OUTCOMES FOR THE INCOME MAINTENANCE CASELOAD DURING RECEIPT:

Caseload Dynamics, Employment and Earnings in Illinois 1991–1999

Summary and Full Report

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Summary

The process of ending welfare as we know it began in earnest with passage of the 1996 Personal Responsibility and Work Reconciliation Act (PRWORA). This welfare reform, with its lifetime limits on cash assistance and a determined emphasis on work, is well underway. Cash assistance caseloads, now called Temporary Assistance for Needy Families, (TANF) have dropped dramatically nationwide. Although an extremely strong economy has no doubt contributed to this success, a philosophy of work and self-sufficiency and a new federalism that grants states the right to design and run their own programs are likely to have contributed as well.

Prior to 1996, many states had begun to experiment with welfare programs (mainly cash assistance) and work incentives. In Illinois, a novel program, Work Pays, was first implemented in November 1993. The program allows recipients of TANF to keep a sizeable portion of their cash assistance grants as long as they work at least 30 hours per week. This income disregard, in effect, rewards work by not decreasing the cash assistance grants while new workers secure a foothold in the workforce.

We trace the AFDC/TANF caseload in Illinois from 1990 to 1999 to measure the effects of welfare reform. We divide the decade into four periods: the years prior to the implementation of Work Pays (1990–mid-1993), the initial years of Work Pays (1993–95), the period during which national welfare reform was initiated (1995–97), and the two years following welfare reform (1997–1999). We focus on Work Pays because of both its congruence with welfare reform in its emphasis and reward of work, and because it represented a significant policy departure. Although we did not set out to frame the research around Work Pays, the findings, we believe, are likely linked to this program and therefore, we have structured the paper to reflect that.

With regard to employment and earnings, results of welfare reform in Illinois have been encouraging. In short, fewer people are entering the cash assistance program since the mid-1990s, more are leaving the program, fewer are returning once they leave, and while receiving cash assistance, earnings are higher (although still quite low) and occurring sooner than in prior years—no doubt the effect of Work Pays and the strong economy.

Some had predicted that as the caseload declined, those remaining would be the "hardest-to-serve" population, those with the highest barriers to work: mental illness, substance abuse problems, or children with special needs. As of 1999 in Illinois, this has not yet been the case. We do not yet see a slowing of caseload decline. This does not mean that it will not happen; it seems logical that among those needing to rely on the government for assistance, a significant number are unable—not just unwilling—to maintain a full-time job. However, it appears that the state has not yet reached that core group of the severely impeded.

Acknowledgments

The authors would like to acknowledge the invaluable assistance of the Illinois Department of Human Services through their comments on the report and provision of the raw data. In particular, Peggy Powers and Dave Gruenenfelder provided us with direct assistance. We also appreciate the support of the Joyce Foundation and our project officer, Unmi Song. Finally, Barbara Ray provided important assistance in the preparation of this report.

Pre-Work Pays Period (January 1990–June 1993)

The years prior to Work Pays might be viewed as a benchmark for measuring program effects. During that time, the AFDC caseload grew slightly, the average length of time spent receiving AFDC was just under a year, among those who were working while receiving AFDC earnings were up slightly, and a sizable proportion of recipients returned to AFDC after leaving, typically within 4–5 months after leaving.

The AFDC caseload in Illinois registered small but consistent growth from 180,000 in January 1990 to 200,000 by June 1993. This corresponds to a period of high unemployment in the state, with the rate rising from 6.2 percent in 1990 to 7.1 percent by 1993 (current unemployment is 4.5 percent).

Earnings are allowed while receiving AFDC, although prior to Work Pays they were deducted 1:1 from the person's cash assistance check. During this time, 14 percent of those who entered AFDC reported earnings within 6 months of entry, and it took about 2 years until 25 percent of the entrants reported first earnings. The amount of reported earnings rose during this time, from $47 per month in FY 1991 to $55 per month in FY 1993.

The average time spent in the program for this cohort of AFDC recipients was 9 to 10 months, notably shorter than national average stays of 2 years in the1980s —and both considerably shorter than those in the public imagination. Recidivism, or return to the program after leaving, is not uncommon. We measure recidivism by gauging how long it takes one-fourth of the caseload to return. Between FY 1991 and FY 1993, it took 4 to 5 months for one-fourth of those who left AFDC to return.

Work Pays Implementation Period (July 1993–June 1995)

During the initial years of Work Pays (July 1993 – June 1995), the caseload continued to grow and earnings continued to rise, time spent on the caseload fell slightly, and recipients remained off the program slightly longer.

The caseload during this timespan increased from 200,000 in 1993 to 210,000 by 1995. The economy had begun to improve, with a slight dip in the unemployment rate. The portion of the caseload that reported earnings within 6 months of entry continued to increase, rising to 17 percent by 1995, up from 14 percent in the last period. The time it took 25 percent of the recipients to report first earnings decreased almost one half from 23 to 12 months.

Earnings were up as well to an average of $78 per month for FY 1995 cohorts. Time spent receiving AFDC dropped to 9 months in FY 1995, and the time before a recipient returned after leaving the program grew: recipients remained off AFDC for about a month longer that those in the prior span. In short, the duration of program use had begun to fall, there were longer spans before former recipients returned to the program, and earnings were greater and reported earlier.

Welfare Reform Gets Underway (July 1995–June 1997)

The period just prior to the introduction of welfare reform nationwide saw caseloads drop significantly, more people leaving than entering the program, more reporting higher incomes earlier, and saw the time spent on welfare fall, with people staying off longer.

