3. Review of Caseload Research

The advent of welfare reform and the unprecedented declines in assistance caseloads have prompted a torrent of research. Most of this research has focused on cash assistance caseloads; however, many studies have also examined food stamp caseloads. Studies have also been conducted specifically for the state of South Carolina. Because research on cash assistance caseloads has been comprehensively surveyed by Blank (2002), Bloom et al. (2002), Grogger et al. (2002), Moffitt (2002) and others, we only briefly summarize findings from the cash assistance studies conducted with national data. We provide a more comprehensive review of food stamp caseload studies and of the studies that have focused on South Carolina.

Cash assistance caseload research

Economic conditions. The observational studies of cash assistance caseloads have generally included controls, such as unemployment rates and wage rates, for economic conditions and have almost universally found that better conditions reduce caseloads. While there is solid evidence of an association between economic conditions and welfare caseloads, the magnitude of the relationship is disputed. Some estimates indicate that economic improvements accounted for less than one-tenth of the nation-wide caseload decline while others indicate that they accounted for two-thirds or more of the decline. Much of the research has relied on data that were collected prior to the recession in 2001. The limited response of cash assistance caseloads to the rise in unemployment since then suggests that the true effect lies near the lower range of estimates.

Benefit levels. Studies have also consistently found that reductions in benefit levels have discouraged welfare participation. The inflation-adjusted value of maximum cash assistance benefits has fallen in every state since 1970. If we just focus on the period since 1994, inflation-adjusted maximum AFDC/TANF payments have declined in 46 states. South Carolina, along with 24 other states, kept nominal benefit levels fixed over this period. Despite the low levels of inflation over the 1990s, the real value of benefits in South Carolina declined by about one-sixth. Most estimates of the elasticity of the caseload with respect to a change in benefits (the percentage change in caseloads associated with a percentage in benefits) fall in the range of 0.2 to 0.5. This implies that the reduction in real benefits in South Carolina would have contributed to a 3 to 8 percent decline in its welfare caseload.

Other policies. Other welfare policies also appear to have played a role in the caseload declines, though the findings here have been mixed. The strongest evidence regarding the effects of policies comes from the numerous experimental evaluations that were conducted of waiver policies. Grogger et al. (2002) summarized the evidence from more than two-dozen evaluations. They reported that the demonstrations that encouraged work by allowing welfare recipients to keep more of what they earn tended to increase participation. However, demonstrations that required recipients to engage in work-related activities or that set time limits generally reduced

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participation. On the basis of this evidence, we would expect that South Carolina's FI reforms, which imposed both work requirements and time limits, trimmed the welfare caseload.

A limitation in the experimental evidence is that the demonstrations only included subsets of the policies that would appear in the later TANF programs. Observational studies of actual waiver and TANF policies have the potential to fill in the gaps in our knowledge. Unfortunately, many of the results from these studies have been statistically imprecise or counter-intuitive. The weak results reflect numerous methodological challenges that these studies face. First, states may choose their reform policies selectively based on the characteristics of their potential caseloads. Thus, caseloads may both affect and be affected by policies.[4] Second, the surfeit of policies and policy combinations across states makes it difficult to identify effects of specific policies. Summary measures, such as binary indicators for whether the state had implemented a waiver or a TANF reform, conflate policies that have different and possibly offsetting effects on the caseload. However, separate measures of specific policies run into problems of collinearity from the policies being implemented in a bundle and dilution from the policies only affecting segments of the population. Analyses of specific measures can be strengthened if the measures are examined among particular groups of people within each state; however, national data sets seldom have enough observations to form reliable estimates of groups in states with small or medium-sized populations. Thus, although some researchers have detected effects of policies, there are enough insignificant and contradictory estimates to leave these findings in dispute.

Time limits. An important subset of caseload research has explicitly considered the impacts of time limits. Several observational studies (Council of Economic Advisors 1997, 1999; Figlio and Ziliak 1999; Gittleman 2001; Ribar 2005; Schoeni and Blank 2000) have included a dummy variable indicator for the implementation of a time limit as one among several controls for AFDC waiver and TANF reforms. Results have varied with the estimated impacts of the time limit and other reforms being significant in some studies but not in others.

