Welfare Time Limits in the United States

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Introduction

In 1996, the US Congress passed and President Clinton signed welfare legislation that made dramatic changes to the benefits that were provided to poor families. This legislation – the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) – replaced welfare as an entitlement paid for by the federal government with a block grant that provided a fixed amount of funds to states each year to provide welfare benefits, but allowed states a great deal of latitude in designing their welfare systems. The legislation also eliminated federal funding for certain groups of legal immigrants and specified that most families could receive welfare benefits through federal funds for no more than 60 months.

The 60-month time limit on federal welfare benefits was perhaps the most discussed aspect of the legislation. This paper describes the motivation behind time limiting welfare benefits, how states have implemented time limits, and what is known so far about the effects of time limits. In short, time limits were the latest attempt to motivate welfare recipients to look for work and were intended to send a strong message that the welfare system had changed. However, with the responsibility for welfare policy devolved to the states, there are really 51 different time limit policies.[1] Some states have shorter time limits than in the federal legislation and interpret time limits strictly, while other states have no time limit on benefits. The best estimates suggest that the effects of time limits are fairly small, and that other policies such as work requirements and financial incentives have much larger effects on employment, welfare use, income and poverty.

Why time limits?

Time-limiting government benefits for the poor might be considered a draconian policy that could cause widespread harm to vulnerable families. Proponents of time limits, however, argued that time limits and similar policies were needed because the entitlement system had fostered a "debilitating culture of dependence" (Rector 2001). Time limits and the related policy of sanctions sent a strong signal that welfare benefits were temporary and that welfare recipients had to begin preparing themselves for the world of work. To understand why the federal government thought this message was needed, it helps to know a little of the history of welfare in the US.

As part of Depression-era legislation, the Aid to Families with Dependent Children (AFDC) program was designed in the 1930s as a small program to help needy widows stay home to care for their children. By the late 1960s, however, it had grown into a much larger program serving mostly divorced, separated, or never-married mothers and their children, many of them members of racial and ethnic minorities. The changes in the size and demographics of the AFDC caseload, coupled with changing views about whether mothers of young children should work, made the program increasingly unpopular in the eyes of the general public.

In 1967, Congress responded to this growing unpopularity by requiring parents receiving AFDC who had no preschool-aged children to register for work activities. Because of fiscal constraints and concerns about the ramifications for children's well-being, most states did not begin enforcing work-related requirements until the 1980s, and even then the requirements typically applied to a relatively small proportion of welfare recipients.

The federal Family Support Act of 1988 (FSA) tried to accelerate these efforts by increasing funds to states for employment-related services such as job search assistance, education, and training and by requiring states to ensure that a specified percentage of AFDC parents – including mothers of preschool-aged children – participated in such services. FSA also sought to ease the transition from welfare into work by requiring states to provide one year of child care subsidies and health insurance to recipients who left welfare for work.

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[1] Although there are only 50 states, the District of Columbia has its own welfare policy, resulting in 51 different welfare policies. For that reason, the text might sometimes refer to 51 states, which refers to the 50 states plus the District of Columbia.

Between 1989 and 1994, the national AFDC caseload increased by more than one-third, to more than 5 million families. In the tight budgetary environment that resulted, many states did not have the resources to enforce work-related requirements for AFDC parents aggressively. Welfare reform again moved into the national spotlight, particularly during the 1992 presidential campaign, when candidate Bill Clinton promised to "end welfare as we know it".

The 1996 federal legislation formally abolished AFDC, ended needy families' legal entitlement to cash welfare assistance, and created the TANF block grant (a funding stream that gives states a fixed amount of funds each year but also gives them broad flexibility to design programs for needy families). Congress also barred states from using federal TANF funds to assist most families for more than 60 cumulative months, although states were allowed to exempt 20 percent of the welfare caseload from this time limit. The legislation also required states to ensure that a larger fraction of welfare recipients were working or looking for work than was previously required.

Although time limits have received the most attention among the policy changes implemented in 1996, other changes are likely to have had a bigger effect on behavior and economic outcomes. Most states' TANF policies require welfare recipients to look for work when they begin receiving benefits (or in some cases before they begin receiving benefits), or be sanctioned (and lose benefits) otherwise. Most states have also increased the benefits that welfare recipients can keep when they go to work, a policy that has been found to encourage work, increase income and benefit children (Bloom and Michalopoulos 2001; Morris et al. 2001).

What states have implemented

Because the 1996 legislation gave states substantial leeway in devising their own welfare policies, there is considerable variation from state to state in how time limits were implemented. A total of 43 states (including the District of Columbia) have imposed time limits that can result in the elimination of a family's entire welfare grant (termination time limits). Twenty-six of these states have imposed a 60-month termination limit, while 17 states have imposed limits of fewer than 60 months.