The 1996 PRWORA instituted lifetime limits on receipt of cash assistance and strict work requirements, and programs were significantly retrenched, giving states control or design and implementation of their welfare programs. It is believed that many recipients anticipated the changes and left AFDC prior to its change to TANF.

In Illinois, caseloads dropped significantly, from 210,000 to 150,000. Welfare reform corresponds as well with dropping unemployment and a robust economy. Unemployment in Illinois fell to a decade low of under 5 percent in 1997. A dynamic of declining caseloads is the balance between entries and exits. During this time span, more people were leaving the program while the number of new entrants remained steady. This changing dynamic of exits and entries is interesting for several reasons, the most obvious of which is the mirror such shifts hold up to policy effects. Diversionary practices, for example, might show up in declining entries, while a more forceful emphasis on work or stricter time limits might be reflected in increasing exits. If exits and entries are unbalanced, altered policies or services (e.g., more comprehensive child care) might be indicated.

A further indication of positive news is the continued rise in the portion of the caseload reporting income within 6 months of entering AFDC (rising to over 20%) . Rather than 1 year, as in the previous period, 25 percent of entrants reported first earnings within 6 to 7 months.

Mean earnings were up as well, to $84 per month for those who entered AFDC in FY 1996 and $98 per month for those who entered in FY 1997. Time on welfare fell as well—down to an average of 7 months by FY 1997 (from 9–10 months for the 1990–1993 cohort). Those who left the program were taking longer to return—increasing to 6 months by FY 1997 (it was 4–5 months for the 1990–93 cohort).

Early Years of National Welfare Reform (July 1997–June 1999)

With welfare reform underway, improvement in the outcomes for those on welfare continued. Illinois caseloads dropped below 100,000, a 50 percent decrease from the beginning of the decade. During this time, the number of entries began to fall while exits held steady. One-fourth now reported earnings within 6 months. Earnings continued to climb—to $101 per month for FY 1998 cohort. Median duration held steady and recidivism declined.

The combined picture emerging from the above four periods is one of a sustained caseload decline since early 1995. After five years of fairly stable caseloads, the number of recipients was cut in half, to just over 100,000 in May 1999. Although registering occasional dips, exits over the nine years held relatively stable while entries were cut significantly, ending the decade at roughly 5,000 entries, down from roughly 8,000 in June 1990.

The time spent receiving AFDC dropped as well, from a median of 10 months in FY 1991 to 7 months in FY 1999. The number returning to the program after leaving declined and the time before return lengthened. Earnings increased as did the numbers reporting earnings earlier. This is likely a reflection of the Work Pays program, which, through its earnings disregards, encourages recipients to find work. Some notable regional differences are camouflaged in this broad look at the changing dynamics. Chicago consistently had poorer outcomes than the balance of the state. The degree of difference, however, has also been narrowing under welfare reform. The disparity at the beginning of the decade in the median duration, for example, was 5 months: Cook County's (which includes Chicago) median duration was 13 months versus 8 months for the balance of the state. The gap drops to 3 months at the end of the decade, where median duration in Chicago is 9 months and 6 months in the balance of the state. The most striking difference is in time to reported first earnings. The time it takes 25 percent of Cook County entrants to report earnings is 2.5 times longer than those entrants in the balance of the state in FY 1999. Here, too, the disparity has lessened over the years. In FY 1991, the gap between Cook County and the balance of the state was 6 times.

Full Report

Introduction

Prior to 1996, many states had already begun to experiment with welfare programs (mainly cash assistance) and work incentives. In Illinois, a program called Work Pays, implemented in November 1993, allows AFDC recipients who are working to keep a sizable portion of their cash assistance grant. This *income disregard*, in effect, cushions the transition to the workforce by ensuring continued cash assistance. Work Pays further encourages employment by stopping the clock on cash assistance time limits while AFDC recipients are enrolled in Work Pays. As long as AFDC recipients in Illinois work 30 hours a week or are enrolled in a full-time postsecondary degree program, time limits are suspended.

This report focuses on the experiences of Illinois families receiving cash assistance—Aid to Families with Dependent Children (AFDC) before July 1997 and the Temporary Assistance for Needy Families (TANF) grant after that date. We examine the outcomes for families using these programs from 1990 through 1999, a timespan that allows us to describe the effects on families of welfare reform in Illinois. We report on the rise and fall of the caseload, the time to first reported earnings among recipients, changes in average monthly earnings, and the duration of cash assistance provided to families.

We separate our findings into four distinct periods in order to track the effects of different policy and environmental conditions on the caseload dynamics. The first period is the time prior to the implementation of Work Pays, the second is the period during which Work Pays was implemented, the third is the period when federal welfare reform legislation was passed and families and the system began to anticipate implementation of the measures, and the fourth is the time period after reform measures were implemented. Each of these periods shows different patterns in caseload size and changes, the length of time families receive cash assistance, how quickly families report earnings after initial receipt of cash assistance, and the amount of family earnings. Changes in the Illinois economy are tracked with these time periods. We use the seasonally adjusted unemployment rate to characterize the economy over the course of the decade. This statistic is the most relevant for better understanding cash assistance recipients' employment patterns.

It is important to stress the fact that we are not examining the experiences of families as they move from welfare to work *after* their cash assistance has ended. We are, rather, looking at families' experiences in the workforce while still receiving cash assistance. A future report will address families' outcomes post-cash assistance.

