992 period, high but declining unemployment in the 6/1992-6/1995 period, and declining unemployment throughout the 6/1995-6/2000 period.

<sup>8</sup> The number of women aged 15-44 in the Latino/Hispanic and Other groups grew by about 50 percent over the 1987-2000 period. The number of African-American women in this age group was essentially unchanged, and the number of White women in this age group declined by about 10 percent.

Exhibit 2-1  
One-Parent Caseload by Ethnicity

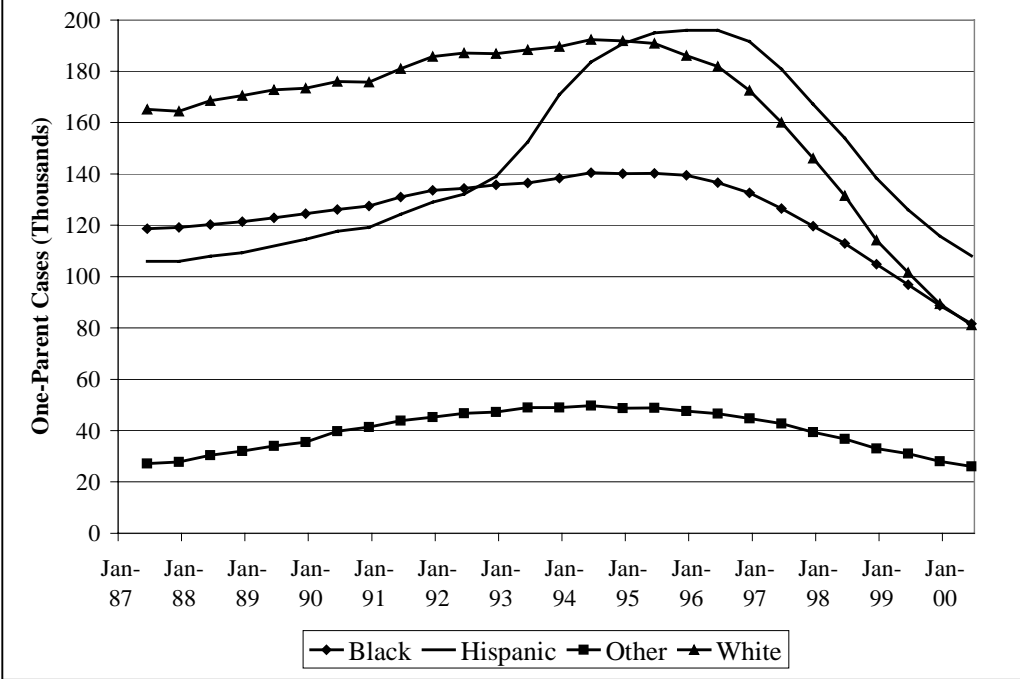
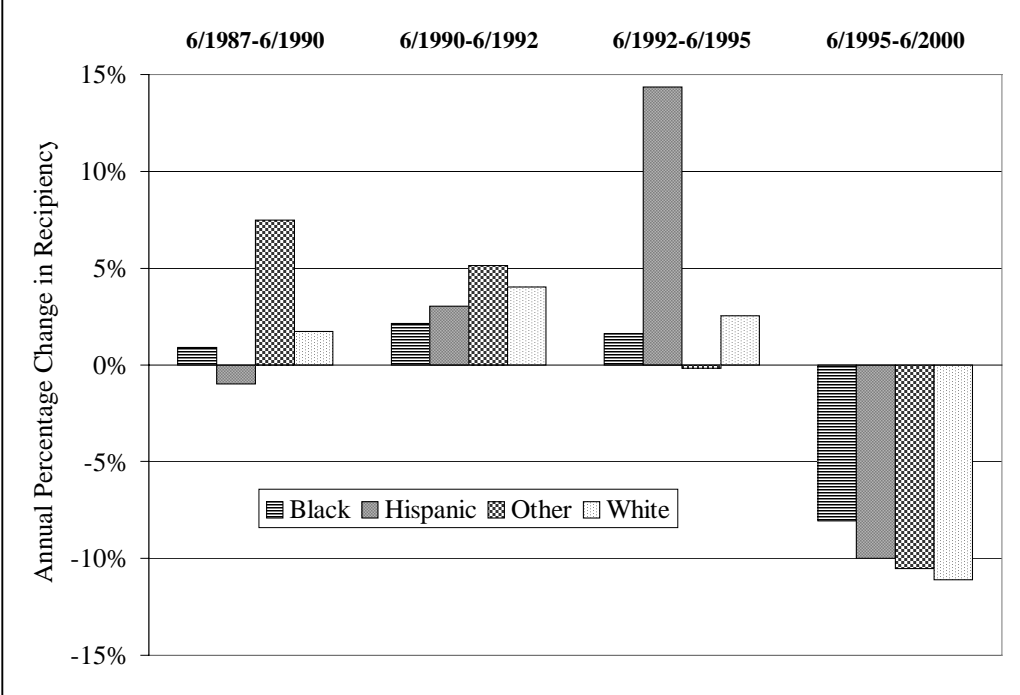


Exhibit 2-2  
One-Parent Caseload: Average Annual Percentage Change in Welfare Reciprocity Rate over Selected Periods, by Ethnicity



between June 1990 and June 1992, reciprocity rates tended to increase somewhat more rapidly than over the preceding three years of relatively low and stable unemployment. However, the sharp rise in the Latino/Hispanic one-parent caseload occurred more than two years after the state fell into recession in the second half of 1990. Specifically, while Latino/Hispanic reciprocity grew by 3 percent per year between June 1990 and June 1992, it increased by 14 percent per year between June 1992 and June 1995. It is unlikely that the timing and magnitude of this increase can be explained by lagged effects of changes in economic conditions, especially given the stable contemporaneous trends observed for other ethnic groups. In the next chapter, we present direct evidence that the growth in the Latino/Hispanic one-parent caseload between 1992 and 1995 is associated with the end of the moratorium on aid receipt for individuals legalized under IRCA.

The third key feature of the exhibit is that caseloads have fallen substantially for all ethnic groups since the mid-1990s. Compared to historical experience, the declines are most striking for African-American and White caseloads. The White one-parent caseload in 2000 is less than half its level in 1987, while the African-American caseload has declined by 33 percent over the same period. When we control for population changes, we find that the White and African-American reciprocity declined by 45 and 33 percent, respectively. Given that economic conditions in the late 1990s – as measured by unemployment rates and real wage rates for low-wage workers – were comparable to the conditions experienced in the late 1980s, it is highly unlikely that changes in economic conditions alone account for the low African-American and White caseload levels observed under CalWORKs. These trends clearly suggest that welfare reform may be playing a substantial role in reducing California's one-parent caseload.

Although Latino/Hispanic and Other caseloads have declined substantially since the mid-1990s, these groups have just fallen back to 1987 caseload levels in 2000. However, normalizing for population growth, we find that Latino/Hispanic and Other reciprocity rates have declined by 27 and 37 percent, respectively, over the full period. In other words, Latino/Hispanic and Other caseload levels are higher in 2000 relative to historical levels because of higher underlying population growth.

Measuring from caseload peak, we find comparable rates of decline for the African-American, Latino/Hispanic, and Other caseloads (down 43, 45, and 48 percent, respectively), with the White caseload declining at a somewhat higher rate (down 58 percent from peak). In terms of changes in reciprocity rates, all ethnic groups show average annual percentage declines in reciprocity ranging between 8 and 11 percent from June 1995 to June 2000.

***The Two-Parent Caseload.*** The pattern for the two-parent caseload is similar in many respects to the one-parent caseload. Caseload trends are graphed in Exhibit 2-3, and reciprocity rate changes over specific periods are summarized in Exhibit 2-4. The trend in the Latino/Hispanic caseload again accounts for most of the time variation, with a massive increase between 1992 and 1995 that we attribute to the end of the moratorium on aid receipt for individuals legalized under IRCA. Specifically, between June 1990 and June 1992, Latino/Hispanic reciprocity grew by 21 percent per year, compared to a 46 percent annual increase between the June 1992 and June 1995 period. By contrast, White two-parent reciprocity grew at a comparable rate in the 1990-1992 period (26 percent), but rose by only 7 percent per year between June 1992 and June 1995.

Exhibit 2-3  
Two-Parent Caseload by Ethnicity

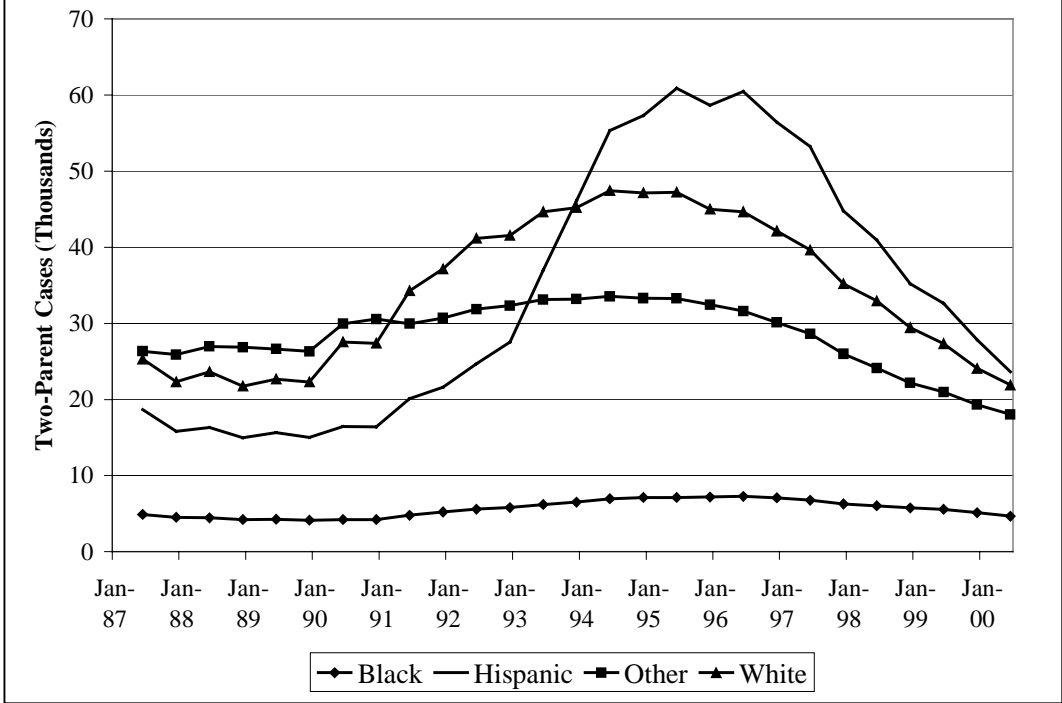
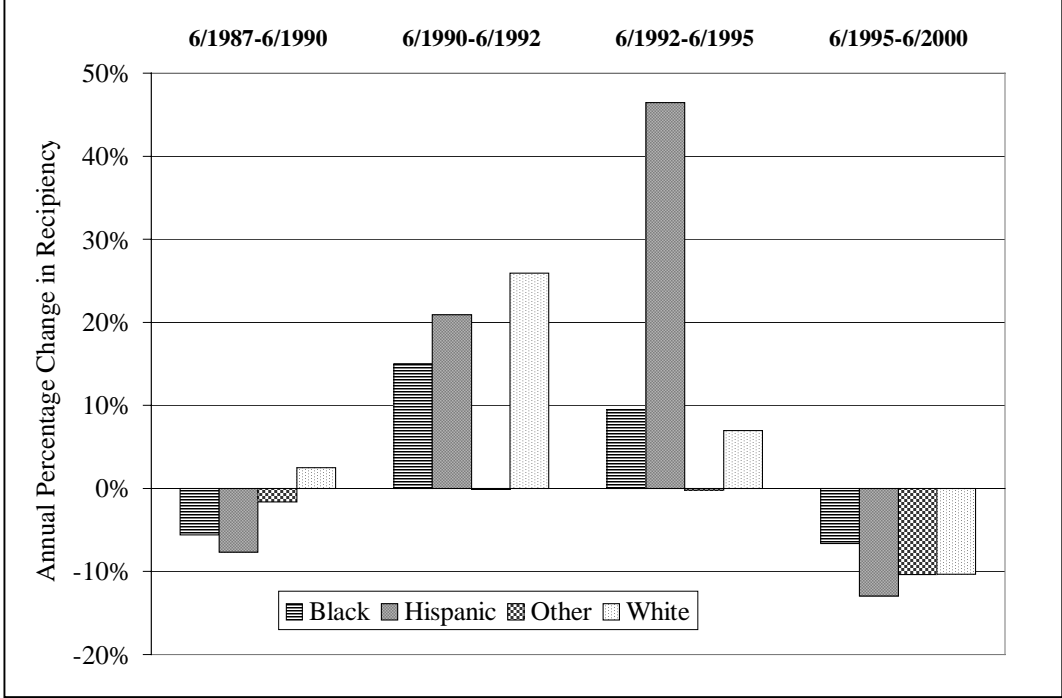


Exhibit 2-4  
Two-Parent Caseload: Average Annual Percentage Change in Welfare Reciprocity Rate over Selected Periods, by Ethnicity



There are, however, a few important differences between the one-parent and two-parent caseload trends. As has been noted in the literature on welfare caseload dynamics, the two-parent trend shows greater seasonal and cyclical sensitivity to economic conditions than the one-parent trend. Seasonal economic effects are larger for the White and Latino/Hispanic caseloads, probably due at least in part to the regional distribution of the different ethnic groups. These two groups are over-represented in the rural parts of the state, with Whites being more heavily represented in the North/Mountain region, and Latino/Hispanics more heavily represented in the Farm Belt. There is also substantial variation across ethnic groups in the degree of sensitivity to business cycle effects. For example, between June 1990 and June 1992, both the White and Latino/Hispanic two-parent reciprocity increased by more than 20 percent, compared to a 15 percent increase in the African-American two-parent caseload and no change in the reciprocity rate for the primarily Asian group.

Compared to the one-parent caseload, there is also somewhat greater variation across ethnic groups in caseload declines relative to the mid-1990s peak. Latino/Hispanic two-parent reciprocity has fallen by 13 percent per year since June 1995, compared to declines of 10 percent per year for the White and Other groups, and 7 percent for the African-American group. Except for the Other ethnicity group, two-parent caseloads also have fallen much less relative to historical levels than the one-parent caseload. In June 2000, the White, African-American, and Latino/Hispanic two-parent reciprocity rates are just back at levels comparable to the late 1980s, while two-parent reciprocity for the Other group is at half the level observed in the late 1980s.