The remaining eight states have not imposed termination time limits, although six of them have set reduction time limits, which entail canceling the adult share of the family's welfare grant while continuing to provide the child share. Two states – Michigan and Vermont – have welfare policies without either termination or reduction time limits. These states may have to use state funds to support children or entire families who reach the 60-month federal time limit after the state's 20 percent cap on exemptions is reached. Nearly half of welfare recipients in the United States live in states that either have no time limit or have a reduction time limit (Pavetti and Bloom 2001).

Even where states have termination time limits, many have introduced new programs to provide a safety net that ensures that families are not without some resources. In Connecticut, for example, a program run by nonprofit organizations helps families who have reached the state's time limit find work and meet basic needs (Bloom et al. 2002). In addition, the state extended the welfare benefits of many families who reached the time limit without earning more than their monthly benefit level. In Philadelphia, state funds are being used to extend benefits indefinitely as long as parents are working or participating in assigned activities for 30 hours or more per week. In addition, recipients' clocks are stopped for up to one year if they work 30 hours per week or work 20 hours or more per week and also attend an education and training program for 10 hours per week. As a result, few families in Philadelphia are expected to have their benefits terminated because of time limits (Michalopoulos et al. 2003).

It is important to remember that time limits, when they are used, apply only to cash welfare payments. A number of other means-tested benefits are available to families indefinitely. These include food stamps (a monthly benefit that can only be used to purchase food), public health insurance, child care subsidies and housing subsidies. For example, families can receive public health insurance through the Medicaid program as long as their income remains below a state-determined level (and children and pregnant mothers are eligible for public health insurance as long as family income is below 133 percent of the federal poverty level, which was $14,824 per year for a single parent with two children in 2003). A single parent with two children but no income could receive food stamps benefits

of $315 per month, which is more than the welfare benefit amount in some states. Likewise, housing subsidies limit a family's monthly rent to 30 percent of its income, although housing subsidies are received by only a small proportion of low-income families because of funding limits and limits on available housing.

Related to time limits is a policy called sanctions, which reduce or eliminate the benefits of families in which the parent fails to comply with required activities, such as looking for work or going to work. Like time limits, sanctions are intended to encourage families to work and reduce or eliminate a family's cash grant for some period of time. According to Pavetti and Bloom (2001), 37 states eliminate the family's entire grant for some period of time if the parent does not comply with work-related requirements. In seven of those states (Delaware, Georgia, Idaho, Mississippi, Nebraska, Pennsylvania and Wisconsin), continued noncompliance can result in a family's grant being permanently eliminated, as it is when a family reaches a lifetime time limit (Goldberg and Schott 2000).

In many states, sanctions affect many more families than do formal time limits. In Philadelphia, for example, in October 2002, more than 2,000 families were being sanctioned for not complying with work-related requirements, but only 68 families had lost TANF benefits forever because of continued noncompliance (Michalopoulos et al. 2003). In fact, as a result of the policies described earlier, few families in Philadelphia are expected to lose benefits because of welfare time limits. In Miami-Dade County, Florida, between October 1998 and June 2002, 960 cases each month lost benefits for some time because of sanctions, while only 65 cases per month lost benefits because of the state's time limit (Brock et al. 2004).

Effects of time limits

This section briefly reviews empirical research on how time limits have affected employment, welfare receipt and income. One point is clear: it is difficult to determine what effects time limits have had because states implemented time limits as part of larger packages that included other policies. Nevertheless it is possible to gain some insights by looking at differences in outcomes across states that have implemented different sets of policies and by comparing the results of random assignment studies of welfare policies with time limits to other random assignment studies of welfare policies that did not include time limits. It is important to remember, however, that most of the evidence about the effects of time limits comes from a period when the US economy was growing and jobs for low-income workers were relatively plentiful.

Employment and welfare

Placing a time limit on welfare receipt could affect people's behavior in several ways. First, it might discourage people from moving onto welfare in the first place. Second, it might encourage welfare recipients to leave the roles quickly (perhaps for work) in order to conserve the number of months before they reach time limits. Finally, people who remain on the roles despite time limits might at some point have their benefits reduced or canceled, and this might motivate them to go to work to replace their lost income, or it might simply reduce their income. Evidence is available primarily on the second and third questions.

The evidence does not suggest that time limits have induced people to go to work before they reach time limits. In four random assignment studies (in Connecticut, Delaware, Florida and Virginia), welfare recipients were assigned at random to either a program that included termination time limits or to a control group that was subject to the prior AFDC rules.[2] All four programs increased employment during the period before anyone had reached the time limits, but it is impossible to say to what extent these impacts were driven by the time limits as opposed to other program features (such as enhanced earned income disregards and employment services). Moreover, in each case the impact on employment was no larger than the impacts of many earlier programs that did not include time limits. Grogger, Karoly and Klerman (2002) point out that two nonexperimental studies find that anticipating time limits does encourage welfare recipients to work, but they are unwilling to draw strong conclusions from only two studies.