The findings suggest that, with regard to self-sufficiency, employment, and earnings, welfare reform in Illinois has been positive for families receiving cash assistance. Since the mid-1990s, more are leaving the program, fewer are returning once they leave, and while receiving cash assistance, earnings are higher and occurring sooner than in prior years. Some had predicted that as the caseload declined, those remaining would likely be the "harder to serve" population—those with the fewest job skills and least ready to enter the workforce. This was considered likely to stall the positive trends as these hard-to-serve recipients met with less success in moving into the workforce. As of 1999, this prediction had not come true in Illinois. In fact, as the caseload declined, average earnings continued to improve unabated. This does not mean that that positive trends will not abate in the future, but as of June 1999, trends remained positive. This is likely the combined effect of Work Pays and a robust economy. Without the benefit of continued cash assistance while working, many recipients might have been hesitant or unable to take advantage of the economy, or they would have had less cushion when they entered the workforce. Without this softer transition, it is also possible that families would have returned to cash assistance earlier, which was the case before Work Pays was implemented.

Background

The country's major overhaul of its welfare programs in 1996 shifted the focus from providing cash assistance to needy parents to supporting them in their efforts to secure work. The significance of this change cannot be overstated. For over 60 years, poor women with children were entitled to cash assistance under AFDC. That entitlement has been abolished; today, a mother can receive cash assistance for no more than 5 years over her lifetime. In Illinois, receipt is limited to 2 years for women with no children under 13. The time clock on cash assistance has begun to tick.[1] In addition, states face fiscal penalties if they do not move a steadily increasing proportion of their cash assistance caseloads into the workforce each year.[2] Stricter sanctions for noncompliance have been implemented and can entail reduced payments or complete termination of benefits. Recognizing the multiple and varied needs of many families, states have offered several additional welfare-to-work supports, including child care and continued food stamps and Medicaid.

States are allowed to exempt a certain proportion of their caseloads from time limits and work requirements. Although Illinois may exempt 20 percent of its caseload due to hardship, what constitutes hardship has not yet been defined. Families headed by teens in Illinois are also exempt as long as the teen is in school. Mothers with children under 1 year of age are also exempt from work requirements.[3] Children can continue to receive benefits after a parent reaches the 60-month time limit—but only if the child moves away from the caretaker (National Clearinghouse for Legal Services, 1997).

The reform in welfare was underway in many states before the PRWORA was signed into law in August 1996 and fully implemented by July 1997. Many states had been granted waivers from the policies under AFDC to experiment with reform. The effectiveness of these new programs was often tested by assigning participants to a control group that remained bound by the old policies and an experimental group that was enrolled in the new programs. Illinois, for example, instituted the Work Pays program as a demonstration in 1993.

Illinois has for many years had a work component attached to welfare receipt, although with lesser consequences than today. One of the earliest was the Comprehensive Employment and Training Act (CETA), implemented in the 1970s. The Work Incentive (WIN) program followed, as did Project Chance, the state's Job Opportunities and Basic Skills (JOBS) program. Few of these programs were evaluated for their effectiveness. The one evaluation performed (of the WIN demonstration program) found that the program did little to increase employment and earnings. Rather, savings were achieved by closing cases—not because grant amounts were lowered owing to earnings (Lewis, George, & Puntenney, 1999). In other words, although these programs cut welfare costs, they seldom improved the living standards of former recipients (Burtless, 1999).

Illinois launched its Work Pays program in November 1993 with the intent of raising the earnings of AFDC recipients as well as providing a cushion during their transition to the workforce. Under Work Pays, recipients who are working are allowed to keep $2 of every $3 earned without a commensurate reduction in their TANF checks. This formula, also known as an *income disregard*, applies until recipients reach 3 times the maximum payment level for a given family size. An equally important provision of Work Pays began with the implementation of TANF in 1997; the clock measuring a recipient's progress toward the 5-year lifetime limit stops if recipients work at least 30 hours per week (up from 20 hours as of October 1999).

Another work-based program in Illinois is Work First. Work First reflects the state's firm conviction that actual work experience, rather than education and training, is the best route to self-sufficiency for some clients. Currently, TANF recipients whose children are older than 13 (therefore facing the 24-month time limit) must work at least 80 hours per month.[4] Employers pay the worker minimum wage and pay no Social Security taxes or income taxes. The TANF benefit is redirected and paid to the recipients upon completion of the work assignment. Although the program focuses on those facing 24-month time limits, it also applies to those

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[1] Currently, people who have exhausted their 24-month time limit can continue to receive assistance as long as they participate in Work First or an alternative work program in Illinois.

[2] For example, Illinois was required to move 25 percent of its current caseload into the workforce or in work-related activities by 1997, and 50 percent by 2002.

[3] Mothers with children under 1 year are not exempt from the 60-month time limit.

[4] A client may be required to work up to 160 hours per month if the cash and food stamp benefits support the number of hours.

who have quit a job or lost a job for reasons beyond their control, or who are determined to be job-ready.

The findings below show the early effects of welfare reform in Illinois. One should keep in mind that because Illinois was experimenting with new programs prior to 1996, parsing what programs are responsible for the observed changes, apart from changes in the job market, is extremely problematic.