*The Child-Only Caseload.* Although, like the one-parent and two-parent caseload, the variation in the aggregate child-only caseload trend has been driven almost entirely by changes in the Latino/Hispanic component of the caseload, the Latino/Hispanic child-only trend is vastly different from the trends in cases with aided adults. Caseload trends are presented in Exhibit 2-5, and average annual percentage changes in reciprocity rates over specific sub-periods are reported in Exhibit 2-6. Note that slightly different time periods are used in Exhibit 2-6, compared to Exhibits 2-2 and 2-4. Specifically, we used 6/87 – 6/90 and 6/90 – 6/92 for the two aided-adult case types, and 6/87 – 6/89 and 6/89 – 6/92 for the child-only caseload. The reason for the difference is that the child-only caseload began to increase more than a year before the California economy fell into recession in the second half of 1990. Latino/Hispanic child-only reciprocity rose by about 50 percent per year between June 1989 and June 1992, much larger than the contemporaneous increase in Latino/Hispanic cases with aided adults. While Latino/Hispanic one-parent and two-parent caseloads were rising rapidly in the June 1992 to June 1995 period, child-only reciprocity actually declined. As we show in the next chapter, the break in the child-only trend in 1992 is associated with a vast number of cases changing from child-only to aided-adult case types, as parents who had been barred from receiving AFDC for five years under IRCA became eligible to receive cash aid.

It is also interesting to note the relatively significant decline in the Latino/Hispanic child-only caseload in 1997. It is possible that this was due, at least in part, to a behavioral response to the federal welfare reform legislation, which – while it did not affect the eligibility of the U.S.-born children of undocumented immigrants for

Exhibit 2-5  
Child-Only Caseload by Ethnicity

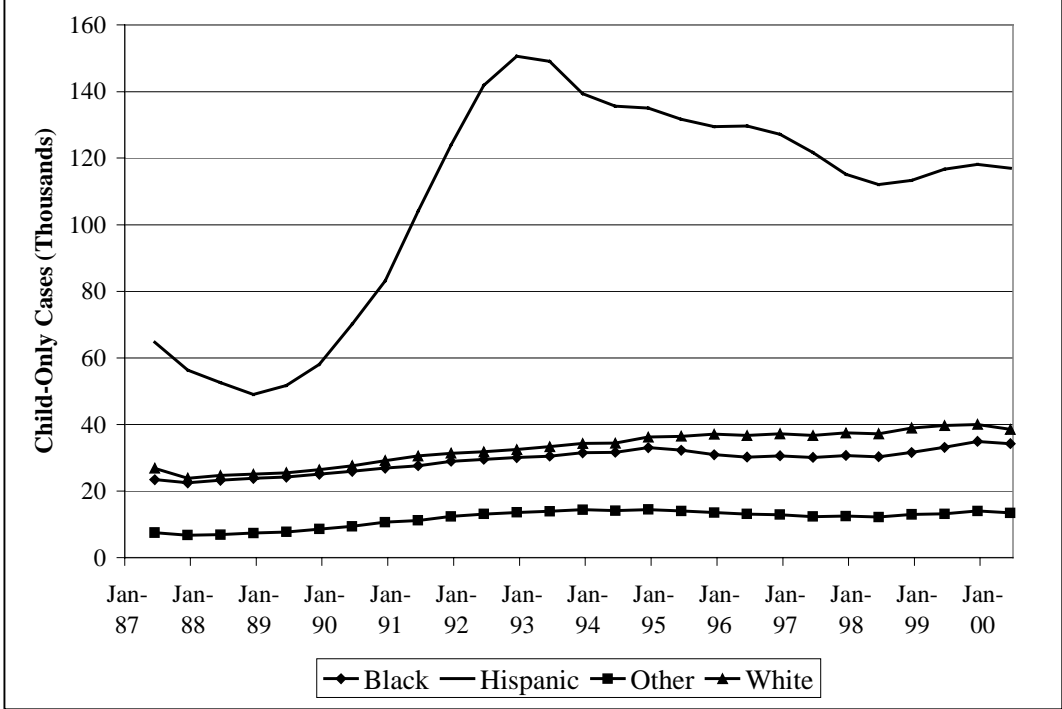
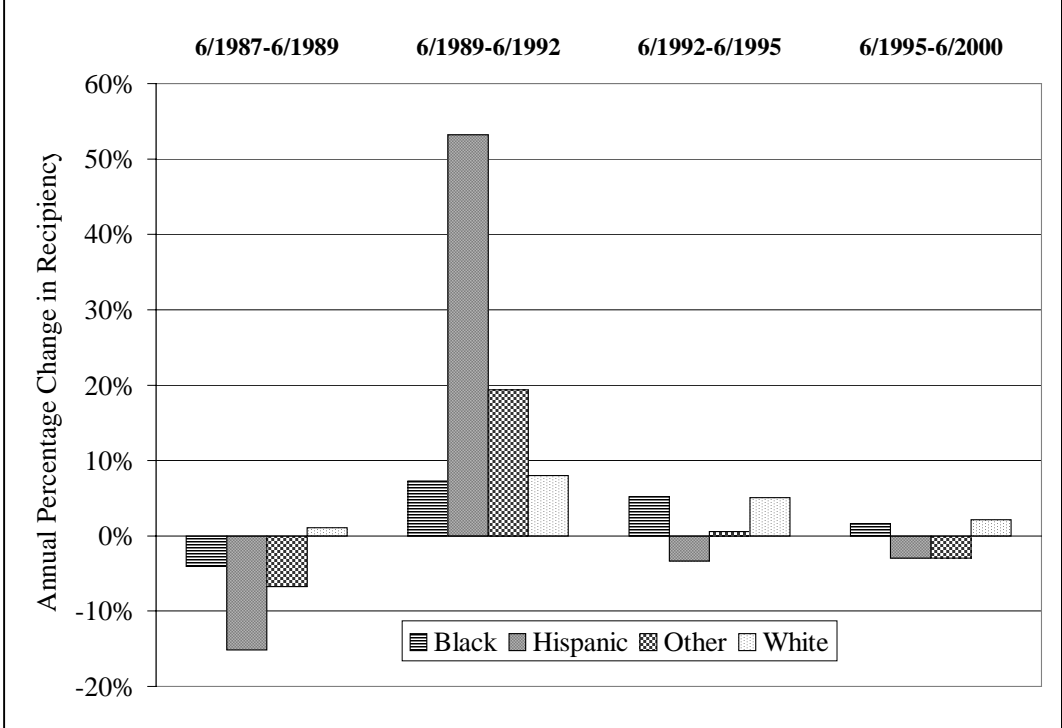


Exhibit 2-6  
Child-Only Caseload: Average Annual Percentage Change in Welfare Reciprocity Rate over Selected Periods, by Ethnicity



welfare benefits— included restrictions on the eligibility of legal immigrants for SSI/SSP and Food Stamps, and therefore may have initially led to fears on the part of undocumented immigrants with respect to the eligibility of their children for TANF. Thus, these parents may have taken their children off of aid and, as these fears subsided, may have gone back on aid, possibly contributing to the increase in these cases beginning in 1998.

Finally, we note that the upturn in child-only cases in 1998 and 1999 was evident across all ethnic groups, suggesting that some of these additional cases may have resulted from sanctioning policies in the CalWORKs Program, whereby aided-adult cases are shifted to child-only status. In the next chapter we show directly that a large number of cases shifted from aided-adult to child-only status following implementation of CalWORKs in 1998.

## **2.2 Number of Children**

We next stratify each case type by the number of children in the assistance unit, and graph the results in Exhibits 2-7 through 2-9. These exhibits report the well-known fact that two-parent cases tend to have more children in the assistance unit, compared to one-parent and child-only cases. The 3+-child group is the largest single category among two-parent cases, while the 1-child group is the largest for both the one-parent and child-only case types. Generally, we do not see significant changes in the proportion of cases represented by families with higher numbers of children. Among one-parent and child-only cases, there is a gradual increase in the proportion of cases with 3+ children from 1996 to 2000. However, among two-parent caseloads, the number of cases with 3+

Exhibit 2-7  
One-Parent Caseload by Number of Children

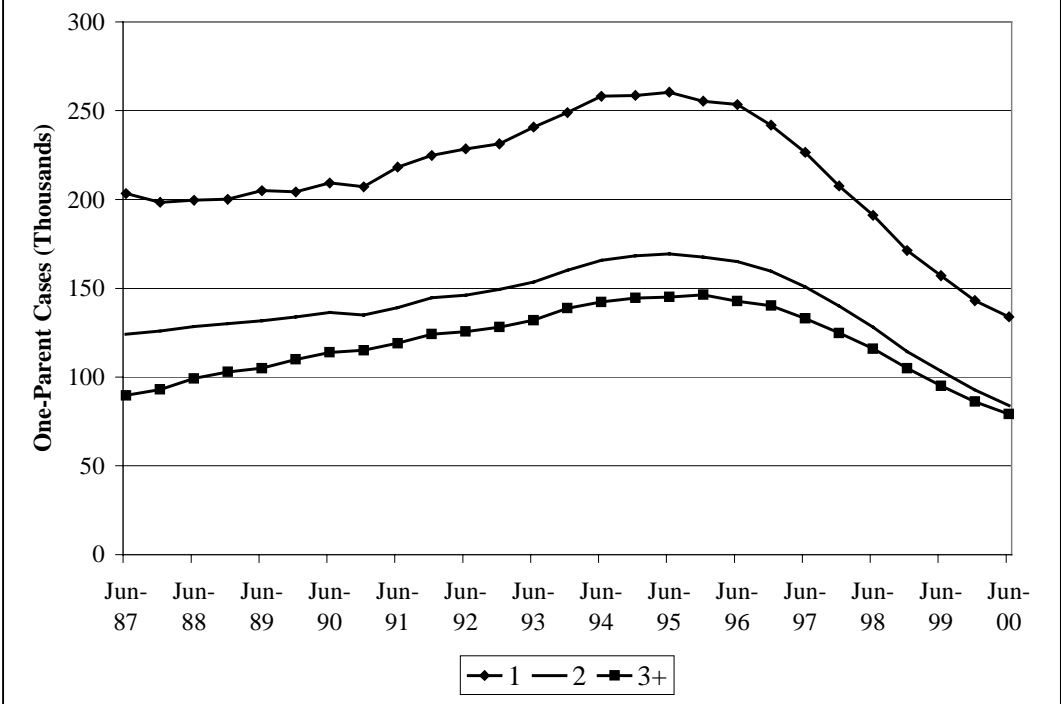
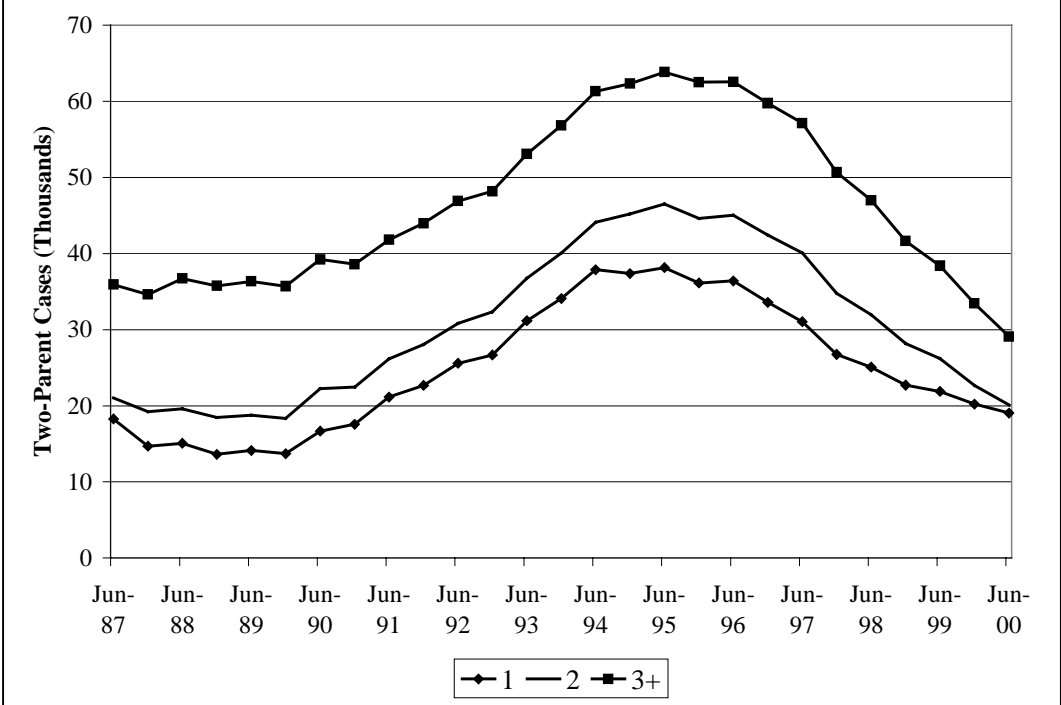
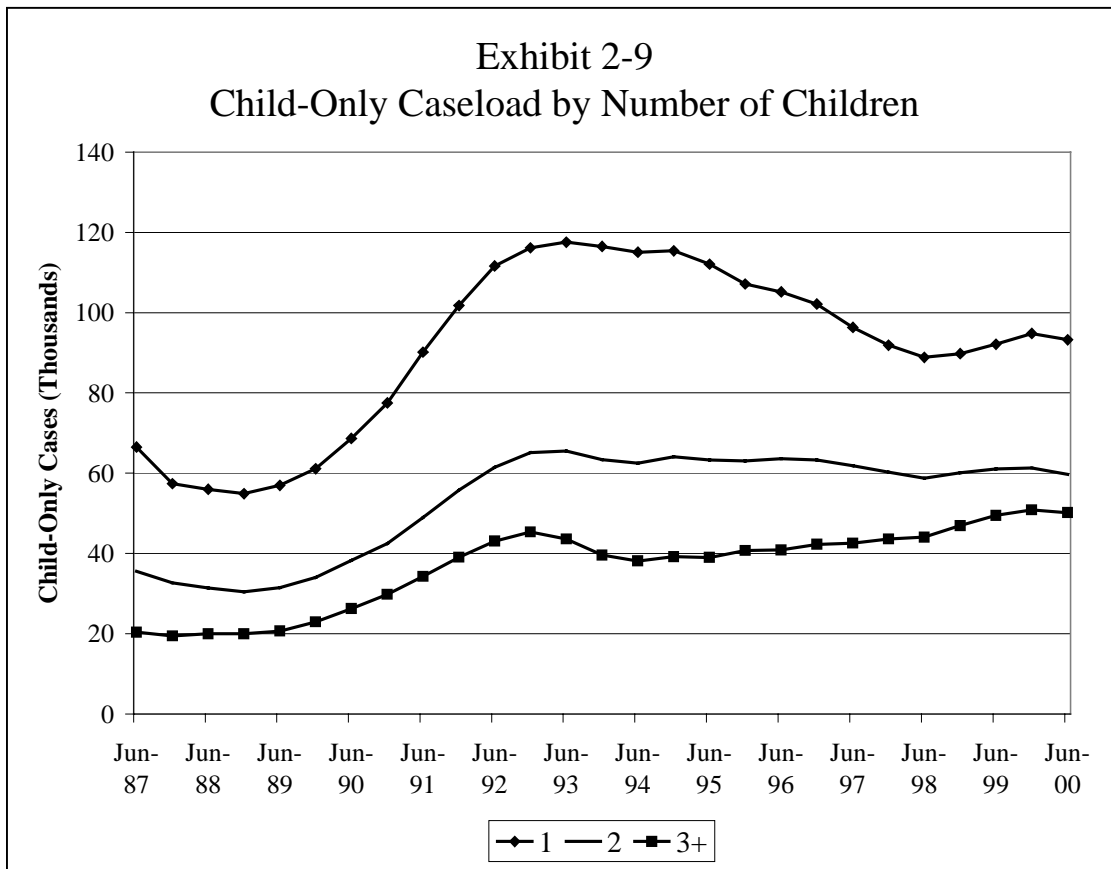


Exhibit 2-8  
Two-Parent Caseload by Number of Children





children declined about as rapidly as the number of cases with fewer children over this period. Thus, there does not appear to be support for the hypothesis that under CalWORKs, smaller families would find it easier to benefit from employment services and would therefore be the most likely to go off of aid.

