

**Welfare Reform
Reauthorization
and Rural America:**

**Implications of
Recent Research**

Bruce Weber and Greg Duncan

EXECUTIVE SUMMARY

The 1996 welfare reform legislation ended cash assistance as a federal entitlement, and made receipt of public assistance conditional on working or preparing for work and subject to time limits. Given the more limited job opportunities in rural areas and the poorer access to work and family support services, there has been concern about how this legislation has affected the one-fifth of the nation's population living in nonmetropolitan areas.

We have learned much from recent research about the rural dimensions of welfare reform and poverty, including:

- Welfare policy, the Earned Income Tax Credit, and a strong national economy have reduced the welfare caseload dramatically, and increased incomes and lowered poverty levels for both rural and urban single-parent families. Patterns of welfare use, poverty, and employment for nonmetropolitan single-parent families are remarkably similar to those of their metropolitan counterparts, according to studies based on national data. However, studies focused on rural and urban differences within individual states reveal important differences within and across urban and rural areas in the structure of opportunities (access to jobs, licensed child care, job training, and other supports) and outcomes (caseload, employment, earnings).
- Both personal characteristics and structural conditions hinder the success of low-income people making the transition from welfare to work. Low-income families in rural areas often face substantial structural barriers: fewer and lower-wage jobs, longer distances to services and jobs, less automobile access (a greater barrier because of the distances and no public transportation), and lack of child care options. Personal barriers, however, are prevalent in both rural and urban areas.

These findings suggest that policies to reduce poverty will be more effective in equalizing outcomes across rural and urban areas if they recognize the diversity of context, resources, and opportunity in different places.

Reauthorization of welfare reform in 2002 provides opportunities to revisit key elements of reforms.

The many similarities between the fates of low-income families in rural and urban areas argue for attention to key provisions that help all families move from welfare to work: supporting work with earnings and child care subsidies; ensuring access to health care; addressing the needs of families with substantial barriers to employment; and maintaining safety-net programs such as Food Stamps.

At the same time, the structural barriers to successful employment in rural areas argue for attention to issues that address spatial differences in opportunity and resources. Four provisions of the 1996 law are particularly important for rural areas:

- **Funding levels and distribution formulas for TANF and supplemental funding:** An unintended outcome of the current distribution formula for Temporary Assistance for Needy Families (TANF) is that states with below-average welfare grants per poor person are disproportionately rural. Supplemental funding, which goes disproportionately to rural states, is a vulnerable component of TANF funding.
- **Time limits and sanction policies that do not explicitly recognize regional differences in resources and opportunities:** The relatively fewer job opportunities, transportation options, and support services in rural areas make it more difficult for rural welfare recipients to avoid reaching time limits under current policy.
- **Child care funding:** Child care options in rural areas are more limited than in urban areas, and the current funding does not address differences in child care system capacity between rural and urban places.
- **Funding during recessions:** Because jobless rural workers are less likely to gain employment than urban workers during recessions, continued availability of assistance to rural welfare recipients during recessions is likely necessary. The contingency fund designed to help states in recessionary periods does not recognize possible within-state variability in joblessness, requires states to substantially increase their own spending to qualify for funding, and may be inadequate to ensure the continued payment of TANF benefits to those in need during a serious recession; further, this fund is at risk during reauthorization.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 ended cash assistance as a federal entitlement and imposed time limits and work requirements as a condition of assistance. It also gave state governments more flexibility in designing welfare policy, while imposing new accountability requirements. This increased flexibility was intended to allow states to “respond more effectively to the needs of families within their unique environments.”

Some states responded to this devolution of authority by giving counties more leeway in designing welfare policies to meet local conditions. Most states, however, implemented uniform programs statewide. Uniform statewide programs and federally imposed universal time limits and work requirements raise the question of how disadvantaged areas and families headed by persons with multiple barriers will fare. There is particular interest in how welfare reform might affect the one-fifth of the U.S. population that lives in nonmetropolitan areas.¹

This issue was explored directly at the conference on “Rural Dimensions of Welfare Reform,” supported by the Economic Research Service of the U.S. Department of Agriculture, the Joint Center for Poverty Research, and the Rural Policy Research Institute. The research presented will also appear in *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener, forthcoming from Upjohn Institute in fall 2001. A list of book chapters is found in the appendix. Unless otherwise indicated, specific findings reported here are based on the conference volume.