Explanation of Study

For this study, we selected nine cohorts of heads of families ("grantees") that entered cash assistance programs during the 1990s (1991–99). These grantees had not been receiving AFDC or TANF for at least 1 year prior to their entry. We used Chapin Hall's Integrated Database on Children and Family Services in Illinois—a database built from the administrative data of the Illinois human service agencies, which includes data from the late 1970s through the present time. For this study, we used the data from the Client Database of the Department of Human Services, which contains individual-level information on the period of AFDC/TANF receipt, and the timing and amount of earnings. In particular, we describe the experiences of the case grantees in terms of their service receipt and earnings histories.[5] We combined multiple cross-sections of monthly Client Database data into a longitudinal database that begins in 1989 and is updated monthly.

Findings

We describe the changes that occurred among families receiving cash assistance in Illinois by looking at the four periods of the 1990s that coincide with both policy changes and changes in the characteristics of the caseload.

The Four Periods

In looking across the entire decade, both at policy and at the caseload itself, four distinct periods emerge. Figure 1 shows the size of the AFDC/TANF caseload and the entries and exits to those programs from January 1990 to June 1999.[6] The first period (pre-Work Pays), dating from January 1990 to June 1993, corresponds with implementation of the Family Support Act in Illinois. During this time, the caseload increased from about 180,000 to 200,000. Entries slightly exceeded exits for most of this period, except for a few months in 1992. Both entries and exits range from 7,000 to 9,000 per month. During this period, the unemployment rate climbed from 6.2 percent in January 1990, to 8.5 percent in December 1991, and fell to 7.1 percent in January 1993 (Figure 2). For the purposes of this study, this period is a baseline against which to compare the changes in the remainder of the decade.

The second period, from July 1993 to June of 1995, corresponds with Work Pays implementation. As Figure 1 shows, the caseload increased slightly, and again, entries slightly exceeded exits for most of this period. Both entries and exits remained between 7,000 and 9,000 per month. Toward the end of this period, exits began to outnumber entries. The Illinois unemployment rate decreased steadily during this period from 7.9 percent in July 1993 to 5.1 percent in June 1995.

During the third period of time, from July of 1995 to June of 1997 (coinciding with welfare reform activity at the national level), the caseload began to decline, falling from 200,000 to 150,000. Although the number of entries remained fairly stable (7,000 to 8,000 per month), the number of exits increased to 10,000 per month in some months, and never fell below 8,000 in any month. Throughout this time period, there was lively national dialogue on "ending welfare as we know it," and in 1996 PRWORA was passed into law. Toward the end of the period, states began to develop and implement new welfare policies of their own. Unemployment in Illinois during the first 18 months of this period was in the low 5-percent range, and during the first 6 months of 1997, it dropped below 5 percent for the first time in the decade.

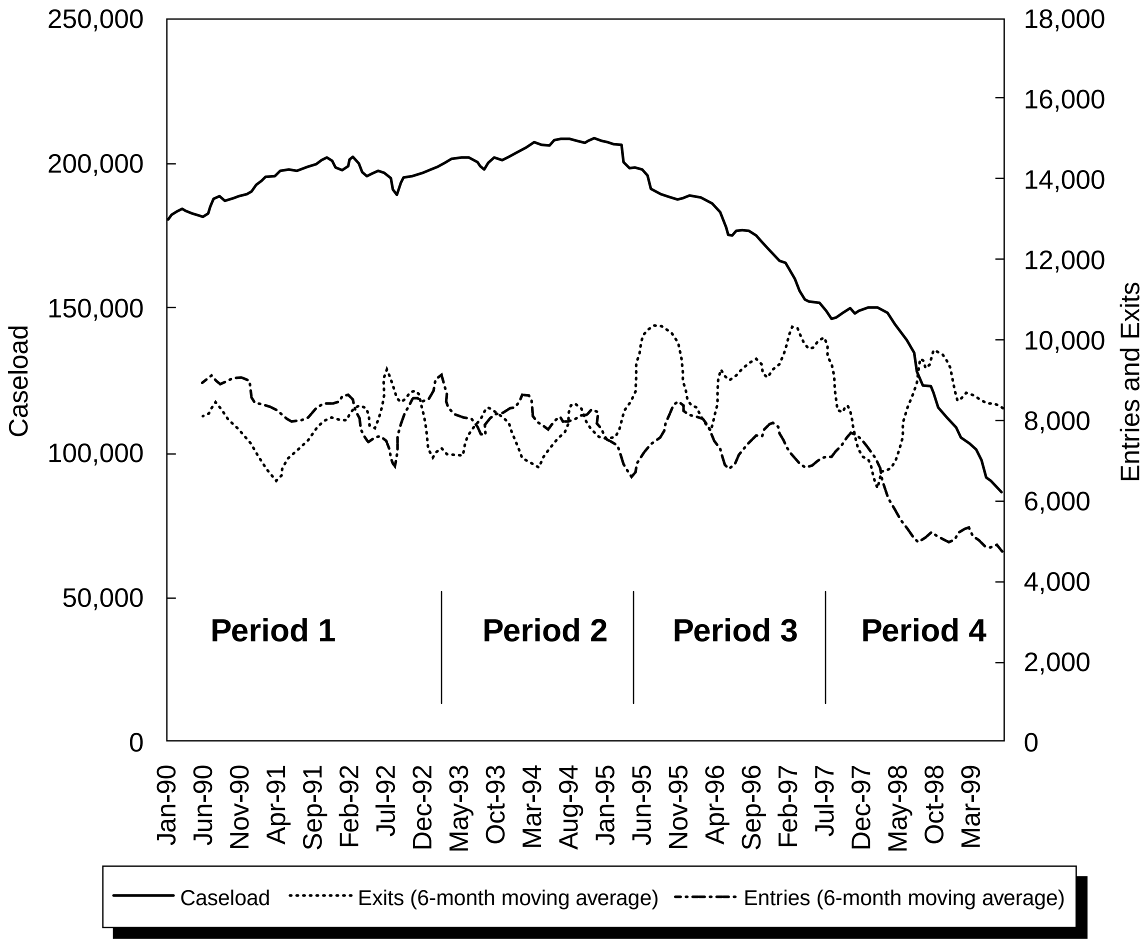
During the fourth period (during state PRWORA implementation), from July 1997 to June 1999, states implemented their own welfare policies. During this period, caseload entries decreased to below 6,000 per month (in January of 1998), while exits hovered between 8,000 and 10,000 per month (Figure 1). The unemployment rate contin-