Several other studies have focused more narrowly on time limit policies. Some studies (e.g., Gittleman 1999; Moffitt and Pavetti 2000) have used pre-reform data on the distribution of welfare spells and calculated the percentage of spells that would have run longer than five years. The estimates from these studies do not account for anticipatory effects of time limits and other behavioral responses. Swann (2005) also used pre-reform data but estimated a dynamic structural model of marriage, employment and welfare use that incorporated forward-looking behavior. Simulations based on his model indicated that a five-year lifetime limit on welfare would reduce participation by 60 percent. Weaknesses in these studies are the absence of data on people's actual experiences with time limits and the inability to control for other elements of welfare reform.

Grogger and Michalopoulos (2003) and Grogger (2002, 2003, 2004) have examined post-reform data from several sources and used a clever statistical methodology to examine time limits. Their insight was that, regardless of any time limit, families lose their eligibility for welfare once their youngest child reaches age 18. Thus, time limits, when they are initially implemented, are only potentially binding on families with young children. The researchers

[4] Grogger et al. (2002, p. 64) summarize an analysis by MaCurdy et al. (2000) that showed that changes that states made in their policies after 1992 were related to changes that occurred in caseloads prior to 1992.

compared outcomes for families with and without young children in programs with and without time limits and found that exposure to the time limit significantly reduced participation. At the time that their research was conducted, time limit policies had only been in place for a few years. So, the effects that were considered were anticipatory effects.

A natural question that arises in this research is whether families know what the relevant time limits are. Cherlin et al. (2000) interviewed current and former welfare recipients in three U.S. cities and found that most were aware that time limits existed and that many could correctly identify the limit. Knowledge of the policies was better in states with straightforward policies.

Food stamp caseload research

Although experiments and demonstrations have been used to evaluate a number of alternative food stamp policies, including implementing EBT systems, cashing out food stamp coupons, relaxing vehicle asset tests (Wemmerus and Gottlieb 1999) and providing special application procedures and benefit packages for the elderly clients (Cody 2004), the overwhelming majority of food stamp caseload research has relied on observational data. Accordingly, our review focuses on the observational studies.

Sources of observational data. Observational data for food stamp research have been drawn from both surveys and administrative sources. Bartlett et al. (2004), Blank and Ruggles (1996), Farrell et al. (2003), Fraker and Moffitt (1988), Gleason et al. (1998a), Haider et al. (2003), Keane and Moffitt (1998), McKernan and Ratcliffe (2003), and Mills et al. (2001) examined survey data, while Kabbani and Wilde (2003), Kornfeld (2002), Staveley et al. (2002), Wallace and Blank (1999), and Ziliak et al. (2003) considered administrative data. Currie and Grogger (2001) analyzed both types of data.

The primary advantage of survey sources, such as the Current Population Survey (CPS) and Survey of Income and Program Participation (SIPP), is that they collect information for program participants and non-participants. In contrast, administrative data are generally confined to participants, though they sometimes also include applicants and former participants. Thus, survey data are less selective than administrative data and can be used to consider program take-up and participation generally. A second advantage of survey data is that they typically include rich sets of demographic and economic descriptors. Administrative systems often only contain measures needed to determine eligibility or benefits.

A shortcoming, however, of survey data is that they rely on self-reports of program participation, which can be inaccurate. In retrospective surveys, people sometimes have trouble recalling the exact dates when they began or stopped receiving benefits. In panel surveys with a retrospective component, this can lead to "seam" problems where transitions spuriously appear to be more likely at interview dates (the seams between the panels) than at other dates.

Even in surveys with short recall periods, people can make reporting errors. Bollinger and David (2001) compared responses from the 1984 panel of the SIPP, which used a four-month recall period, with administrative data and found that 12.2 percent of food stamp participants incorrectly reported that they were not participants while 0.3 percent of nonparticipants incorrectly reported that they were participants. Net underreporting in the March

files of the CPS, which use a 15-month recall period, appears to be even larger. Problems of item non-response can also arise when people refuse or fail to answer questions.

Another difficulty with national surveys is that they rarely have large enough samples to examine conditions within small and medium sized states. This is a problem for analyses of individual states and when only a few states implement a particular policy. Public-use files from the CPS, SIPP and other national surveys also suppress detailed geographic identifiers to preserve the respondents' confidentiality. Without geographic identifiers, the observations in the survey cannot be linked to information on local economic, social and program circumstances.