### 2.3 Age of the Youngest Child

We next stratify each case type by the age of the youngest child in the assistance unit, and graph the results in Exhibits 2-10 through 2-12. There has been a general trend since the mid-1990s toward a higher concentration of cases with older children, and cases with very young children representing a smaller share of the caseload. For example, among one-parent cases, the proportion with a youngest child aged 0-2 declined from 24

Exhibit 2-10  
One-Parent Caseload by Age of Youngest Child

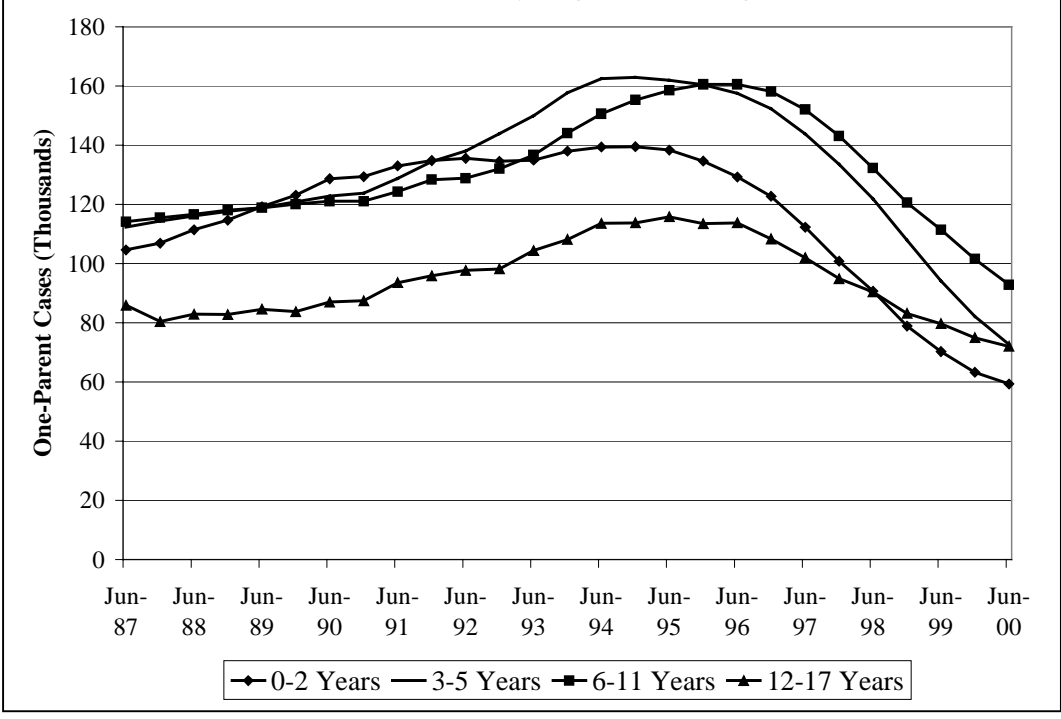
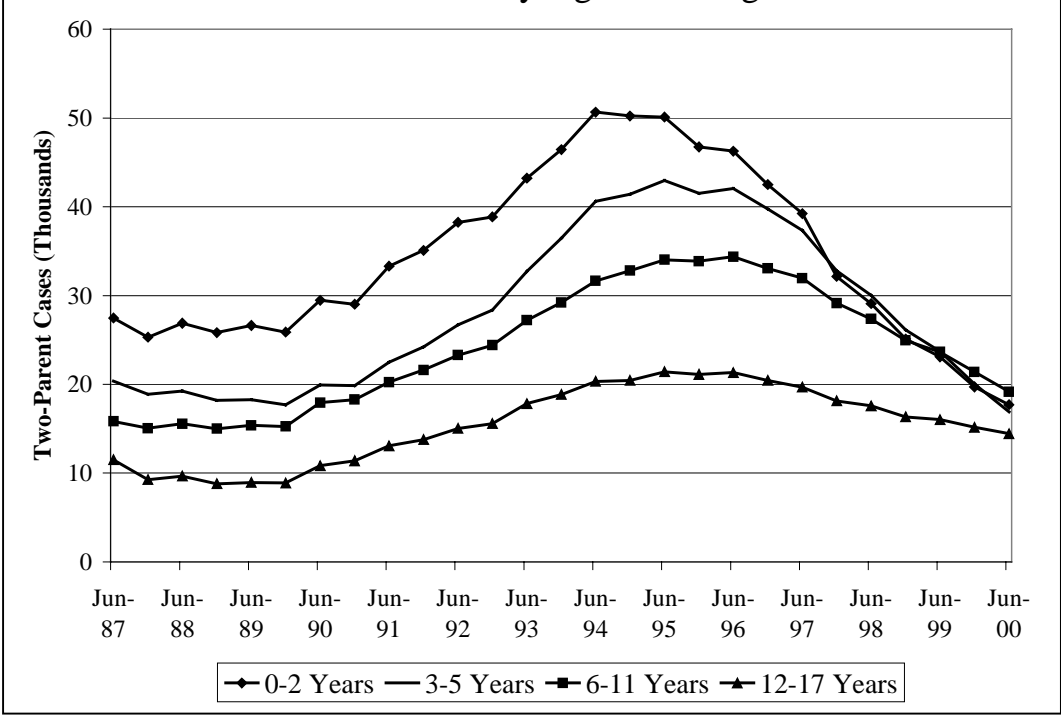
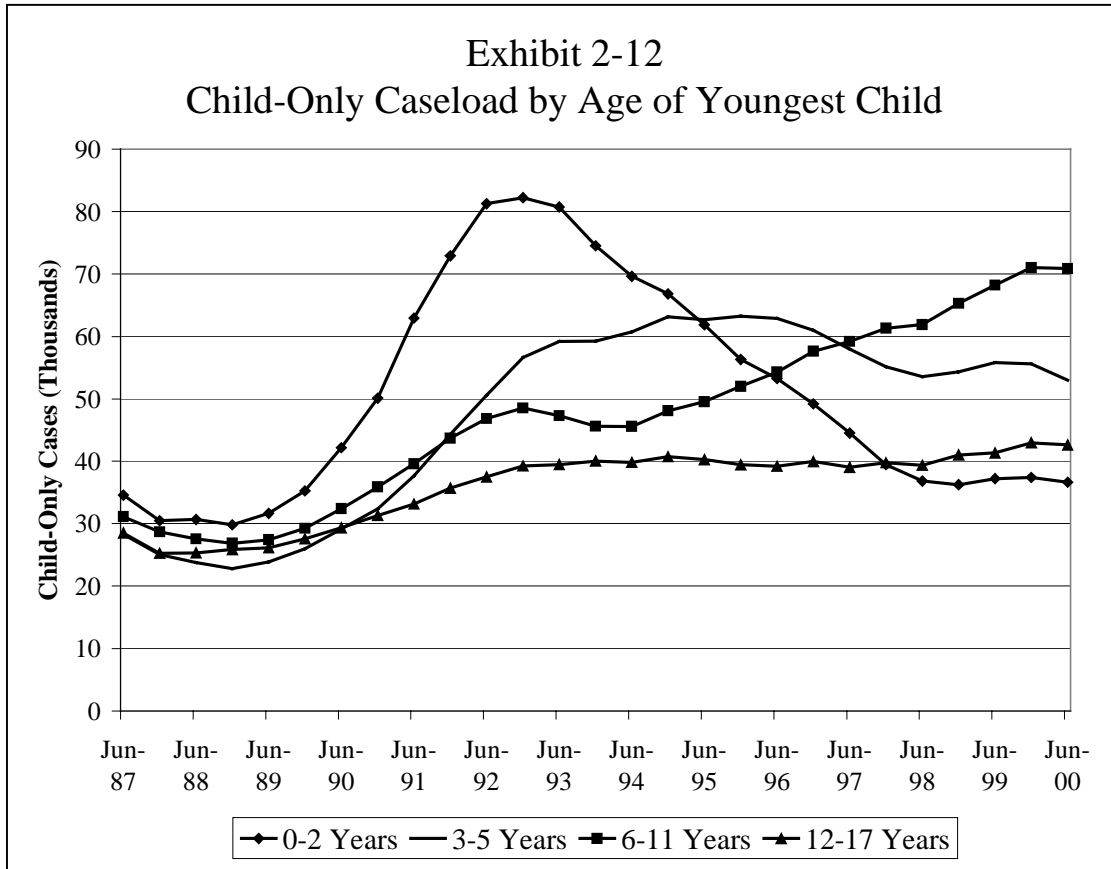


Exhibit 2-11  
Two-Parent Caseload by Age of Youngest Child





percent in June 1995 to 20 percent in June 2000. For two-parent cases over the same period, the proportion of cases with a child aged 0-2 declined from 34 to 26 percent. Upon first inspection, there does not appear to be support for the hypothesis that families with very young children might find it more difficult to find employment and go off of aid, due to greater problems in securing child care.

Although the proportion of the child-only caseload with a child aged 0-2 declined rapidly from 29 percent in June 1995 to 19 percent in June 1998, this trend broke in mid 1998 as the number of cases with very young children stabilized. This break in trend may be related to increased sanction activity under CalWORKs. That is, parents with very young children may be less likely to participate in work program activities, perhaps

due to issues around child care.<sup>9</sup> This line of reasoning suggests that simply examining the trend in aided-adult cases may provide a misleading picture of the relationship between caseload declines and the age of children in the assistance unit. We explore this issue further in the next chapter when we look more closely at the characteristics of cases that transition from aided-adult to child-only status in the CalWORKs period.

Finally, we note that the trend toward a caseload with older children may play a significant role in the direction of future caseloads and program expenditures, leading to caseload and/or grant reductions as a higher proportion of cases lose eligibility for CalWORKs or receive lower grants because a child in the assistance unit exceeds the age limit for the program. The “aging” of the population of children receiving cash aid may also have a tendency to reduce child care costs per case.

#### **2.4 Cumulative Time on Aid**

We can also hypothesize that this “aging” of the caseload is associated with a trend toward a higher concentration of long-term recipients in the caseload, assuming that most of the caseload decline in recent years is represented by short-term recipients who tend to have fewer barriers to employment. To examine this hypothesis, Exhibits 2-13 through 2-15 show the caseload trends for each case type, distinguishing the cases by time on aid.

For one-parent and two-parent cases, we can see that the number of long-term cases (on aid for 37 or more months) grew between 1992 and 1996 and then declined significantly through the end of 2000. As a percentage of the total caseload, the

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<sup>9</sup> Under GAIN (California’s JOBS program), parents of children under age 3 were exempt from participation in work program activities. Under CalWORKs, the exemption is limited to parents of children less than one year of age, or younger at county option.