[5] The analysis includes only cases with adult grantees and thus excludes child-only cases.

[6] Figure 1 presents data on the total entries and exits during the period (not the "first-time" entries or exits as subsequent tables show) to examine the total caseload trends.

Figure 1

AFDC/TANF Caseload, Entries, Exits



ued to drop over this period to a low of 3.8 percent in March 1999, but increased to over 4.5 percent at the end of the period.

In summary, prior to July of 1995, entries and exits were between 7,000 and 9,000 per month, while the caseload steadily increased. From July 1995 to June 1997, entries remained at that level as exits shot up to nearly 10,000 per month. In the fourth period, entries per month dropped, and exits, after a short decline, jumped back up to between 9,000 and 10,000 per month at the end of the period. The decreases in the unemployment rates seemed related to decreases in the size of the caseload, through increases in the number of exits.

In the sections that follow, we look at the families that enter and exit the AFDC/TANF caseload during each of the four periods. We describe their length of AFDC or TANF receipt, the likelihood of returning when they exit, their average monthly earnings while receiving cash assistance, how quickly after they begin receiving cash assistance these families report earnings, and the amount of those earnings.

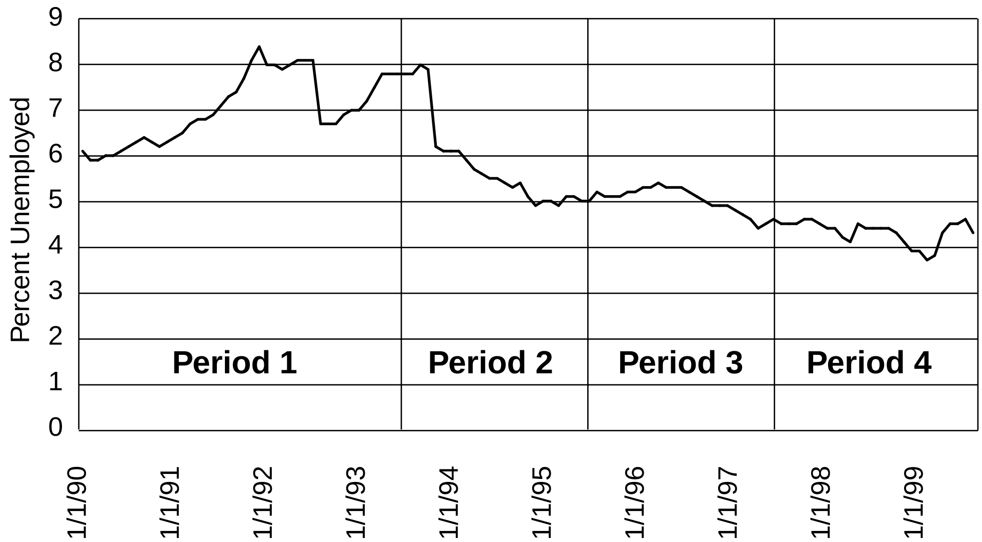
January 1990 to June 1993 (FY 1991–1993 entry cohorts)

During this period, there was a small, but relatively constant growth in the AFDC caseload, from 180,000 to about 200,000 (Figure 1). This was a period of high unemployment in Illinois (Figure 2).

For those who entered AFDC before June 1992, the number of participants working and the duration of program receipt were relatively constant. Approximately 14 percent of the recipients who entered during the first part of the period reported first earnings

Figure 2

Illinois Unemployment Rate



within 6 months. The time it took 25 percent of the entrants to report first earnings was about 2 years (see K-M estimates in Table 1).[7] Time to first reported earnings decreased slightly among the group that entered at the end of this period (1993). There was also a modest increase in mean earnings, from $47 per month among the earlier entry cohorts to $55 per month for the later entry cohort (Table 2). (The changes in mean earnings over this period are not statistically significant because of the wide range of earnings that grantees have. However, the direction of the changes for the cohorts is certainly substantively significant.)

The median duration of cash assistance receipt (the point in time by which one-half of the grantees have exited the program) during this period was between 9 and 10 months (Table 3). It took 4–5 months for 25 percent of the exiters to return to AFDC (Table 4).[8]

July 1993 to June 1995 (FY 1994–1995 entry cohorts)

From mid-1993 to mid-1995, the AFDC caseload grew steadily, from 200,000 to about 210,000 (Figure 1). The economy began to improve during this period and the unemployment rate dropped (Figure 2).