In this document, we answer three sets of questions:

1. Why might welfare reform have different effects and outcomes in rural areas?
2. What are the rural-urban differences in the effects of welfare reform on Temporary Assistance for Needy Families (TANF) and Food Stamp caseloads and program participation, employment and earnings, poverty, and food insecurity and hunger?
3. What are the implications of this research for reauthorization of PRWORA and other policies that affect low-income families and workers?

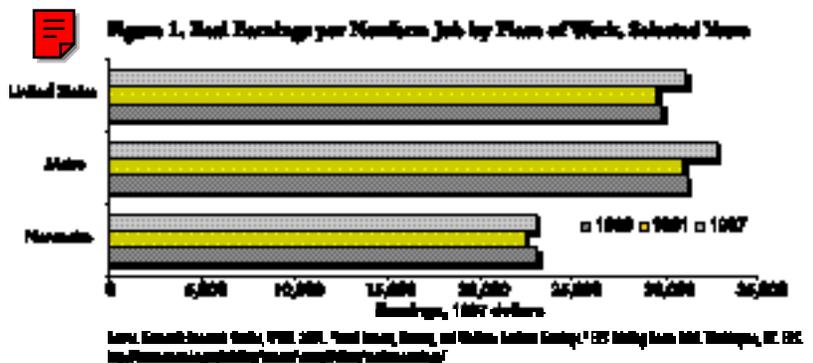
WHY THE EFFECTS OF WELFARE REFORM MAY DIFFER IN RURAL AND URBAN AREAS

Rural areas are exceedingly diverse. Some are growing rapidly and have high rates of in-migration, others are economically stagnant and are losing population. Some have high concentrations of agriculture and forestry; others have no significant presence of these industries. Some have high concentrations of African American, Hispanic, and Native American populations. Some are adjacent to metropolitan areas, and others are isolated from large cities.²

Yet all rural areas share one common characteristic: relatively low population density. This characteristic shapes the economic prospects of rural communities and regions, and the capacity of the local public and nonprofit sectors to provide community services. Local economic conditions and community services, in turn, affect the well-being of the residents of rural areas, and the ways in which rural residents respond to a given set of federal and state policies. To the extent that rural and urban areas differ in their local labor markets and support services, one might expect the impact of a policy change to differ as well. Therefore, the question is, How are rural labor markets and support services different from those in urban areas?

Local Labor Markets

When compared with urban areas, local rural labor markets generally offer fewer job options. Average earnings levels are lower in rural than urban areas, although lower costs of living in rural areas may offset these disadvantages somewhat³ (see Figure 1). The types of jobs available in rural areas are not as



likely to provide steady employment at high wages because employment in rural areas is more concentrated in minimum-wage and part-time jobs and more likely to involve routine work (see Figure 2). In some rural and agricultural areas, employment is more seasonal.

On the supply side of the labor market, rural residents have personal characteristics that may make it harder for them to become and stay employed, relative to urban residents. In particular, rural residents

1 Barbara Blum, Jennifer Farnsworth, Mary Clare Lennon, and Ellen Winn. August 2000. *Welfare Research Perspectives: Past, Present, and Future*, 2000 Edition. New York: National Center for Children in Poverty.

Rural Policy Research Institute (RUPRI), Rural Welfare Reform Panel. 1999. "Rural America and Welfare Reform: An Overview Assessment." Columbia, MO: University of Missouri.

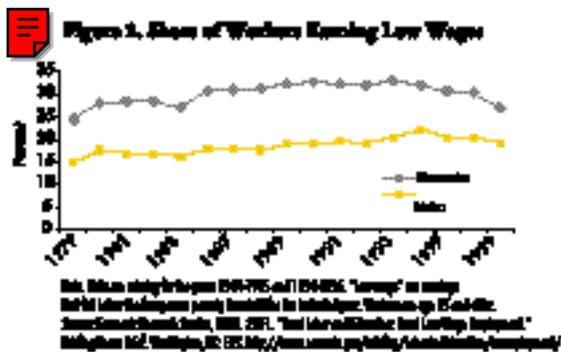
RUPRI. 2001. "Welfare Reform in Rural America: A Review of Current Research." Columbia, MO: University of Missouri.

Gary Stangler. 2000. "Job Skills, Urban versus Rural Differences, and Translating Research into Policy." *Poverty Research News*, 4(6). Chicago: Joint Center for Poverty Research.