Exhibit 2-13  
One-Parent Caseload by Cumulative Time on Aid

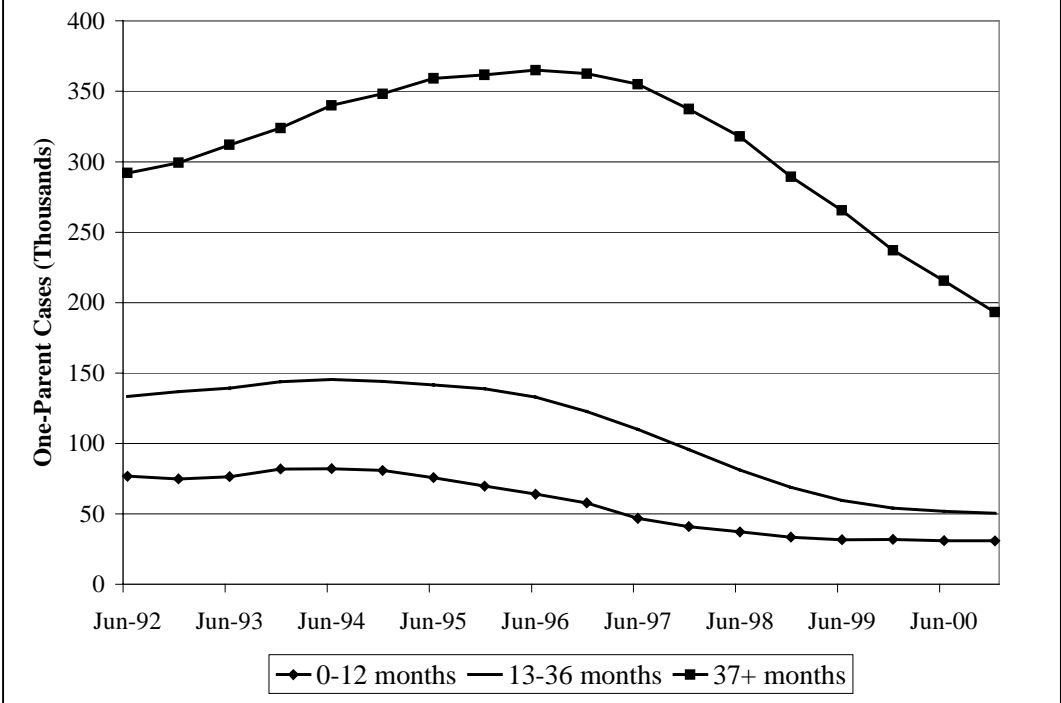
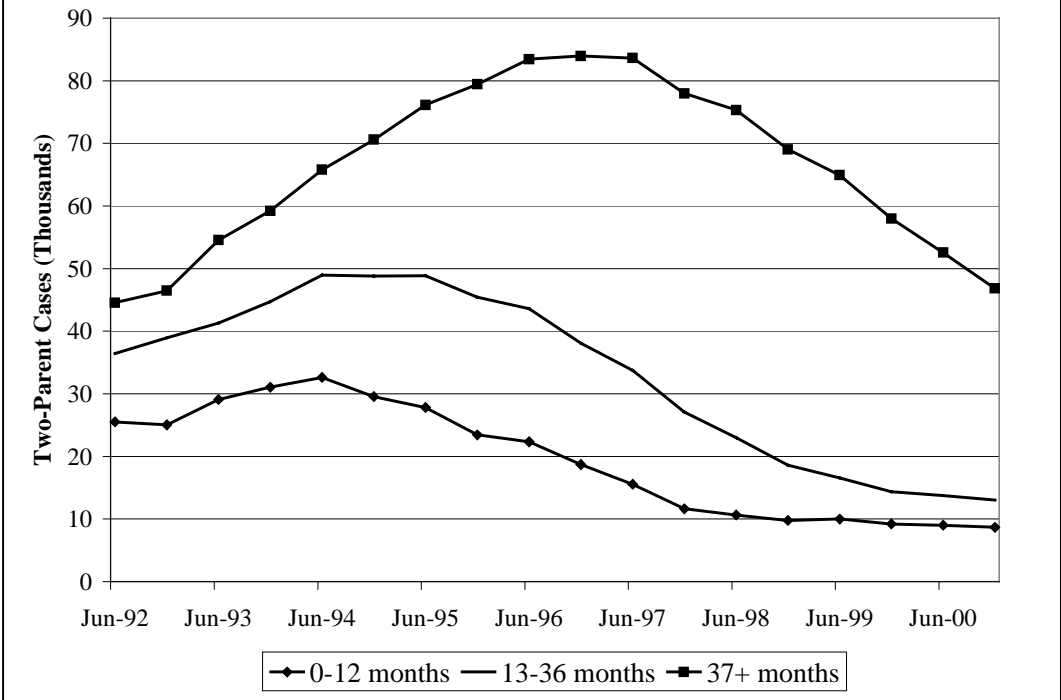
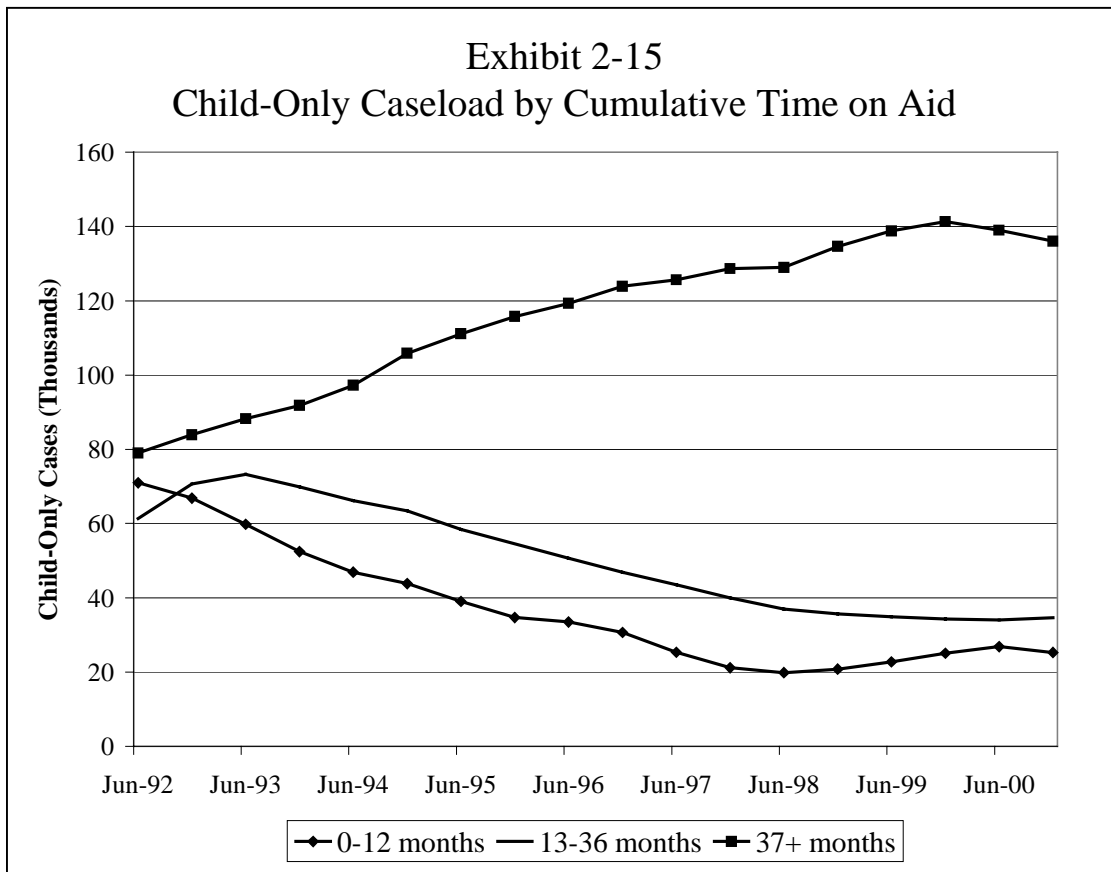


Exhibit 2-14  
Two-Parent Caseload by Cumulative Time on Aid





proportions increased even as the number of long-term cases began to decline.

Specifically, long-term recipients represented 58 percent of the one-parent caseload and 42 percent of the two-parent caseload in 1992, increasing to a peak of 75 percent of the one-parent caseload in May 1999 and 71 percent of the two-parent caseload in September 1999. Thus, as we had assumed, the caseload decline apparently was more concentrated among short-term recipients, although it is clear from the graphs that it was also characterized by the exit of many long-term one-parent and two-parent families.

It is also interesting to note that beginning in mid- to late 1999, the caseload decline begins to slow among the short and medium term recipients, but continues to fall at the same rate among the long-term recipients, resulting in a small reduction in the percentage of the caseload that is represented by the long-term cases. One possible

explanation is that long-term recipients may be more likely than short-term recipients to be sanctioned for noncompliance under CalWORKs, in which case we might expect to see a corresponding increase in child-only cases (as the aided adult is removed from the assistance unit). Another hypothesis is that as the counties implement CalWORKs more fully, they may be having more success with long-term recipients.

The pattern for child-only cases shows an even more significant increase in the concentration of long-term recipients in the caseload, increasing from 38 percent in 1992 to a peak of 71 percent in May 1999. Unlike the one- and two-parent cases, the number of cases continues to grow through the 1990s, and does not begin to turn down until the beginning of 2000. The graph also shows an upturn in the number of long-term child-only cases in mid-1998. This provides some support for our hypothesis that this is associated with sanctions for noncompliance in the CalWORKs Program. We will examine this issue more directly in the next chapter, when we examine the characteristics of cases that transition from aided-adult to child-only status in the CalWORKs period, to determine whether long-term aided-adult cases were more likely to transition to child-only status in this period.

## **2.5 Summary**

Our review of the caseload trends by ethnic groups provides some evidence that the recession in the early 1990s may have had less of an impact on caseloads than we might have expected. Most of the increase in the one- and two-parent caseload was due to a rise in Latino/Hispanic cases, which did not accelerate until two years after the state

fell into recession in 1990. This acceleration, moreover, appears to be related to the end of the moratorium on aid receipt for individuals legalized under IRCA.

In contrast to the sharp increases in Latino/Hispanic one- and two-parent cases between 1992 and 1995, the number of child-only cases from this ethnic group declined over the same period. As we discuss later, this is related to the end of the moratorium on aid for legalized immigrants under IRCA. The upturn in child-only cases in 1998 and 1999 among all ethnic groups may have resulted from sanctioning policies in the CalWORKs Program, which shifted aided-adult cases to child-only status.

Since the mid-1990s, one-parent caseloads have fallen substantially, with reciprocity rates now below pre-recession levels for all ethnic groups. This finding suggests that the caseload declines observed since the mid-1990s cannot be entirely accounted for by improvements in economic conditions, given that unemployment and real low-end wages are currently comparable to levels observed in the late 1980s.

What other factors could help to account for the historically low one-parent reciprocity rates achieved under CalWORKs? We note that, although real benefit levels are currently below the levels observed in the late 1980s, because CalWORKs has a much more generous earned-income disregard than was in place under AFDC, the real earned income eligibility threshold for ongoing cases is now higher than in the pre-recession period. Therefore, it does not appear that changes in real benefit levels help to account for the low reciprocity rates observed under CalWORKs. Furthermore, California's unwed birth rate remained at historically high levels throughout the 1990s, which suggests that changes in fertility patterns are unlikely to have played an important role in causing welfare caseloads to decline in the second half of the 1990s.

In light of these considerations, it is plausible that welfare reform has played an important role in reducing welfare recipiency below historical levels in California. Of course, there are many potential mechanisms through which welfare reform may be affecting caseloads – by increasing the stigma associated with welfare receipt, by providing more effective employment services, by time limits encouraging adults to “bank” time on aid – and we cannot distinguish among these alternatives. However, it is important to note that sanction and time limit policies are unlikely to have had a large direct effect on caseload levels in California. This is because California has implemented a maximum partial-grant sanction policy and has maintained CalWORKs eligibility for children beyond the five-year federal time limit on TANF receipt. Coupled with California’s benefit structure, these policies result in a very small financial penalty, relative to the remaining partial grant, for families under sanction or hitting time limits. Sanctions and time limits are likely to play a much more important role in reducing welfare caseloads in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

We did not find any trend in the proportion of cases represented by families with higher numbers of children. With respect to the age distribution of children, on the other hand, we found a trend since the mid-1990s toward a higher concentration of cases with older children and a lower concentration of cases with very young children. Thus, there did not appear to be support for the hypothesis that families with very young children might find it more difficult to find employment and go off of aid. We also found, however, evidence suggesting the possibility that increased sanctioning activity under CalWORKs may have led to an increase in child-only cases with very young children,

perhaps because parents with very young children find it more difficult to participate in work programs. Finally, we speculated that the trend toward a caseload with older children may have a significant effect on the direction of future program expenditures as cases “age out” of the program or have reduced needs for child care.

In our review of the caseload trends as distinguished by cumulative time on aid, we found a trend toward a higher concentration of long-term recipients in the caseload between 1992 and 1999, supporting the hypothesis that short-term recipients tend to leave aid more rapidly than long-term recipients. Nevertheless, the number of long-term cases has declined since 1996, except among the child-only cases where the number continued to grow until the beginning of 2000. We also noted an upturn in the number of long-term child-only cases in mid-1998, which suggests that long-term recipients are more likely to be sanctioned for noncompliance in the CalWORKs Program.

### 3 Entries, Exits, and Case-Type Transitions

In this chapter we examine the impact of entries, exits, and switches in case types on California caseload dynamics. We assess the extent to which caseload declines under welfare reform have been due to increases in exits, as opposed to decreases in new entrants, and provide further evidence on the impact of IRCA and CalWORKs sanctions on transitions among case types in the early and late 1990s.

#### 3.1 Entries and Exits

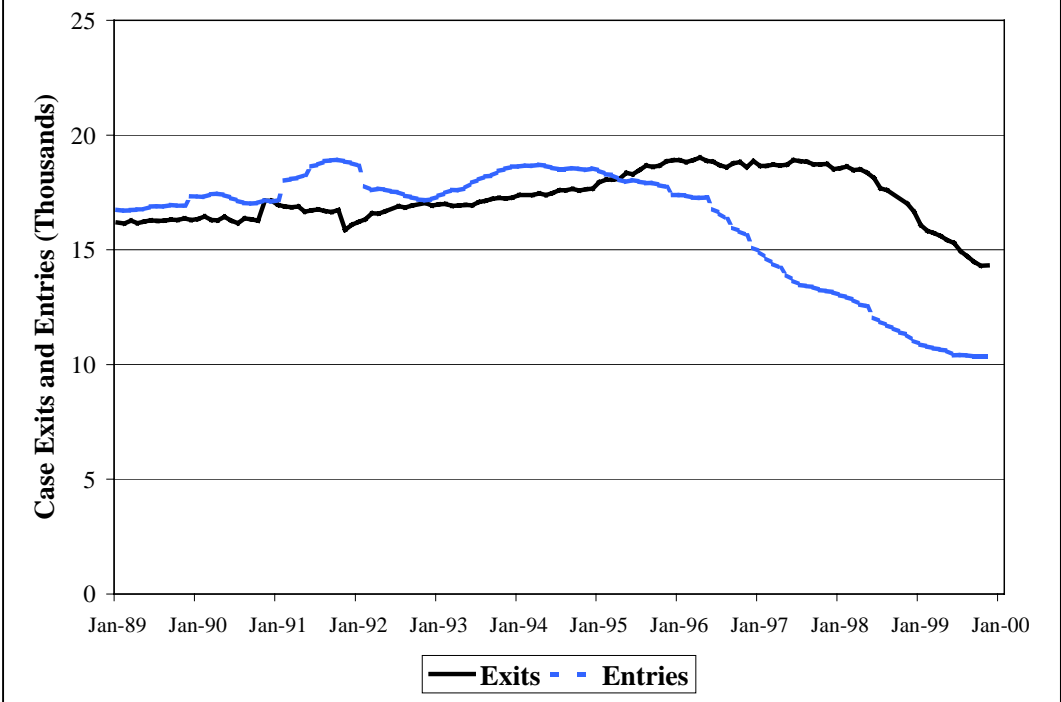
We focus first on exits and entries, with trends for one-parent, two-parent, and child-only cases presented in Exhibits 3-1 through 3-3. It is important to note that the monthly entry and exit counts reported here represent case openings and closings, and specifically exclude case-type transitions.<sup>10</sup> To clarify the methodology, consider the following pattern of aid receipt. Suppose that a case opens as a child-only case in January 1989, switches to a two-parent case when the parents join the assistance unit in January 1993, and later closes as a two-parent case in January 1995. Exhibit 3-3 would record the entry of a child-only case in January 1989. Exhibit 3-4 (discussed in the next section) would record a transition from child-only to aided-adult status in January 1993, and Exhibit 3-2 would record the exit of a two-parent case in January 1995.