Organization of data. The observational studies have also differed in the organization of their data. Currie and Grogger (2001), Kabbani and Wilde (2003), Kornfeld (2002), Wallace and Blank (1999) and Ziliak et al. (2003) examined aggregate, state-level caseload outcomes, while Bartlett et al. (2004), Fraker and Moffitt (1988), Farrell et al. (2003), Haider et al. (2003) and Keane and Moffitt (1998) considered individual participation outcomes from cross-section or repeated cross-section data. Several of the analyses in the study by Currie and Grogger (2001) also used repeated cross-section, household data. Finally, the studies by Blank and Ruggles (1996), Gleason et al. (1998a), McKernan and Ratcliffe (2003), Mills et al. (2001), and Staveley et al. (2002) examined individual event histories of food stamp participation.

Individual-level data can be used to control for numerous personal and household characteristics. Most of the individual-level studies have incorporated measures for demographic characteristics like gender, race/ethnicity, age, education, marital status and household composition as explanatory variables. The aggregate studies have either examined the food stamp caseload as a whole (e.g., Wallace and Blank 1999, Ziliak et al. 2003) or considered broad subsets of the population such as working and non-working families (Kabbani and Wilde 2003), rural and urban families (Currie and Grogger 2001), and married and unmarried families with and without children (Currie and Grogger, 2001, Kornfeld (2002). Controlling for relevant demographic characteristics leads to more precise statistical results. Controlling for these characteristics can also reduce statistical biases, if the characteristics are correlated with economic conditions and public policies. This could happen if certain groups, such as blacks, are more likely to live in disadvantaged areas or in states with restrictive policies.

Most of the observational studies have been limited in one way or another in the types of contextual measures that they have examined. The aggregate state-level caseload studies were not able to look at economic or policy conditions for sub-state areas. Most of the individual-level studies used national surveys that lacked detailed geographic identifiers. The studies by Blank and Ruggles (1996), Farrell et al. (2003), Fraker and Moffitt (1988), Gleason et al. (1998a), Keane and Moffitt (1998) and McKernan and Ratcliffe (2003), which examined data from the SIPP, could not even identify all states. The analysis by Staveley et al. (2002) did identify separate counties; however, it did not include any contextual variables.

Economic conditions. Nearly all of the studies have reported that food stamp participation falls as personal and local economic circumstances improve. Most of the aggregate studies have used state-level unemployment rates as measures of economic conditions and found that unemployment is strongly, positively associated with caseloads. For instance, Wallace and

Blank (1999) calculated that a one percent increase in the unemployment rate would lead to a 6.8 percent increase in the proportion of people receiving food stamps over a three-year period.

The individual-level studies have looked more directly at whether people work and how much people earn. McKernan and Ratcliffe (2003) estimated that families in which all of the adults worked were less than half as likely to participate in food stamps as families in which no one worked. Farrell et al. (2003) found that food stamp participation among eligible families initially rose with income (up to 25 to 35 percent of the poverty line) then fell thereafter. They reported that participation rates for eligible families at 25-35 percent of the poverty line were twice as high as participation rates for eligible families close to the poverty line.

Policies. Fewer studies have directly examined food stamp policies. The studies by Farrell et al. (2003), Gleason et al. (1998a), Mills et al. (2001), Staveley et al. (2002), and Wallace and Blank (1999) included no policy measures whatsoever. The studies by Fraker and Moffitt (1988), Haider et al. (2003), and Keane and Moffitt (1998) only included measures for the benefit formula. Fraker and Moffitt (1988) and Keane and Moffitt (1998) examined single mother families and found that higher benefits encouraged participation; each of these studies used structural econometric methods that accounted for self-selection from employment and other program participation decisions. Haider et al. (2003) examined people aged 50 and over and found that food stamp benefits were negatively associated with program participation; they did not account for the endogeneity of benefits and attributed their counter-intuitive findings to the measured variation in benefits being driven by large medical and shelter costs.

Recertification intervals. Of particular relevance for our investigation, several studies have examined state recertification policies. Kabbani and Wilde (2003) estimated that changes from annual to quarterly recertification periods across states in the late 1990s could explain as much as ten percent of the caseload decline. Their results accord with some of the estimates reported by Currie and Grogger (2001), who found that food stamp participation among low-income households with children was positively associated with the average recertification interval in the state of residence. They also reported that recertification intervals were a significant factor in the participation of low-income rural households but not a significant factor for households without children and urban households. McKernan and Ratcliffe (2003) found that the proportion of working households subject to 4-6 month recertifications was significantly negatively related to food stamp participation.