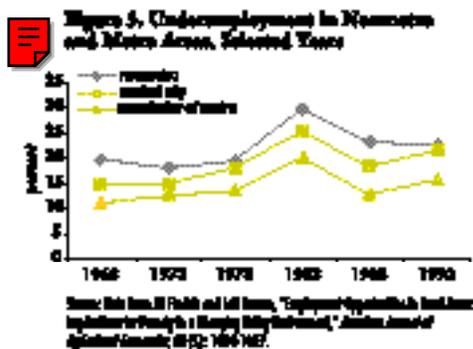
2 The terms "nonmetropolitan" and "rural" are used interchangeably in this document.

3 Mark Nord. March 2000. "Does It Cost Less to Live in Rural Areas? Evidence from New Data on Food Security and Hunger." *Rural Sociology*, 65 (1): 104-125.

National Research Council. 1995. *Measuring Poverty: A New Approach*. Washington, D.C.: National Academy Press.



have less formal education than their urban counterparts. Unemployment rates for single-mother families (those most affected by welfare reform) are higher in rural than in urban areas. And, although overall unemployment rates are not much different between



metro and nonmetro areas, underemployment rates (the underemployed include the unemployed, as well as discouraged workers, involuntary part-time workers, and low-income workers) are considerably higher in nonmetro areas, and this pattern has persisted over a long period of time. Indeed, underemployment rates are even higher in nonmetro areas than in central cities⁴ (see Figure 3).

Availability of and Access to Work and Family Supports

The greater distances to jobs and support services introduce a greater access barrier for rural residents. Access to jobs, child care, training, and other support services requires reliable personal transportation and, often, more time and money in rural than urban areas.

On the one hand, lower population densities in rural areas make it more difficult to support some specialized services. Services that support work, such as public transportation and specialized education and job training, are often unavailable in rural communities. Formal, paid child care is also less available in rural areas. Family supports, such as health and mental health services, emergency services, and services for those with disabilities, are also often only available in larger

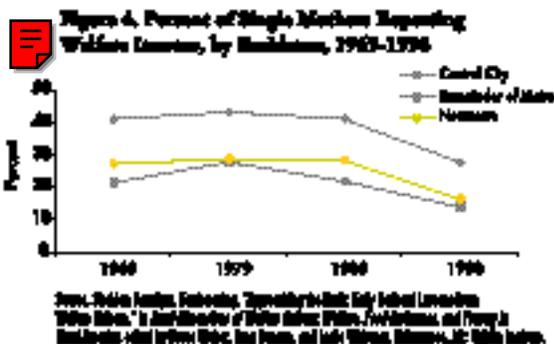
locales. On the other hand, rural residents often have more extensive and stronger informal personal support networks, which can compensate, to some extent, for the weaker formal support services in helping single mothers move into paid employment.

In summary, rural welfare recipients have lower levels of formal education, poorer access to high-quality employment opportunities, and poorer access to services and infrastructure to support work and family. These barriers suggest that welfare reform could be less successful in moving low-income adults into the workforce and out of poverty.

RURAL-URBAN DIFFERENCES IN THE EFFECTS OF WELFARE REFORM

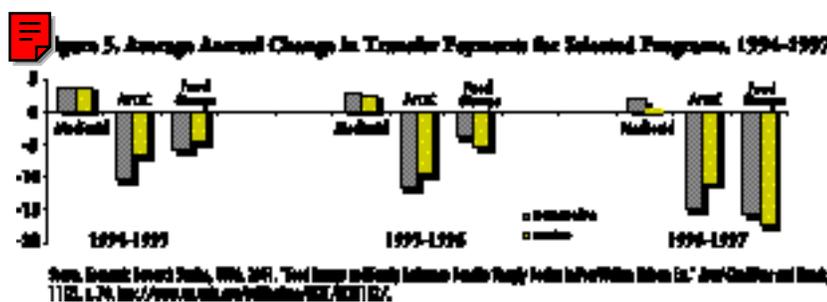
TANF and Food Stamp Participation

TANF caseloads nationwide declined 47 percent between 1994 and 1999, while the Food Stamp caseload declined 30 percent. Although national studies of welfare participation of single mothers show similar declines in both rural and urban areas (see Figure 4), the majority of state studies looking at rural and urban differences in TANF caseloads find per capita caseloads higher and declines lower in rural areas, although the differences vary considerably from one state to the next. Per capita family assistance



(AFDC/TANF) benefit payments, however, declined more rapidly in nonmetro than in metro areas between 1994 and 1997 (see Figure 5). Greater than average declines occurred in both rural and urban counties and were concentrated in a few states (see Map 1).