The three exhibits again point to the importance of the increase in the child-only caseload in the late 1980s and early 1990s. Between January 1989 and January 1995, child-only cases account for *60 percent* of the aggregate net case inflow. One-parent and two-parent cases – the vast majority of the welfare caseload – accounted for only 40 percent of California’s net case inflow over the period. It is interesting to note that there

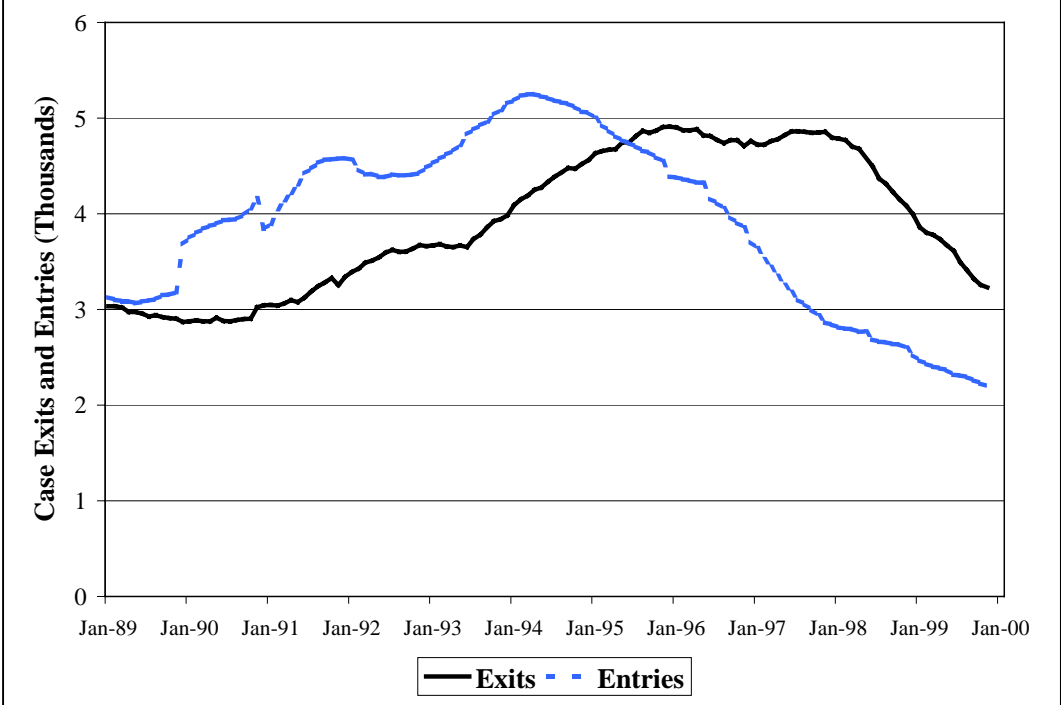
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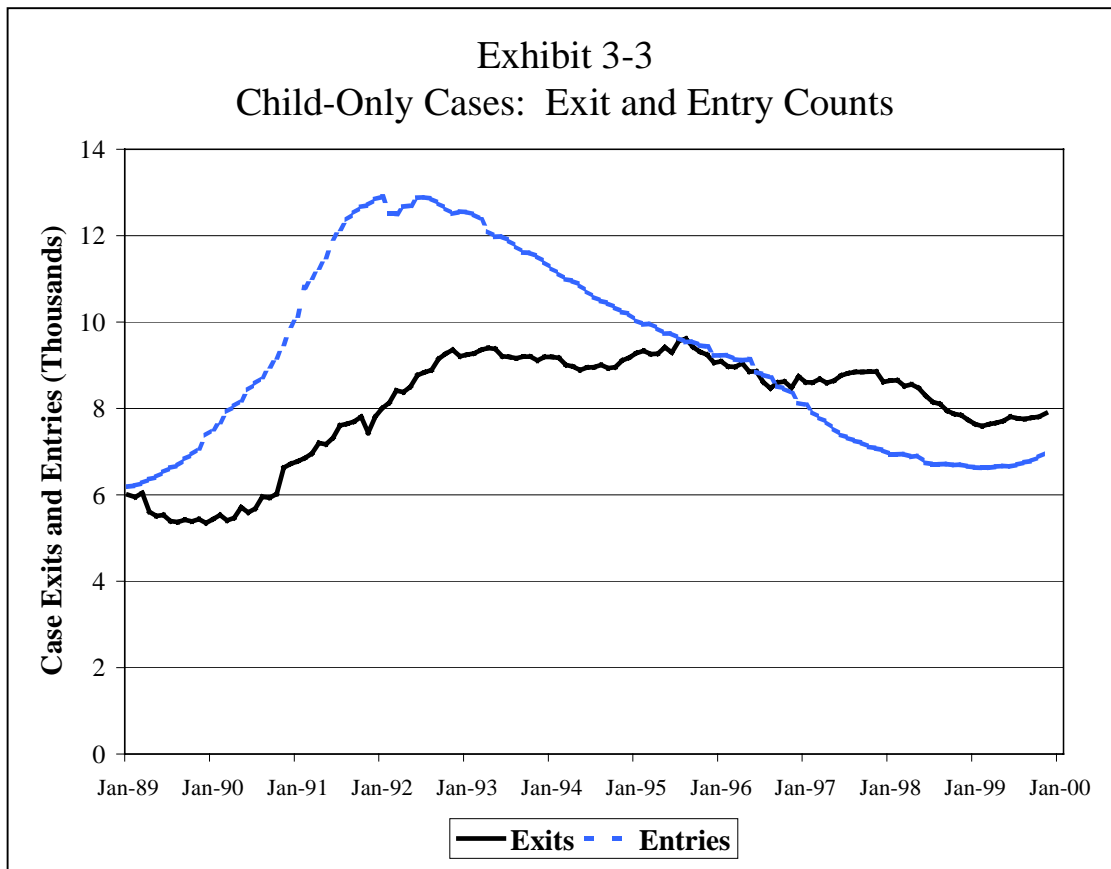
<sup>10</sup> For case closures we require a minimum break in aid receipt of two months.

**Exhibit 3-1**  
**One-Parent Cases: Exit and Entry Counts**



**Exhibit 3-2**  
**Two-Parent Cases: Exit and Entry Counts**





was a net inflow of new child-only cases even in the 1992-1995 period – a period in which the aggregate child-only caseload declined (for example, compare with Exhibit 1-3). This finding implies that there were a substantial number of transitions from child-only to aided-adult status among ongoing AFDC cases, more than offsetting the net inflow of new child-only cases.

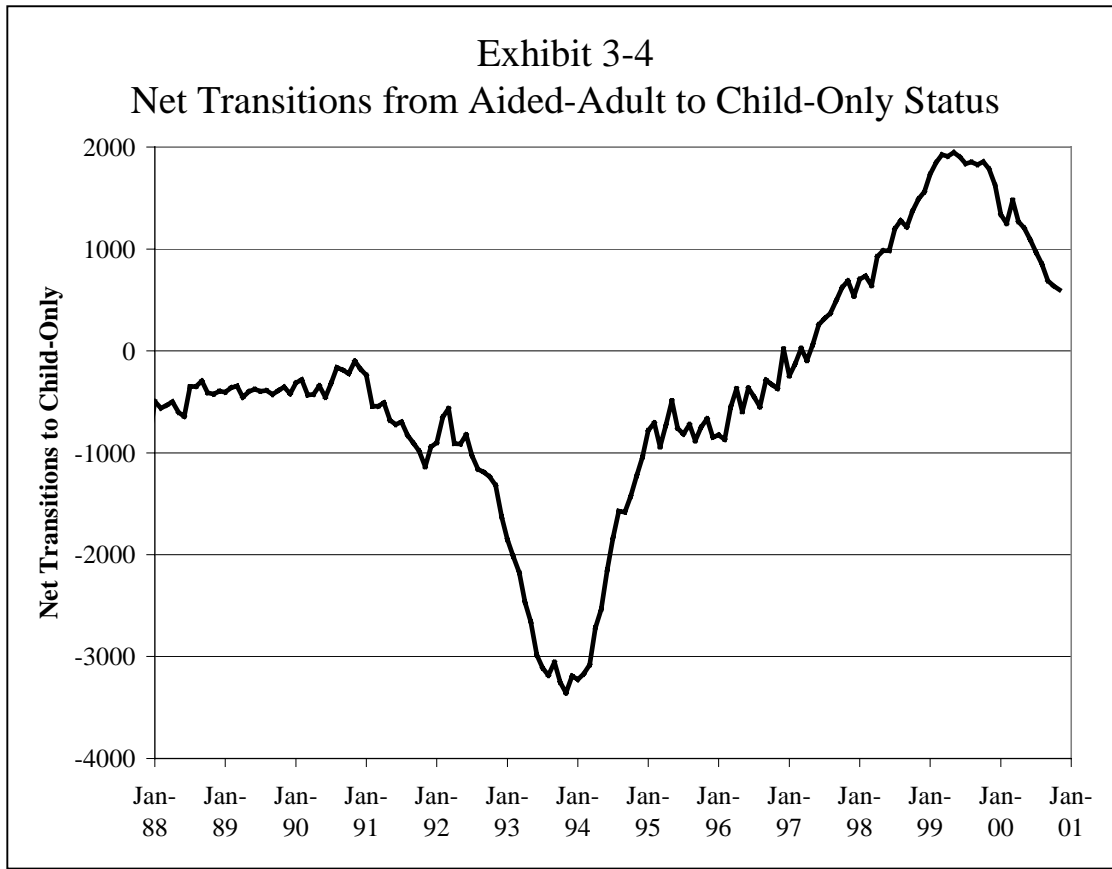
Another interesting feature of the child-only entry/exit chart is that – after removing the impact of transitions in case types – there has been a net outflow of child-only cases since 1995. Although the child-only net outflow in the second half of the 1990s is smaller than observed for the other two case types, it is still substantial – more than 1,000 cases per month throughout the 1997-2000 period. This implies a result that we demonstrate directly in the next section: the stability of child-only caseload levels in

the CalWORKs era has been caused by a substantial number of transitions to child-only status from the aided-adult case types.

The net outflow of child-only cases has been associated with a long-term decline in the number of entries. Entries have fallen from about 13,000 cases per month in 1992, to about half that level in 1999. The net outflow of child-only cases may reflect several factors, including improvements in economic conditions, undocumented immigration patterns, and/or a behavioral response to concerns about eligibility for cash aid after federal welfare reform.

Among one-parent cases we observe only a modest net case inflow over the 1989-1995 period, with the decline over the 1995-2000 period led by a decrease in the number of new cases entering the caseload. For example, over the three-year period between January 1995 and January 1998, the average monthly number of exits increased by 3 percent, while the number of new entrants declined by 30 percent.

The pattern for two-parent cases is slightly different than for one-parent cases. Both entries and exits increased in the first half of the 1990s, although entries increased at a more rapid rate, resulting in a net inflow of cases in this period. The number of new entries began to decline in 1994, even as the aggregate two-parent caseload continued to increase due to an inflow of cases transitioning from child-only status. Finally, as we observed for the one-parent group, caseload declines in the 1995-1998 period were led by a decrease in the number of new cases entering the caseload.



### 3.2 Case-Type Transitions

We next consider the impact of changes in the composition of ongoing cases on the caseload trends. Exhibit 3-4 graphs the monthly net transitions from aided-adult (i.e., one-parent or two-parent) to child-only case status over the 1988-2000 period. Cases change status when adults enter or exit the cash aid assistance unit. For example, if all aided adults previously active on an ongoing cash-aid case are sanctioned and thereby removed from the assistance unit, we count this event as a transition from aided-adult to child-only status. When an adult comes into compliance and rejoins the assistance unit, we count this event as a transition from child-only to aided-adult status. Exhibit 3-4 reports the *net* number of transitions to child-only status by month over the period.

The exhibit points to two exceptional periods of large net case-type flows. First, over the 1992-1995 period we observe a large net flow from child-only to aided-adult status. The flow reaches a peak of over 3,000 cases per month in late 1993. This period corresponds to the end of the moratorium on aid receipt of immigrants legalized by IRCA. When we examine the ethnic distribution of cases adding aided adults in this period, we find an over-representation of Latino/Hispanic (and to a lesser extent Asian) cases in this period, relative to other periods in the 1990s.

Second, we observe a strong trend toward increasing net flows to child-only beginning in 1996, culminating in a period of large net flows to child-only status from mid-1998 through 2000. We considered several factors that could be playing a role in this period. First, this trend is *not* likely to be related to undocumented immigration patterns, because it involves cases that have previously been associated with aided adults. Second, SSI eligibility restrictions imposed in 1996 (in particular the elimination of substance abuse as a qualifying SSI disability) make it unlikely that the trend toward increasing net flows from aided-adult to child-only status was due to an increased number of adult transitions to receipt of SSI.<sup>11</sup> Third, although there was an increase in the number of child-only cases associated with caretaker relatives over this period, the trend in case-type switches is unlikely to be related to this phenomenon. This is because children who had previously been associated with an aided-adult CalWORKs case who move into a caretaker relative home are much more likely to receive a Foster Care grant in that home, as opposed to continuing to receive CalWORKs on a child-only case.

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<sup>11</sup> In a separate report we present evidence that transitions from CalWORKs to SSI were less common in the 1998-2000 period than in the first half of the 1990s. See Lieberman, et al (2001).

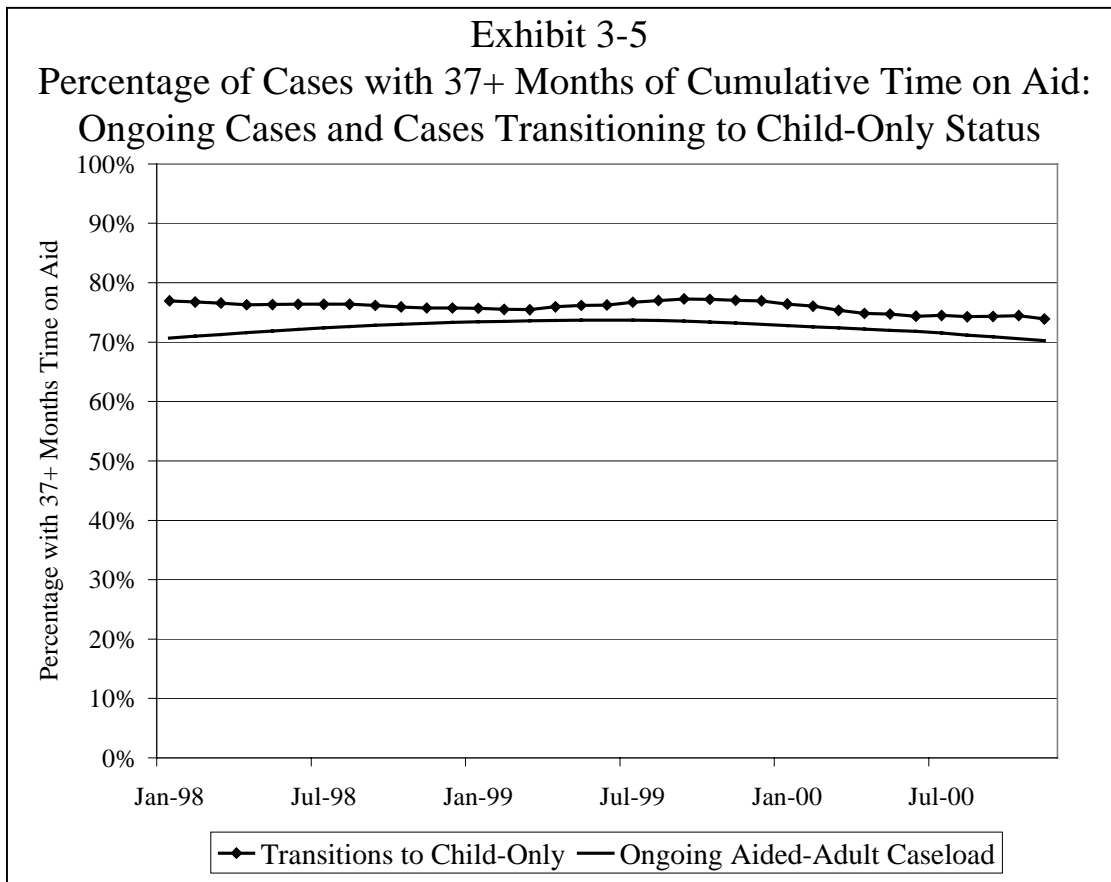
Based on these considerations, we believe that increasing sanction rates over the 1996-2000 period are likely to have played an important role in driving the trend toward greater net transitions to child-only status. Both the timing and pattern of the net inflow trend are consistent with this explanation. The “implied” sanction rate peaks in 1999 at a time when most counties were completing the transition to CalWORKs. We would expect the number of new sanctions to rise as the backlog of ongoing cases becomes subject to new work program participation requirements, and then decline to a “steady state” rate once the backlog of ongoing cases is eliminated.