Staveley et al. (2002) examined the duration of food stamp spells and found that spells were more likely to end in months that coincided with probable recertification dates than in other months. In contrast to these studies, the U.S. General Accounting Office (1999) surveyed state Food Stamp Program directors to get their impressions of the reasons for the large decline in food stamp caseloads following the enactment of the PRWORA. Most of the directors in the GAO study cited improvements in the economy, changes in eligibility associated with the PRWORA, and changes in state policies and procedures as important factors in the decline. None of the directors, however, felt that changes in recertification procedures played a major role, and only a handful felt that recertification played even a moderate role.

ABAWD restrictions. Ziliak et al. (2003) examined the proportion of ABAWDs who lived in counties with waivers from the PRWORA food stamp work requirements. They found

that a one percent increase in the proportion of ABAWDs who were exempt from the requirements increased aggregate food stamp participation by a small but statistically significant 0.05 percent.

EBT implementation. Several studies have incorporated indicators for whether a state implemented an Electronic Benefits Transfer system. Kabbani and Wilde (2003) and Kornfeld (2002) found that EBT systems encouraged participation. However, Currie and Grogger (2001) obtained mixed results—EBT implementation was associated with greater participation for some groups but lower participation for others. Most of their estimates were not statistically distinguishable from zero. McKernan and Ratcliffe (2003) found that EBT implementation had a weak negative relationship with participation for low-income, working age adults.

Administrative policies. Several studies have used an indirect measure—the state's error rate in determining food stamp eligibility and benefits—as an indicator, or proxy variable, for lax state administrative policies. Kabbani and Wilde (2003) and Kornfeld (2002) found that error rates were significantly, positively associated with caseload levels, while Ziliak et al. (2003) found that error rates had virtually no association with caseloads.

In contrast to these studies, Bartlett et al. (2003) gathered detailed, direct information on administrative policies, such as outreach efforts and operating hours, and administrator and staff attitudes across food stamp offices in different localities. Bartlett et al. found that these administrative characteristics influenced participation behavior.

TANF implementation. Currie and Grogger (2001), Kabbani and Wilde (2003), Kornfeld (2002) and Ziliak et al. (2003) included indicators for the implementation of TANF policies. Currie and Grogger (2001) found that food stamp participation was lower in states after they implemented TANF; however, Kabbani and Wilde (2003) and Ziliak et al. (2003) found no significant associations. Kornfeld (2002) found that several specific TANF policies, most notably strict benefit sanctions, contributed to the decline in food stamp caseloads. The estimated impact of cash assistance policies appears to be sensitive to whether the study controlled for actual welfare participation.

Comparing economic and policy changes. Summarizing the effects from several different variables, Kornfeld (2002) concluded that economic changes accounted for about 20 percent of the food stamp caseload decline, direct restrictions on eligibility for immigrants and non-working ABAWDs accounted for another 10 percent, while other changes in TANF policies accounted for just over 20 percent. Currie and Grogger (2001) came to a similar conclusion that the economy was responsible for 20 percent of the food stamp caseload decline while policies were responsible for 30 percent. Wallace and Blank (1999) assigned a larger role to the economy (28 to 44 percent) and a smaller role to welfare reform (6 percent); however, their analysis, which only examined data through 1996, included no direct indicators for food stamp policies. Similary, Ziliak et al. (2003) concluded that economic changes were important.

The USDA (2001) has also examined the literature on the food stamp caseload decline. It found that just under half of the decline occurred because of changes in eligibility. Specifically, the USDA concluded that 35 percent of the decline occurred because higher incomes reduced eligibility while 8 percent of the decline occurred because program rules limited eligibility. The

USDA found that the remainder of the decline occurred among people who remained eligible for food stamps but did not participate in the program. Many of these people were former welfare recipients who were either incorrectly denied benefits or confused about their eligibility.

Research on South Carolina

Initial SCDSS surveys. Within South Carolina, the high sanctioning rates of FI clients in the first few years of welfare reform, the ineligibility of sanctioned clients to receive transitional assistance, and the low take-up rates of food stamps among welfare leavers led to concerns about their well-being. Acting on these concerns, the SCDSS administrator in charge of the FI program, Dr. William Middleton, commissioned some of the agency's staff to design and implement surveys of former welfare clients. These were the first "leaver studies" in the country, and the instrument became a prototype for subsequent leaver surveys across the country.

In the surveys, representative samples of leavers from the first eight quarters of the FI program, October 1996 through September 1998, were interviewed about their job status, household economic circumstances, family well-being and deprivations. The surveys also asked about their receipt of transitional benefits as well as other income supports for which they were eligible post-welfare, such as food stamps. Early surveys showed that many former clients were unaware that they remained eligible for food stamps.