There is stronger evidence that some groups of welfare recipients have left the rolls in order to conserve their welfare eligibility for a later time.

[2] See Bloom et al. (2002) for information on the Connecticut study; Fein and Karweit (1997) for Delaware; Bloom et al. (2000) for Florida; and Gordon and Agodini (1999) for Virginia.

Several nonexperimental studies have noted that families whose youngest child is near adulthood will be ineligible for welfare before they reach time limits because their children will be adults (Grogger and Michalopoulos 2003; Grogger 2000, 2002, forthcoming). By contrast, families with very young children should have the greatest incentive to conserve their months of benefits. Using this logic, the studies found in a number of different data sources that families with younger families left welfare faster than families with older children in response to welfare time limits.[3] Results from a random assignment study in Vermont likewise indicate that people went to work or left welfare in anticipation of a work-trigger time limit (Scrivener et al. 2002).

What happens when families' benefits are terminated at the time limit? Not surprisingly, time limits appear to reduce welfare receipt at that point. However, there is little evidence that reaching the time limit caused a large number of people to go to work. In the random assignment studies in Florida and Connecticut, for example, the programs' effects on employment were similar in the period immediately before families began reaching the time limit and the period immediately after families began reaching the time limit.

Income

When Congress and the states imposed time limits on welfare receipt, there was considerable concern that time limits would cut off the benefits of people who could not replace cash assistance with other income. If this concern were founded, time limits would make families worse off financially and might increase their material hardship.

The best evidence to date implies that time limits do reduce family income, but the amount that income is reduced depends on how time limits are implemented and the other aspects of welfare reform. In the Connecticut study mentioned above, imposing the time limit substantially reduced income for families whose benefits were terminated, but the average income in the program group was no lower than that in the control group, even after the time limit began to be imposed. This result may reflect the way Connecticut's time limit was implemented. Virtually everyone who reached the time limit but earned less per month than a standard welfare grant for their family size was given a six-month extension of welfare benefits, and families could in principle receive an unlimited number of such extensions. In other words, most people who lost benefits because of the time limit were earning so much that they would not have been eligible for welfare under AFDC rules in any case.

The story is only slightly different in the random assignment study in Florida. Although the Florida program granted few benefit extensions to families that reached its time limit, the policy did not result in significantly lower average income for people in the program than for people in the control group after families began reaching the program's time limit. This is partly because fairly few families reached the program's time limit and partly because many of them were working when they reached the time limit.

Although the results in the Connecticut and Florida studies are similar in many respects, other programs with time limits could generate different results. For example, a program that combined a generous disregard with a more strictly implemented time limit – that is, one in which few extensions were granted – might reduce average income after the time limit. However, nonexperimental analyses have likewise found little evidence that time limits affect income (Grogger, Karoly and Klerman 2002).

Summary

With regard to welfare time limits in the US, three points are worth remembering.

First, there is not one time limit policy, but 51 different time limits, one for each state plus the District of Columbia. Some states eliminate welfare grants for some families after as little as 21 months on the rolls, while other states use state funds to provide benefits indefinitely. Some states provide few extensions to families whose time clocks are used up, while others provide extensions to most families who are making a good-faith effort to comply with welfare rules.

[3] In the random assignment studies in Connecticut, Delaware, Florida and Virginia, welfare recipients in the time-limited welfare program were generally no more likely than control group members to leave welfare in the period before anyone reached the time limits. However, all four programs included not only time limits but also enhanced earned income disregards (that is, disregards higher than those available under AFDC rules). Results in Grogger and Michalopoulos (2003) imply that the disregards kept some people on welfare longer, and thus masked the effects of time limits on welfare receipt.

Although welfare time limits were intended as a last-resort effort to encourage families to leave welfare for work, other policies have probably had more influence on the behavior of low-income families. Many more families have lost benefits by being sanctioned for not complying with welfare rules than have lost benefits by reaching welfare time limits. The effects of time-limited welfare programs on employment and earnings have been no greater than the effects of similar programs that did not have time limits, and work requirements and expanded financial incentives through the welfare system and the federal tax code appear to have more influence on recipients' behavior. While there is evidence that some families have left welfare to conserve their future eligibility for benefits, these effects are probably small compared to the number of families who have left welfare because of work requirements.

Finally, it is important to remember that cash welfare benefits are only part of the safety net in the United States. Families who reach welfare time limits remain eligible for benefits such as public health insurance and food stamps that together are more valuable than cash benefits for most families. In addition, many states have put into place safety net programs to make sure that families who reach time limits are not left destitute and to ensure that their children are not harmed. In short, states have made sure that the bark of time limits has been much worse than their bite.

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