Participants entering during this period show steady improvement in work and duration of program receipt. Fifteen percent of the 1994 cohort and 17 percent of the 1995 cohort reported earnings within 6 months, compared with less than 14 percent in the previous period (Table 1). The time it took 25 percent of the recipients to report first earnings decreased by almost one-half compared to the previous period. It took 12 months and 10 months for 25 percent of entrants to report first earnings in 1994 and 1995, respectively (Table 1). Mean earnings increased as well, from a range of $47 to $55 per month in the previous period (1991–1993) to $70 and $78 per month for the 1994 and 1995 cohorts, respectively (Table 2).

The median duration of cash assistance receipt during this period was 11 months for the 1994 cohort (the highest of all cohorts) and 9 months for the 1995 cohort (Table 3). However, the exit rate of the 1994 cohort increased during its second year of receiving AFDC (when the 1994 cohort is participating in 1995). Among the families that leave cash assistance, it takes 5 months for 25 percent of the exiters to return to AFDC, an improvement over 1992 and 1993 cohorts, for whom it took 4 months (Table 4). Dura-

[7] We use the Kaplan-Meier method to calculate the quartile and median durations throughout the study.

[8] We use the statistic of 25 percent returning because 50 percent of the 1995-1999 exit cohorts have not returned by the end of the study period. Therefore, we use the quartile that allows us to compare all exit cohorts.

Table 1

Duration to First Earnings (initial spells)

Entry Cohort	AFDC/TANF Entries	Earnings Within < 6 months	1 year	1.5 years	2 years	2.5 years	3 years	3 years +	K-M 1st Quartile Duration (months)
Illinois									
FY 1991	64,900	13.9%	16.3%	17.9%	18.9%	19.7%	20.5%	25.7%	23
FY 1992	60,056	13.2%	15.5%	17.2%	18.5%	19.7%	20.8%	25.6%	21
FY 1993	60,154	13.7%	17.1%	19.7%	21.7%	23.2%	24.6%	28.9%	17
FY 1994	62,160	15.3%	20.3%	23.7%	26.1%	27.8%	29.1%	32.2%	12
FY 1995	56,764	17.2%	22.9%	26.2%	28.5%	29.8%	30.9%	32.6%	10
FY 1996	47,740	20.1%	26.2%	29.2%	31.2%	32.4%	33.5%	34.0%	7
FY 1997	43,530	22.9%	29.3%	32.7%	34.9%	35.8%	35.9%		6
FY 1998	42,077	24.4%	32.1%	34.9%	35.4%				5
FY 1999	24,061	24.4%	26.4%						4

Note: Shaded area represents partially censored observations, meaning that all of the entries had not yet reached the associated time point.

tion of receipt also decreased with longer spans before former recipients returned to the program, and earnings were higher and were reported earlier.

July 1995 to June 1997 (FY 1996–1997 entry cohorts)

Low unemployment and a large decrease in the caseloads, from 210,000 to below 150,000 (Figures 1 and 2) continued during the third time period. The most significant caseload dynamic in this interval was the increasing number of exits per month.

There was small but steady improvement in the indicators of work and duration of receipt of cash assistance. Over 20 percent of grantees reported earnings within 6 months for the 1996 and 1997 cohorts, up from 17 percent in the 1995 cohort (Table 1). The time to reported earnings also improved. Rather than 1 year, as in the previous period, 25 percent of entrants reported first earnings within 6 to 7 months. There was an accompanying increase in mean earnings. The 1994 and 1995 cohorts had mean earnings of $70 and $78 per month, respectively, while the 1996 and 1997 cohorts had mean earnings of $84 and $98 dollars per month (Table 2).

The median duration of cash assistance receipt during this period was 8 months for the 1996 cohort and 7 months for the 1997 cohort, a low for the decade (Table 3). It took 5 months for 25 percent of the 1996 cohort exiters to return to the program, and 6 months for the 1997 cohort (Table 4). Six months is the high mark for the decade; in other words, recipients are taking longer to return to cash assistance after they have exited. During this period, we saw increasingly shorter duration of receipt, longer spans before reentry, earlier reported earnings, and higher first earnings than in the previous period.

July 1997 to June 1999 (FY 1998–1999 entry cohorts)

The strong economy continued during this post-welfare reform initiation period (Figure 2), and large decreases in the caseload continued, dropping from 150,000 cases to below 100,000 cases (Figure 1). Although the major change in the caseload dynamic was the decrease in the number of entries per month, the number of exits was only slightly less than during the previous period.

Table 2

Average Monthly Earnings (initial spells)

Entry Cohort	AFDC/TANF Entries	Mean Earnings	Standard Deviation
FY 1991	64,900	$47	132
FY 1992	60,056	$47	134
FY 1993	60,154	$55	141
FY 1994	62,160	$70	161
FY 1995	56,764	$78	173
FY 1996	47,740	$84	176
FY 1997	43,530	$98	191
FY 1998	42,077	$101	195
FY 1999	24,061	$96	211

Table 3

AFDC/TANF Exits

Entry Cohort	AFDC/TANF Entries	Exits Within 6 months	1 year	1.5 years	2 years	2.5 years	3 years	3 years +	K-M Median Duration (months)
IL TOTAL									
FY 1991	64,900	37.6%	56.2%	66.5%	73.2%	78.0%	81.5%	98.4%	10
FY 1992	60,056	41.8%	59.8%	69.0%	75.0%	79.2%	82.7%	98.2%	9
FY 1993	60,154	37.1%	55.0%	64.7%	72.3%	78.2%	82.6%	97.6%	10
FY 1994	62,160	34.4%	54.0%	66.7%	75.2%	80.7%	85.4%	97.2%	11
FY 1995	56,764	38.9%	60.4%	71.5%	79.7%	85.4%	89.1%	96.7%	9
FY 1996	47,740	42.4%	65.4%	77.1%	83.8%	88.8%	92.6%	95.6%	8
FY 1997	43,530	46.8%	68.0%	79.9%	88.7%	93.2%	94.4%		7
FY 1998	42,077	44.1%	70.2%	82.2%	85.3%				8
FY 1999	24,061	44.2%	53.9%						7

Note: Shaded area represents partially censored observations, meaning that all of the entries had not yet reached the associated time point.