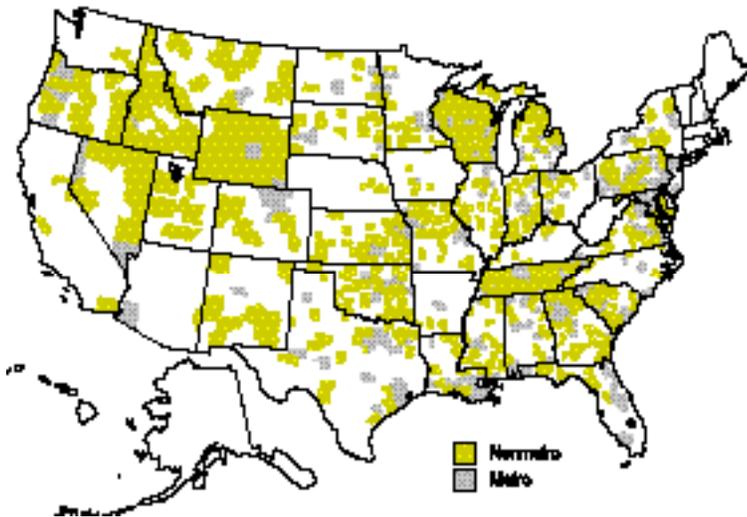
Food Stamp declines are more difficult to explain, given that most families leaving TANF retain eligibility for Food Stamps. Food Stamp participation rates



4 Jill Findeis and Leif Jensen. 1998. "Employment Opportunities in Rural Areas: Implications for Poverty in a Changing Policy Environment." *American Journal of Agricultural Economics*, 80 (5): 1000-1007.

Map 1: Counties with rapid decline in per capita family assistance benefits, by residence, 1996-97

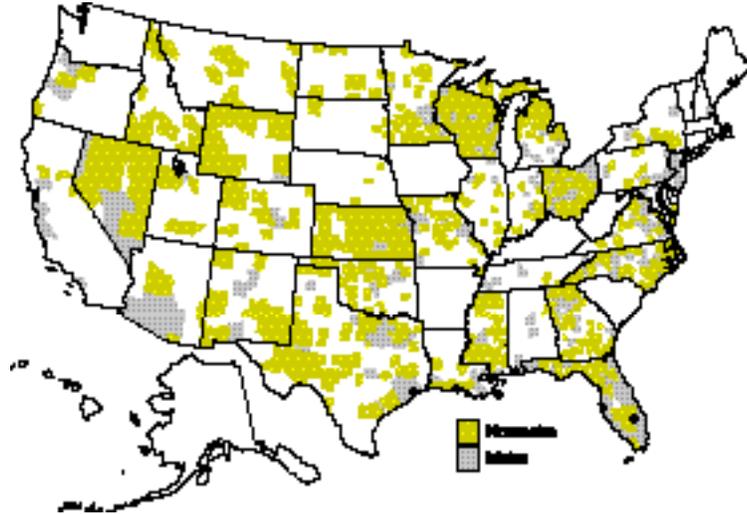
Declines in family assistance benefits were greater than the decline in the national average in about one-third of counties



Note: Rapid decline is defined as greater than the national average decline of 20 percent.
Source: Calculated by Economic Research Service using data from the Bureau of Economic Analysis.

Map 2: Counties with rapid decline in per capita Food Stamp benefits, by residence, 1996-97

Counties with rapid declines in Food Stamp benefits were concentrated in about a third of the states



Note: Rapid decline is defined as greater than the national average decline of 20 percent.
Source: Calculated by Economic Research Service using data from the Bureau of Economic Analysis.

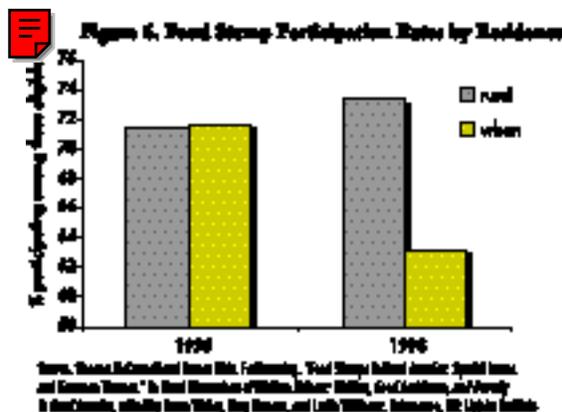
appear to have declined more in urban than rural areas (Figure 6). Food Stamp benefit payments per capita also declined more rapidly in metro than in nonmetro counties (see Figure 5). It is clear that state policies have a significant impact on Food Stamp participation (see Map 2 for regional Food Stamp benefits changes). For example, in Ohio between 1994 and 1999, the fall in the Food Stamp caseload (45 percent) was similar to the decline in TANF (53 percent). In contrast, South Carolina made special efforts to promote Food Stamp use, and its TANF caseload decline over this period (64 percent) was much greater than the 13 percent fall in Food Stamp caseloads.