We next examine how the demographic characteristics of cases transitioning to child-only status after January 1998 compare to typical ongoing cases in this period, in order to determine whether certain groups appear to be subject to sanction more frequently than others. Based on the findings discussed in the previous chapter, we will focus on two characteristics: cumulative previous time on aid and the age of the youngest child in the assistance unit.

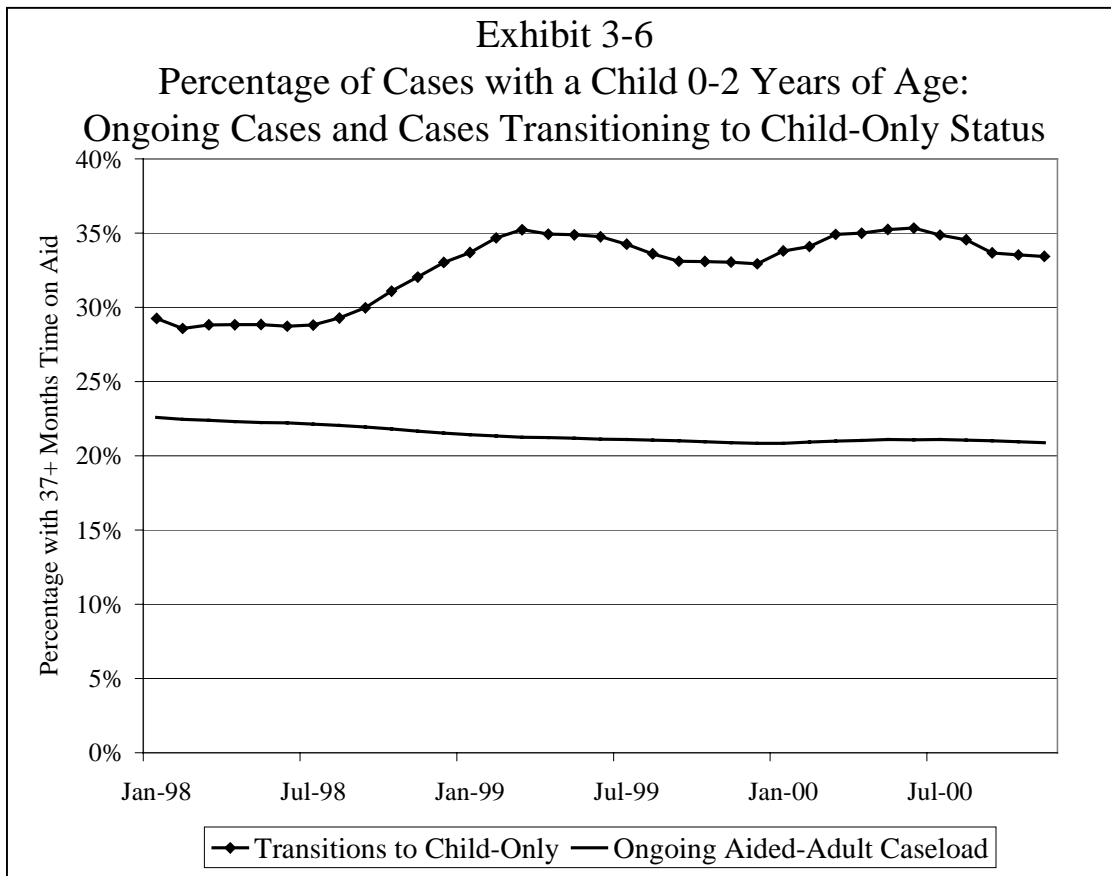
Exhibit 3-5 graphs the 6-month moving average of the proportion of cases with at least 37 months on cash aid in the previous 60 months, for both the ongoing aided-adult caseload, and cases transitioning from aided-adult to child-only.<sup>12</sup> The figure shows that, although cases with high cumulative aid use are more likely to transition to child only in the CalWORKs era than cases with lower previous time on aid, the difference between previous cumulative aid use by the ongoing caseload and transitioning cases is rather small.

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<sup>12</sup> For example, the July 2000 data point for the “transitions to child-only” group represents the proportion of cases transitioning to child-only in the February 2000 – July 2000 period that were on aid at least 37 of the previous 60 months, measured from the month prior to transition.



Larger differences exist in the age distribution of the youngest child associated with ongoing and transitioning cases. Exhibit 3-6 shows that cases transitioning to child-only status under CalWORKs are much more likely to have a very young child than the typical ongoing aided-adult case. In the first half of 1998, about 29 percent of transitioning cases had a child aged 0-2, compared to 22 percent of ongoing aided-adult cases. By the second half of 2000, the difference between ongoing and transitioning cases had widened to 13 percentage points (34 percent vs. 21 percent). We note that the exemption from work program activities based on the age of children in the assistance unit has been narrowed – from parents of children age 0-2 under GAIN, to parents of children less than one year of age (or less at county option) under CalWORKs. Given that many adults with children age 0-2 remain exempt from work program participation



requirements, it is somewhat surprising that we find evidence that cases with young children are more likely to have a sanctioned adult than cases with older children.

### 3.3 Summary

We found that a disproportionately large share of the net case inflow between 1989 and 1995 was due to the net inflow of child-only cases. The net inflow of one-parent cases – the largest segment of the total caseload – was relatively small during this period.

Since 1995, after we remove the effect of case-type transitions, there has been a net outflow of child-only cases, which has been associated with a decline in the number of new entries. This may have been due to several factors, including improvements in the

economy, undocumented immigration patterns, and a behavioral response to concerns about eligibility for cash aid after federal welfare reform. There was also a net outflow of cases among the one-parent and two-parent families, which – like the child-only cases – was led initially by a decline in the number of entries to the program.

We observed a large net transition in cases from child-only to aided-adult status during the 1992-1995 period, which was associated with the end of the moratorium on aid receipt of immigrants legalized under the provisions of IRCA. This trend then reversed itself, culminating in significant transitions to child-only status from mid-1998 through 2000. We concluded that increasing sanction rates probably played an important role in accounting for this trend. In addition, we found that a relatively high proportion of cases transitioning to child-only status have very young children (aged 0-2) in the assistance unit, which may be the result of sanctioning activity under CalWORKs, possibly because parents with very young children find it more difficult to participate in work programs.

#### 4 Impact of Intrastate Migration on Caseload Trends

In this chapter, we assess the impact of intrastate migration of CalWORKs recipients on the caseload trends in different regions in the state. For this purpose, we divide the state into the five regions identified in Chapter 1: the Bay Area, Los Angeles, Other Southern California (excluding Los Angeles), the Farm Belt, and North/Mountain. We first consider differences in the migration of case types, and then examine regional differences.

It is important to note that the figures presented in this chapter measure the migration of *recipients*, as opposed to the movement of cases across regional boundaries. We use recipients rather than cases because case-level migration is a more complicated phenomenon to define than person-level migration. Consider the following relatively common migration pattern. Suppose that children on a cash-aid case in one region move and join an ongoing cash-aid case in a different region, and the case the children were originally associated with closes (perhaps because no eligible children remain in the home). We clearly would want to consider this an out-migration from the “base” region, because a case closes in this region and individuals associated with that case go on aid in a different region. However, does this event represent in-migration to the “receiving” region, when it did not lead to a change in the number of cash aid cases in the region? Further, if we do not count this event as both an in-migration and an out-migration, our methodology is likely to result in unequal counts of out- and in-migrations. By measuring the movement of recipients, rather than cases, we sidestep this dilemma.

We also note that our monthly measure of in-migration consists of the number of recipients who moved into the region at any time during the *preceding* six months, while

the out-migration measure consists of the number who moved out at any time during the *following* six months. We use a six-month window, rather than a month-to-month measure, because migration is often associated with a short break in aid receipt. Finally, we shifted the out-migration trend lines forward in time by six months in order to align the two six-month time windows.

#### **4.1 Aggregate Case Type Migration Trends**

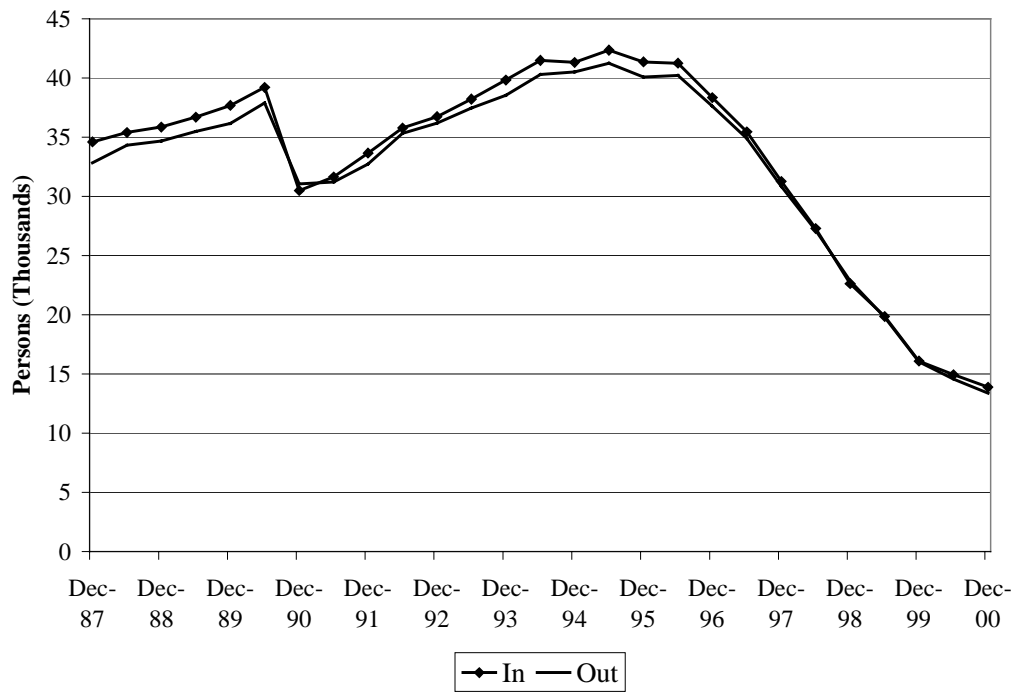
We begin by looking at the aggregate trend in migration for each of the three case types, summing across all five regions (Exhibits 4-1 through 4-3). The three exhibits indicate that the decline in regional migration since the mid-1990s has outpaced the caseload declines observed over this period. For example, while the number of recipients on the one-parent caseload has declined by about 50 percent from 1995 to 2000, over the same period the number of aid recipients on one-parent cases crossing regional lines has declined by about 65 percent. The same pattern is observed among two-parent and child-only cases. This finding is somewhat surprising, given that there is probably greater county variation in program design under CalWORKs than existed under AFDC, and that one would have expected greater county program variation to create incentives for aid recipients to migrate.<sup>13</sup>

The key difference between the migration patterns for the three case types is that there is a net outflow of child-only cases, particularly in the mid-1990s. It is important to understand what this net outflow indicates. At the aggregate statewide level, the net flow