Table 4

AFDC/TANF Returns

Exit Cohort	AFDC/TANF Exits	Returns Within 6 months	1 year	1.5 years	2 years	2.5 years	3 years	3 years +	K-M 1st Quartile Duration (months)
IL TOTAL									
FY 1991	88,409	29.8%	39.5%	44.2%	47.6%	50.0%	51.9%	57.9%	5
FY 1992	99,401	31.2%	40.6%	45.4%	48.8%	51.1%	52.8%	57.3%	4
FY 1993	95,820	30.2%	39.4%	44.1%	47.3%	49.3%	50.8%	54.4%	4
FY 1994	91,931	28.9%	37.1%	41.5%	44.3%	46.3%	47.7%	50.3%	5
FY 1995	108,124	28.0%	36.3%	40.8%	43.5%	45.3%	46.5%	47.6%	5
FY 1996	106,192	28.8%	36.3%	40.2%	42.6%	43.8%	44.4%	44.5%	5
FY 1997	118,542	26.0%	33.1%	35.9%	37.0%	37.3%	37.3%		6
FY 1998	95,557	16.3%	19.6%	20.1%	20.1%				
FY 1999	99,419	8.0%	8.2%						

Note: Shaded area represents partially censored observations, meaning that all of the entries had not yet reached the associated time point.

Improvement in the indicators of work and duration of program receipt continued. Among the 1998 and 1999 cohorts, the percentage of grantees who report earnings within 6 months jumped to nearly 25 percent, up from 20 percent for the 1996 cohort (Table 1). Another improvement was the time it took 25 percent of the 1998 entrants to have reported earnings—5 months, and 4 months for the 1999 cohort. The mean earnings continued to increase from $98 in 1997 to $101 in 1998 (Table 2), but dropped to $96 in 1999.[9]

The median duration of receipt of cash assistance, however, is up slightly for the 1998 cohort, increasing to 8 months from 7 months in 1997 (Table 3). It quickly dropped to 7 months again for the 1999 cohort. Because we have not yet seen one-fourth of exiters return among the 1999 cohort, it is too early to tell definitively whether fewer exiters are returning to the program. However, fewer families among the 1998 cohort returned to cash assistance in 6 months or 1 year than have any of the previous cohorts, which is quite promising (Table 4).

[9] This drop in 1999 is primarily due to the short follow-up period of the 1999 entry cohort.

Regional Differences

In Illinois, comparing Cook County statistics (which include Chicago) with the balance of the state is critical to understanding who is most affected by changes in welfare policy, practice, and the economy.

The disparity in the median duration of program receipt between the two regions was 5 months at the beginning of the decade (with a median duration of 13 months for Cook County versus 8 for the balance of the state according to Table 5). It dropped to 3 months (9 months compared to 6 months for Cook County and the balance of the state, respectively) at the end of the decade. The percentage decrease was slightly greater in Cook County (31 percent compared to 25 percent for the balance of the state).

The time until return to cash assistance after an exit was shorter in Cook County than in the balance of the state, although the trends were not as dramatic as for the duration statistics. Cook County increased from 4 months to 6 months, while the balance of the state increased from 6 to 7 months (Table 6).

The time required for a family to have earnings has fallen dramatically across Illinois during the study period. The time it takes 25 percent of the recipients to report earnings decreased from 23 months for the 1991 entry cohorts to 4 months for the 1999 entry cohort. Although there is still considerable disparity between regions in the state (5 months for Cook County and 2 months for the balance of the state for the 1999 entry cohort), the gap between the regions has lessened over time. For the 1991 entry cohorts, the time it took 25 percent of Cook County entrants to report earnings is 6 times longer than for those entrants in the balance of the state. In 1999, the gap closed to 2.5 times; it took about 5 months in Cook County and 2 months in the balance of the state to have 25 percent of the entrants report first earnings (Table 7).

Summary of Findings

The combined picture emerging from the four periods of this study shows a sustained caseload decline since early 1995. After 5 years of fairly steady caseloads, the number

Table 5

AFDC/TANF Exits

Entry Cohort	AFDC/TANF Entries	K-M Median Duration (months)
Cook County		
FY 1991	32,559	13
FY 1992	29,914	11
FY 1993	30,663	13
FY 1994	32,681	13
FY 1995	29,040	10
FY 1996	24,066	10
FY 1997	22,461	9
FY 1998	21,525	9
FY 1999	15,042	9
Balance of State		
FY 1991	32,341	8
FY 1992	30,142	7
FY 1993	29,491	8
FY 1994	29,479	9
FY 1995	27,724	8
FY 1996	23,674	7
FY 1997	22,069	6
FY 1998	20,551	6
FY 1999	9,013	6