Educational campaigns were initiated by the SCDSS, and awareness of food stamps improved from 75 percent in the first quarterly survey to 83 percent in the eighth. Nevertheless, the take-up rate on post-welfare food stamps did not improve. For welfare leavers who were not working, the food stamp participation rate fell from 72 percent among the first cohort of leavers to 61 percent in later cohorts. For welfare leavers who were working, the food stamp participation rate fell from 61 percent in the initial cohort to 55 percent in later cohorts.

DHHS-funded surveys. The Administration for Children and Families and the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services funded a three-year longitudinal study of families who left welfare in South Carolina between October 1998 and March 1999. The goals of the study were very similar to those of the earlier SCDSS surveys—to assess family economic circumstances, employment and benefit use post-welfare, as well as family well-being and deprivations. The sample was stratified by closure reasons (e.g., left because of earnings, sanctions, time limits, etc.) so that the well-being and other implications of different types of departures could be understood.

Approximately 55 percent of leavers in the DHHS-funded surveys stayed off welfare and worked some or most of the time, over the three years. Better educated leavers and those who left for earned income worked more often. The percentage of leavers in food stamp households rose from 58 to nearly 62 percent over the course of the study. Increased awareness of benefits may be an explanation, but the recession beginning in 2000 may also have been responsible. Over 75 percent of currently unemployed leavers were living in households receiving food stamps compared to over 50 percent of employed leavers.

Interviews showed that two-thirds of sanctioned leavers and five-sixths of time-limited leavers were receiving food stamps in round three of the interviews, suggesting that these

vulnerable subgroups were aware of available benefits. Approximately half of those who left for earned income were receiving food stamps; 70 percent of those who left for earned income and who were no longer receiving food stamps said that they had been told they were no longer eligible, and only nine percent said they no longer needed food stamps.

Food stamp leaver surveys. In 1998, the Economic Research Service of the USDA awarded a grant to South Carolina to study "non-TANF" families and ABAWDs who had left the Food Stamp Program. Non-TANF families were defined as families who had not received TANF in the 12 months prior to sample selection. National data for 1997 showed that about one fifth of all food stamp cases involved non-TANF families. For each group, interviews were conducted with two cohorts of food stamp leavers, the first from 1998-1999 and the second from 1999-2000 (Richardson et al. 2003a, b). Interviews were conducted about a year after the families and ABAWDs left the rolls.

The recidivism rate in the surveys was nearly 30 percent; younger recipients with less education were most likely to re-enroll. Over 80 percent of the recipients who stayed off food stamps were either working or living with someone who worked. The highest rate of employment post-food stamps (89 percent) was for those with some college; the corresponding employment rates for high school graduates and drop-outs were 80 and 58 percent, respectively. Among respondents who were not employed and were still off food stamps, over 30 percent cited a health problem as the reason for not working.

A major finding of this study was that about a quarter of the respondents who were not receiving food stamps at the time of interview cited pride and dignity, administrative hassles, difficulty fulfilling paperwork requirements, or a combination of these as reasons for not participating. Two-thirds of this group appeared to qualify for benefits.

Other research. Research indicated that the FI reform was "working" for many clients. As discussed by Edelhoch (1999), the leaver surveys showed that most leavers had avoided the calamitous deprivations predicted by some policy analysts and welfare advocates at the inception of reform. Edelhoch's study and others, including those of the South Carolina Legislative Audit Council (1998) and Pindus and Koralek (2000), found that half to two-thirds of clients were employed immediately or shortly after their spell on cash assistance.

Even when research focused on relatively disadvantaged clients, employment rates were high. Edelhoch et al. (2000) used survey data to examine leavers who initially appeared not to be working on the basis of Unemployment Insurance records and found that more than a third were in fact working, just not in covered employment. In a subsequent study, the same researchers (2001) examined employment among sanctioned FI clients and found that a third were working in the quarter after leaving welfare and nearly half were working two years after leaving welfare. Similarly, Edelhoch et al. (2002) found only modest differences in employment between easy- and hard-to-move clients.

That said, a substantial minority of welfare leavers have not made successful transitions. The flip side to one-half to two-thirds of leavers working is that one-third to one-half do not. Edelhoch and her colleagues have consistently found that a non-negligible fraction of leavers confront problems buying food, paying for utilities, and keeping their residences.