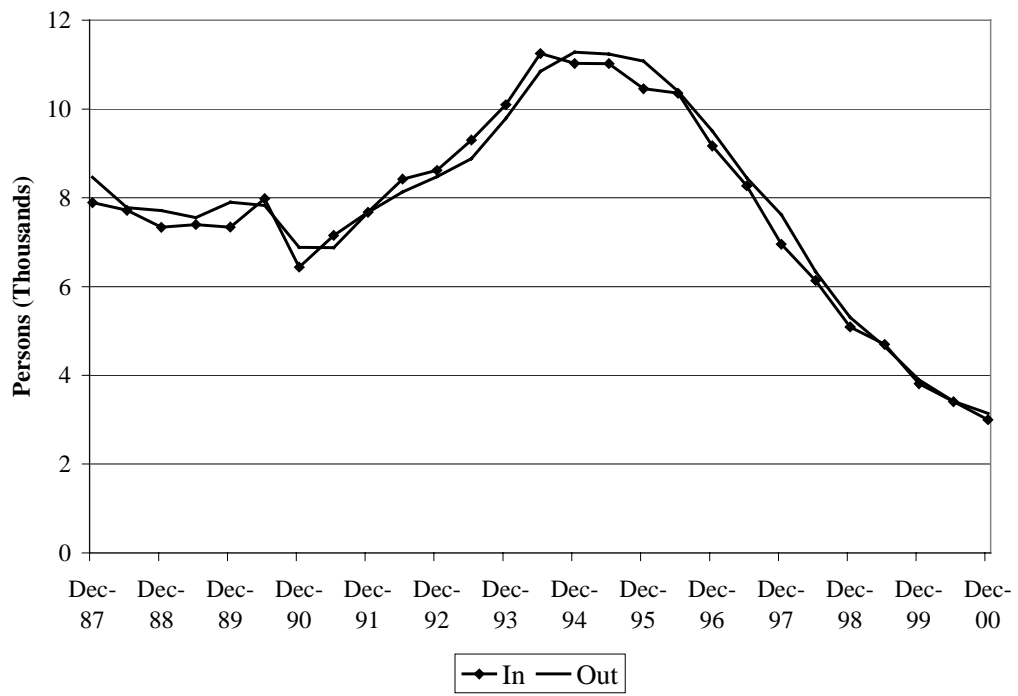
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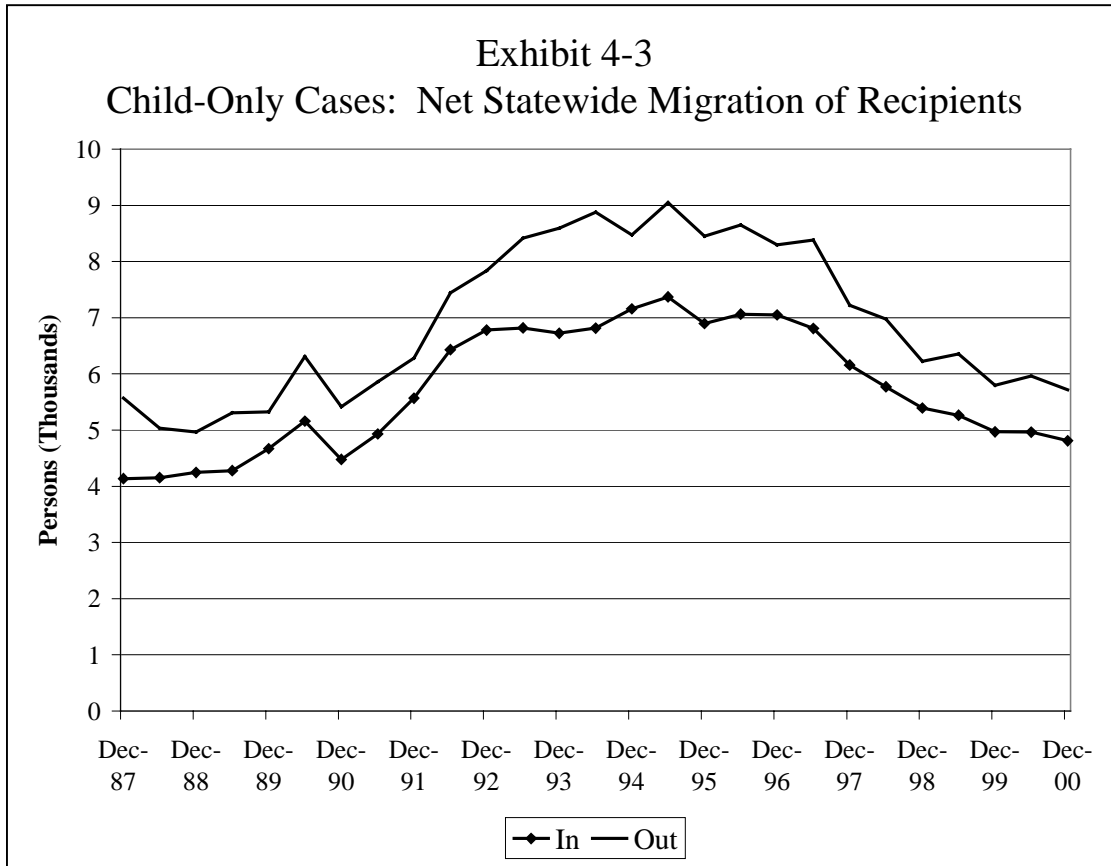
<sup>13</sup> We also note that all of the trend lines show a drop in migration in 1990. The drop is most pronounced for recipients on one-parent cases, and least pronounced among recipients on child-only cases. Given that this drop coincides with the onset of recession, one might infer that there is a relationship between the two events. However, the fact that migration declined substantially as the economy expanded rapidly after 1995 suggests that a factor other than changes in the level of economic activity was at work.

**Exhibit 4-1**  
**One-Parent Cases: Net Statewide Migration of Recipients**



**Exhibit 4-2**  
**Two-Parent Cases: Net Statewide Migration of Recipients**





of recipients across all case types must by definition sum to zero. That is, anyone who is an out-migrant from one region is an in-migrant to another. However, if migration tends to be accompanied by switches in case type in a particular direction (e.g., from child-only to aided-adult), then it is possible to have an aggregate net in- or out-migration of the underlying case types. Exhibits 4-1 through 4-3 indicate that the migration of recipients on child-only cases is in fact associated with a tendency to shift case type. There is a persistent net outflow of child-only cases, which indicates that child-only cases tend to shift to aided-adult cases when they move to a different region. It is interesting to note that the child-only net outflow is most pronounced in the 1992-1995 period. Thus it is likely that some of the outflow occurred as migrating cases shifted to aided-adult status due to the end of the moratorium on aid receipt for immigrants legalized under IRCA.

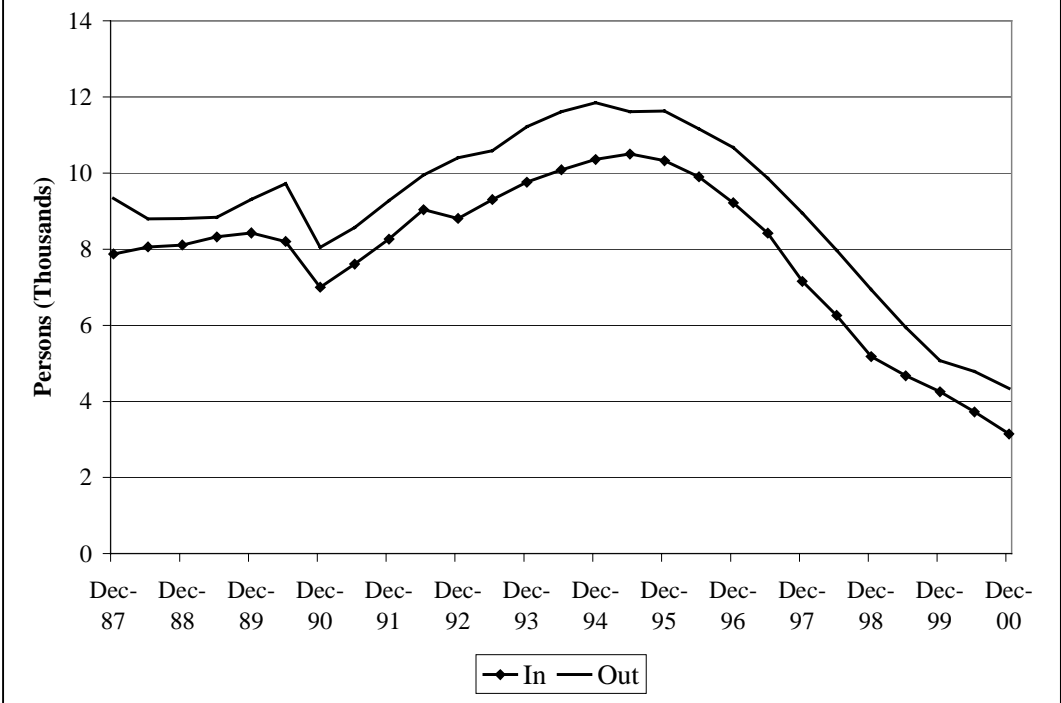
## 4.2 Regional Migration Trends

Exhibits 4-4 through 4-8 show the trends in the number of recipients moving into, and out of, the five regions in the state, summing across all three case types. The key feature that all five regions share is a trend toward declining migration since the mid-1990s. The decline in migration has outpaced caseload declines in all five regions. The key difference among the regions is that some regions have been persistent providers of migrants, while other regions have been persistent receivers of migrants. In the rest of this section we discuss the implications of this finding.

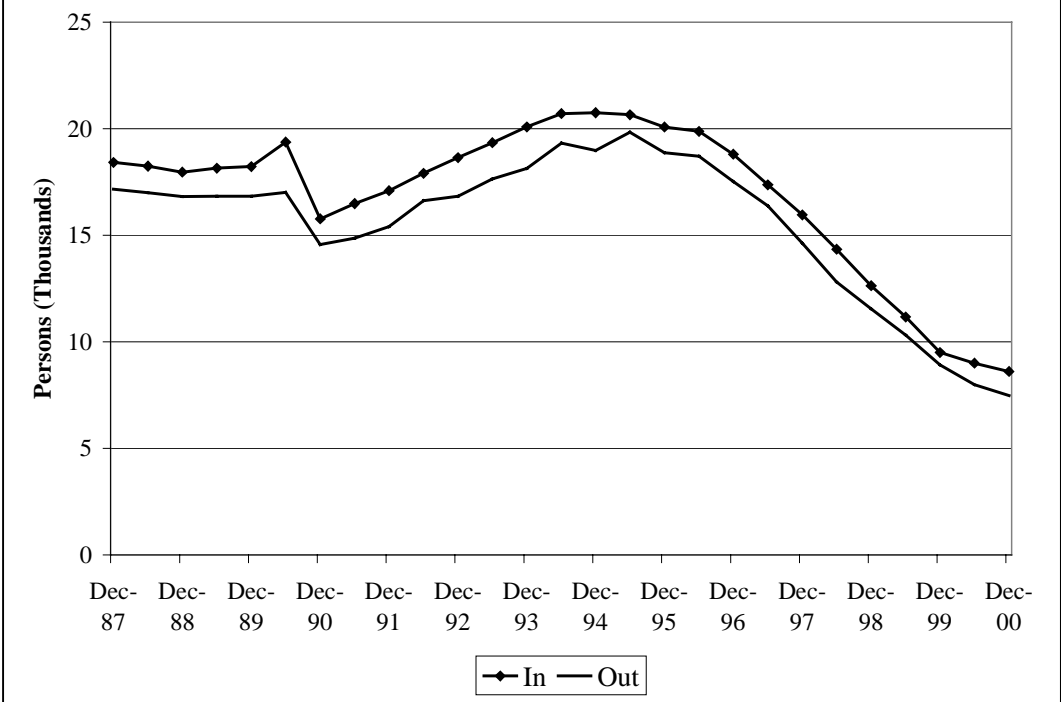
To summarize the exhibits, we see that the Bay Area and Los Angeles have had net outflows (more persons leaving than moving in) over the years, and the other regions have had net inflows. Net outflows in the Bay Area and, in particular, Los Angeles were most pronounced in the early and mid-1990s, which may be due in large part to high levels of immigration, where Los Angeles and the Bay Area serve as the “starting point” for these families, some of whom move outside the region after their arrival. The migration of child-only cases was particularly significant in Los Angeles, where it accounted for roughly 25 percent of the net outflow (not presented in an exhibit). The child-only cases are primarily citizen children of undocumented immigrants, many of whom go on aid initially in Los Angeles County. We can also hypothesize that some of the inflow and outflow in the rural regions, particularly the Farm Belt, consists of agricultural workers responding to seasonal employment.

The number of migrating recipients is not large in the context of the total caseload, but can affect the “performance” of individual counties in terms of their

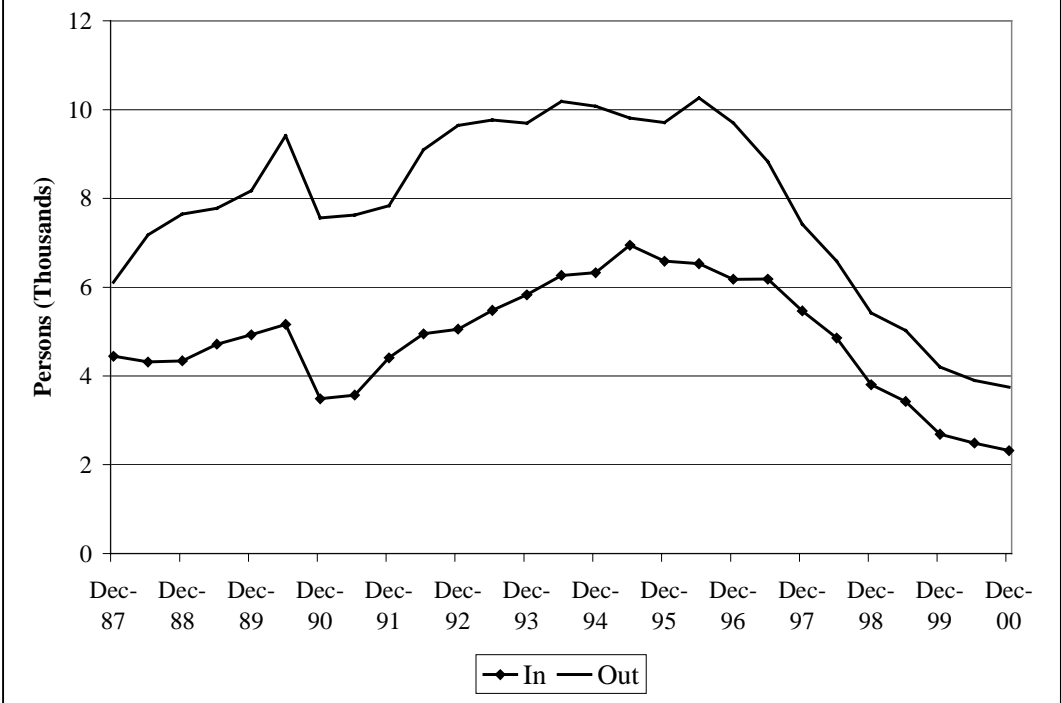
**Exhibit 4-4**  
**Bay Area: Transfers In and Transfers Out**



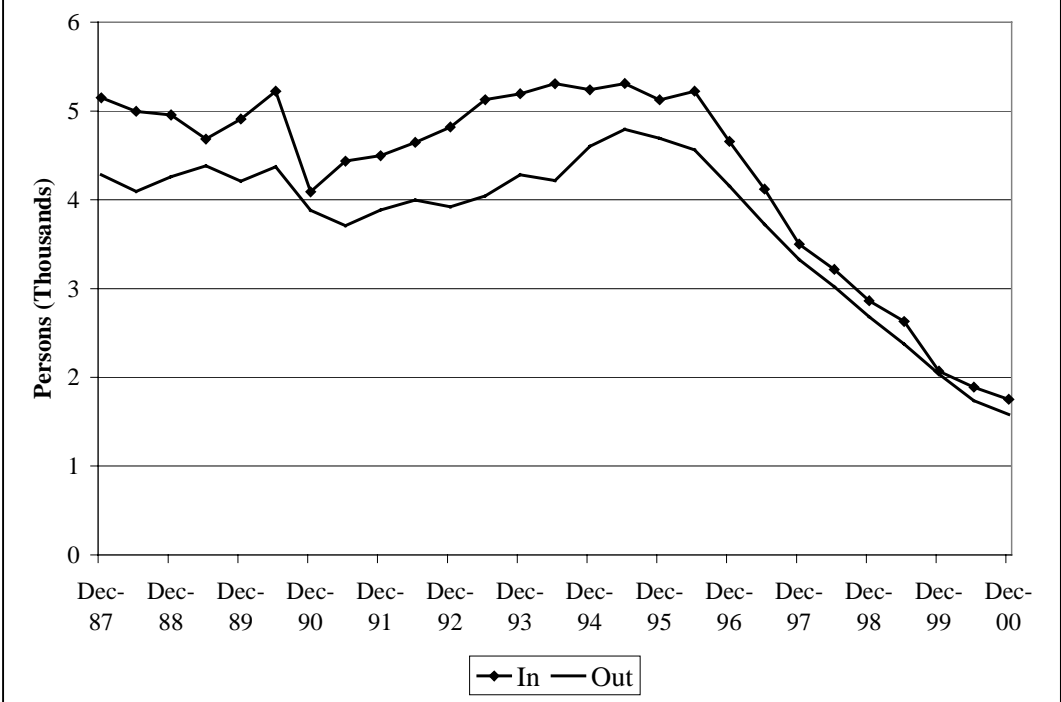
**Exhibit 4-5**  
**Farm Belt: Transfers In and Transfers Out**