Table 6

AFDC/TANF Returns

Exit Cohort	AFDC/TANF Exits	K-M 1st Quartile Duration (months)
Cook County		
FY 1991	46,512	4
FY 1992	52,125	4
FY 1993	49,209	4
FY 1994	48,874	4
FY 1995	60,405	5
FY 1996	57,350	4
FY 1997	65,964	6
FY 1998	51,697	•
FY 1999	63,836	•
Balance of State		
FY 1991	41,897	6
FY 1992	47,276	6
FY 1993	46,611	5
FY 1994	43,057	7
FY 1995	47,719	7
FY 1996	48,842	6
FY 1997	52,578	7
FY 1998	43,858	•
FY 1999	35,511	•

Table 7

Duration to First Earnings (initial spells)

Entry Cohort	AFDC/TANF Entries	K-M 1st Quartile Duration (months)
Cook County		
FY 1991	32,559	48
FY 1992	29,914	39
FY 1993	30,663	30
FY 1994	32,681	21
FY 1995	29,040	17
FY 1996	24,066	13
FY 1997	22,461	10
FY 1998	21,525	9
FY 1999	15,042	5
Balance of State		
FY 1991	32,341	8
FY 1992	30,142	9
FY 1993	29,491	7
FY 1994	29,479	6
FY 1995	27,724	5
FY 1996	23,674	3
FY 1997	22,069	3
FY 1998	20,551	3
FY 1999	9,013	2

of recipients decreased by half, to just over 100,000 in May 1999 (Figure 1). Over the span of nearly 9 fiscal years (June 1990 to March 1999), the numbers exiting have held steady, although with greater fluctuation since the mid-1990s. Entries, in contrast, have dropped off significantly since late 1997, ending the decade at roughly 5,000 entries in March 1999, down from roughly 8,000 in June 1990.

The time spent receiving TANF has dropped as well (Table 3). In 1991, for example, one-half of first-time recipients left the program within 10 months. By 1999, one-half had left the program in 7 months. These findings vary from prior studies examining duration of welfare receipt among a national sample, where median duration in the late 1980s was approximately 2 years. In other words, most TANF recipients leave the program relatively quickly.

Many of those who leave TANF eventually return to the program, although those numbers have been dropping as well (Table 4). The span of time before return is also lengthening. Whereas 52 percent of those who left the program in 1991 returned within 3 years, 44 percent of those exiting in 1996 (the last year of data for this cohort) returned to TANF. The number of those returning within 6 months of leaving has been cut nearly in half between 1991 and 1998 (Table 4). This could reflect a robust economy and the effects of the Work Pays program. Both might deter future return to cash assistance if economic stability is secured prior to leaving cash assistance.

Over the decade, earnings for TANF recipients have increased, while the time from entry into the program to first reported earnings has decreased. Across Illinois in 1991, 14 percent reported earnings (while still receiving AFDC/TANF) within 6 months of entering the program and 19 percent reported earnings within 2 years (Table 1). By 1997, 23 percent reported earnings within 6 months and 35 percent reported earnings within 2 years. The largest percentage increases were registered between 1993 and 1996.

Another indication of increased earnings is the rising mean earnings. In 1994, the average earnings was about $70. By 1999, that figure had risen to $96 per month. What we cannot decipher from our data is whether this increase in monthly earnings is due to more hours working or higher wages.

Discussion

Although the cash assistance caseload has decreased in size dramatically since the mid-1990s, the last two periods of the decade (July 1995–June 1999) show very different patterns. Between July 1995 and June 1997 (our third period), there was an increase in exits, while in the fourth period (July 1997–June 1999), there was a decrease in entries. One would expect that the entries during this period are the most needy and least employable. However, even with the decrease in entries, we still see improvement in the earnings indicators. It is clear that families that may have applied for or received cash assistance in the past are not applying for assistance during this fourth period. The very low unemployment rate suggests that these families may be finding employment that makes them ineligible. However, we cannot rule out the possibility that, given the time limits of the new welfare legislation, families are delaying applying for cash assistance. At this point in time, it is impossible to describe how much informal diversion is occurring. (Illinois has no formal diversion policy.) That research is yet to be done.

Illinois Department of Human Services officials also reported closer scrutiny of the reported earnings of families who have applied for cash assistance since 1995, both through computer matching of wage reporting data with cash assistance applications and through direct investigation of families' sources of income. This may be another explanation for decreased entries.

The emphasis on self-sufficiency through work is evident in Illinois's Work First philosophy (which encourages direct work experience over further education and training) and may be one reason for the shrinking time to reported earnings. The fiscal incentive to work inherent in Work Pays is also a likely influence. Without the fear of losing TANF benefits, more recipients may be more willing to report earnings.

Conclusion

Several current studies consider what happens to families when they leave TANF. As a counterpoint, we have considered experiences while receiving assistance. The four periods of the decade that we describe each have their own welfare policy regime (including both actual and perceived changes), which—combined with economic conditions—create changes in the size and character of the cash assistance caseload. The robust economy in Illinois most likely has played a role in the declining caseload. As the caseload falls, one might expect those remaining to be least equipped to enter the workforce—as revealed in a flattening curve among exits and earnings as time passes. (Those best equipped to join the workforce leave first, as reflected in the early and dramatic drop in caseload and increase in earnings.) In actuality, however, we have not seen a flattening curve in Illinois in either exits from TANF or in earnings. This would suggest that welfare reform in Illinois through June of 1999 facilitated recipients taking advantage of the strong economy without experiencing the abrupt transition that can accompany a first job or beginning a job after a period of unemployment.

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Related Publications

The publications listed below are available from Chapin Hall except where another publisher is indicated.

"The Patterns of Food Stamp and WIC Participation and Their Effects on Health of Low-Income Children"
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