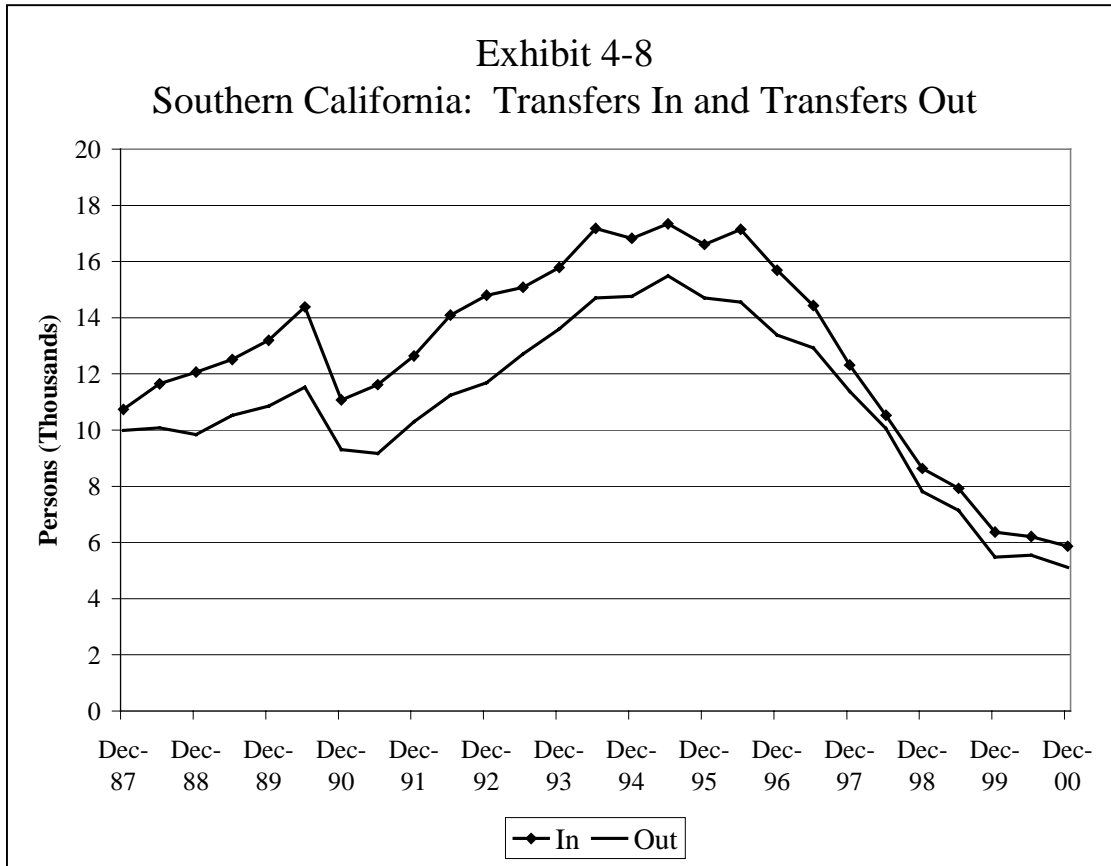


**Exhibit 4-6**  
**Los Angeles: Transfers In and Transfers Out**



**Exhibit 4-7**  
**North and Mountain: Transfers In and Transfers Out**





caseload changes. The effect of migration in recent years, for example, amplified caseload declines in counties where there was a net outflow, such as Los Angeles, and mitigated the caseload declines in the rural counties where there was a net inflow.

Migrating recipients also represent an important segment of the caseload from a policy standpoint. The key issue, in this respect, is the extent to which families on welfare are moving to areas where they do not have jobs and where their employment prospects are worse than they would be if they had stayed in their former county or moved to a different area where jobs are easier to find. While further research is needed to identify the lines of movement from one region to another, the data in the exhibits suggest at least some movement from regions where employment prospects were relatively good – Los Angeles and the Bay Area – to areas where unemployment was

high – the Farm Belt and the North/Mountain region, possibly because of the relatively low cost of living in those counties.

We note that the California Legislature has recognized regional differences in the cost of living by adopting, in 1995-96, a regional grant structure in which the AFDC/CalWORKs grants in 17 higher-cost counties<sup>14</sup> are approximately 5 percent higher than those in the remaining 41 counties. While the grant differential is not great, it may have had some marginal effect in encouraging welfare recipients to migrate to, or remain in, the counties that received the higher grants – primarily the Bay Area, Los Angeles, and Other Southern California counties – and may have played some role in reducing the amount of net outflow from the Bay Area and Los Angeles in 1996-97 (when the policy was implemented) and subsequent years. Since these counties generally have had lower unemployment, this policy is also consistent with the objective of encouraging recipients to remain in, or migrate to, those counties where employment prospects were better. This raises the issue of whether consideration should be given to increasing the regional grant differential. We note, in this respect, that the differences in the cost of living are far greater between these regions than the CalWORKs grant differential, due primarily to the disparities in housing costs. For example, the 40<sup>th</sup> percentile “fair market rent” for a two bedroom apartment in the Los Angeles-Long Beach region is about 50 percent higher than in Fresno (one of the largest cities in the Farm Belt), according to the Department of Housing and Urban Development statistics. The difference between the Bay Area and the rural parts of the state are even more striking, with fair market rents in San Francisco,

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<sup>14</sup> Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, and Ventura.

San Jose, and Oakland PMSAs approximately 100-200 percent higher than the corresponding rents in the Farm Belt and North/Mountain regions.

Further research would be helpful in exploring this policy issue. We would like to know, for example, more about the families that left the low unemployment regions of Los Angeles and the Bay Area (as well as Other Southern California, even though this area had net in-migration). How many of them went to the regions where unemployment was high (Farm Belt and North/Mountain)? Of this group, how many obtained employment? How many remained long-term recipients of cash aid? What are the case and demographic characteristics of those who did not obtain employment? Did sanctioning (grant reductions) appear to play a role in motivating families to move from the high cost-of-living regions to the Farm Belt and North/Mountain regions, where housing costs have been much lower (but where unemployment has been higher)? These are questions that we hope to address in future research.

### **4.3 Summary**

In looking at the trend in the level of regional migration, we found that it has declined substantially since the mid-1990s, even more than caseloads. We also noted that there was a net outflow of child-only cases in the aggregate, indicating a net change of status from child-only to aided-adult when families moved to a different region. This was most pronounced in the 1992-1995 period, probably in connection with the end of the moratorium on aid receipt for immigrants legalized under IRCA.

In reviewing the migration between regions of the state, we found that the Bay Area and Los Angeles have had net outflows, particularly in the early and mid-1990s.

This was probably due in part to high levels of immigration during this period, since Los Angeles and the Bay Area serve as major immigration receiving centers and many of these families subsequently relocate to other areas. We also found that child-only cases – which are primarily citizen children of undocumented immigrants – accounted for approximately 25 percent of the net outflows from Los Angeles. Another likely reason for the movement out of Los Angeles County and the Bay Area, particularly in recent years, is the relatively high cost of living (especially housing) in these areas.

The net outflows from Los Angeles and the Bay Area raise some concern from a policy standpoint in that unemployment has been relatively low in these regions, compared to the rural areas. While more research is needed to document this pattern, these findings provide some support for increasing the regional CalWORKs grant differentials, given that the high grant/high cost counties tend to be in those areas where unemployment has been lower.



## 5 Conclusion

In this final chapter, we summarize the major findings and comment on the policy implications of these findings.

### 5.1 Summary of Major Findings

Our review of caseload trends by ethnic groups provides evidence that the recession in the early 1990s had less of an impact on caseloads than we might have expected. Most of the increase in California's welfare caseload over the 1989-1995 period was due to increases in the child-only caseload. Most of the increase in the one- and two-parent caseload was due to a rise in Latino/Hispanic cases, which did not accelerate until two years after the state fell into recession in 1990. This acceleration, moreover, appears to be related to the end of the moratorium on aid receipt for individuals legalized under IRCA.

One of the principal conclusions to be drawn from this report is that stratifying the aggregate welfare caseload into the three major sub-types reveals several important aspects of caseload dynamics that are hidden in aggregate numbers. Because the impact of IRCA coincides with the recession in the early 1990s, time series models of aggregate caseload trends that do not account for IRCA are likely to overstate the impact of the recession on caseload trends. Such models are then likely to overestimate the impact of improvements in economic conditions in the second half of the 1990s, and consequently *underestimate* the impact of welfare reform on caseloads during this period.

Since the mid-1990s, one-parent caseloads have fallen substantially, with reciprocity rates now below pre-recession levels for all ethnic groups. This finding

suggests that the caseload declines observed since the mid-1990s cannot be entirely accounted for by improvements in economic conditions, given that unemployment and real low-end wages are currently comparable to levels observed in the late 1980s.

We argue that changes in real (inflation-adjusted) benefit levels and unwed birth rates, two factors that are known to influence welfare caseloads, are also unlikely to account for the historically low reciprocity rates achieved under CalWORKs. Although real benefit levels are currently below the levels observed in the late 1980s, the real earned income eligibility threshold for ongoing cases is now higher than in the pre-recession period because CalWORKs has a much more generous earned-income disregard than was in place under AFDC. Furthermore, California's unwed birth rate remained at historically high levels throughout the 1990s, which suggests that changes in fertility patterns are unlikely to have played an important role in causing welfare caseloads to decline in the second half of the 1990s.

In light of these considerations, we argue that welfare reform probably has played an important role in reducing welfare reciprocity below historical levels in California. Of course, there are many potential mechanisms through which welfare reform may be affecting caseloads – by increasing the stigma associated with welfare receipt, by providing more effective employment services, by time limits encouraging adults to “bank” time on aid or discouraging potential recipients from applying for aid – and we cannot distinguish among these possible effects. We do note that sanction and time limit policies are unlikely to have had a large direct effect on caseload levels in California. This is because California has adopted partial rather than full family grant sanctions, and has maintained CalWORKs eligibility for children beyond the five-year federal time limit

on TANF receipt. Coupled with California's benefit structure, these policies result in a relatively small financial penalty, compared to most other states, for families under sanction or hitting time limits. Sanctions and time limits are likely to play a much more important role in reducing welfare caseloads in states implementing full-family sanctions and hard time limits for all members of the TANF assistance unit.

Nevertheless, there is clear evidence of the effects of sanctioning policies under the CalWORKs Program. Specifically, we found a significant number of cases that shifted from aided-adult to child-only status in 1998 and 1999. In addition, we found that a relatively high proportion of cases transitioning to child-only status have very young children (aged 0-2) in the assistance unit, which may be the result of sanctioning activity under CalWORKs, possibly because parents with very young children find it more difficult to participate in work programs.

In our review of the caseload trends as distinguished by cumulative time on aid, we found a trend toward a higher concentration of long-term recipients in the caseload between 1992 and 1999, supporting the hypothesis that short-term recipients tend to leave aid more rapidly than long-term recipients. Nevertheless, the number of long-term cases has declined since 1996, except among child-only cases where the number continued to grow until the beginning of 2000. We also noted an upturn in the number of long-term child-only cases in mid-1998, and evidence that long-term recipients are somewhat more likely to be sanctioned than other recipients.

Lastly, with respect to changes in caseload demographics, we found a trend toward a higher concentration of cases with older children. From the perspective of future program expenditures, this finding is significant. This trend would tend to result in

lower expenditures as a higher proportion of cases “age out” of the program, and families remaining in the program have less of a need for child care.

In our review of entry and exit trends, we found that 60 percent of the net case inflow between 1989 and 1995 was due to the net inflow of child-only cases. The net inflow of one-parent cases – the largest segment of the total caseload – was relatively small during this period.

Since 1995, excluding the impact of case-type transitions, there has been a net outflow of child-only cases, which was led initially by a decline in the number of entries into the program. This may have been due to several factors, including improvements in the economy, undocumented immigration patterns, and/or a behavioral response among immigrants to concerns about eligibility for cash aid after federal welfare reform. There was also a net outflow of cases among the one-parent and two-parent families, which – like the child-only cases – was led initially by a decline in the number of entries into the program.

In reviewing the migration pattern of cases between regions of the state, we found that the Bay Area and Los Angeles have had net outflows, particularly in the early and mid-1990s. This was probably due in part to high levels of immigration during this period, since Los Angeles and The Bay Area serve as major immigration receiving centers and many of these families subsequently relocate to other areas. We also found that child-only cases – which are primarily citizen children of undocumented immigrants – accounted for approximately 25 percent of the net outflows from Los Angeles. Another likely reason for the movement out of Los Angeles County and the Bay Area, particularly in recent years, is the relatively high cost of living (especially housing) in these areas.

## 5.2 Policy Implications

The net outflows from Los Angeles and the Bay Area raise some concern from a policy standpoint in that unemployment has been relatively low in these regions, compared to the rural areas. The key issue, in this respect, is the extent to which families on welfare are moving to areas where they do not have jobs and where their employment prospects are worse than they would be if they had stayed in their former county or moved to a different area where jobs are easier to find. Our findings provide some support for increasing the regional CalWORKs grant differentials, given that the high-grant/high-cost counties tend to be in those areas where unemployment has been lower. We note, in this respect, that the current grant differential (about 5 percent) does not come close to covering the differences in the cost of living between the large urban and the rural counties.

We also note, in conclusion, that further research would be warranted in some of these areas. For example, the trend toward a higher concentration of long-term recipients in the program is not a surprising one but raises questions as to how best to serve these families. What specifically are the characteristics of these cases and what are their barriers to employment? Do we need to allocate more resources on a per case basis to address their problems, or allocate existing resources in a different way?

Finally, with respect to our findings on the intrastate migration of cases, it would be helpful to document the lines of movement between migrating cases, in order to focus on the families moving to the rural counties (where unemployment is relatively high) and to determine whether program sanctions played a role in motivating their decisions to move and whether they obtained employment in their new location.



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