TANF caseload declines have been fueled by a mixture of booming economic conditions and welfare reform changes, as well as expansion of the Earned Income Tax Credit (EITC), with most, but by no means all, former recipients securing at least

temporary work. Food Stamp declines are likely affected by many of the same factors. The most recent statistics, however, suggest that both TANF and Food Stamp declines may be coming to an end, and are even reversing in several states.

As the above discussion suggests, interpreting the caseload declines is difficult. Slow caseload declines in an area can be the result of a scarcity of job opportunities, or high structural barriers (such as lack of access to child care or education and training), or welfare implementation procedures that do not promote caseload reduction. Most analyses of rural-urban differences implicitly interpret lower caseload declines as evidence of greater barriers and fewer opportunities. This interpretation assumes uniform implementation of policy in rural and urban places. Difficulties in interpreting caseload

declines have led researchers to examine other outcome indicators, such as employment, earnings, and poverty status.



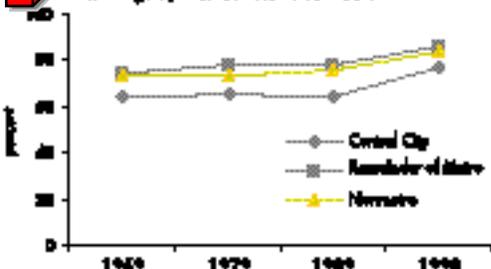
Some states have been much more successful than others in continuing to provide Food Stamp benefits to needy families.

Employment and Earnings

The tight labor markets and low unemployment rates nationwide throughout the late 1990s have provided the best possible environment for welfare recipients who are entering the labor market. Reductions in caseloads, however, do not mean that all rural and urban families that leave the rolls are making ends meet. Can welfare recipients find work? Is the transition more difficult in rural areas? Is their economic situation better when they get jobs? Can former welfare recipients escape poverty through work? We consider each of these in turn.

Can rural welfare recipients find work? National-level studies suggest that welfare reform and expansion of the EITC are playing important roles in raising the employment rates of single mothers,⁵ with some research finding that more than half of the former recipients are employed at some time after ending their welfare participation.⁶ As reported by Signe-Mary McKernan and her colleagues in the conference volume, many have left welfare for work in both metro and nonmetro areas. They find few differences in the effect of welfare reform in metro and nonmetro areas for all single mothers, although the more disadvantaged group of low-educated, single mothers in rural areas does not appear to share the employment gains of their urban counterparts. A comparison of nonmetro and central-city residents shows lower employment gains between 1989 and 1998 for nonmetro single mothers than for central-city mothers (see Figure 7). However, additional data presented by both Sheldon Danziger and Daniel Lichter and Leif Jensen in the conference volume do not support the early, dire predictions that rural mothers and their children would be left behind in job attainment under the new welfare policy and economic environment.

Figure 7. Percent of Single Mothers Reporting Receipts by Residence, 1989-1998

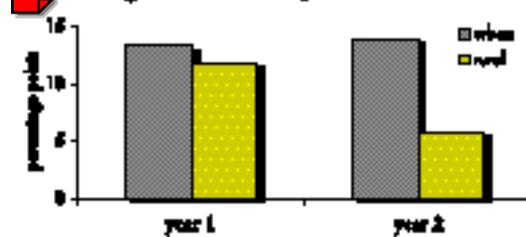


From: Signe-Mary McKernan, "Reporting the Best-Case Scenario for Welfare Reform" in *Real Dimensions of Welfare Reform: Welfare, Food Assistance, and Family in the 1990s*, edited by Bruce Baker, Guy Bryner, and Leah Wilcox. Kalamazoo, MI: Upjohn Institute.

Assessments of welfare reform at the state level suggest more variable effects. Minnesota implemented an experimental welfare waiver program—the Minnesota Family Investment Program (MFIP)—with complementary components of financial incentives to encourage work and mandatory participation in employment-focused services for long-term welfare recipients. In a study of the effects of the MFIP, Lisa Gennetian and colleagues find that

employment among long-term, single-parent recipients increased in both urban and rural counties during the two years after selection for the study in 1994–1996. However, in contrast to the large and lasting employment gains in urban counties, average employment increases were much smaller in rural counties, and the effects on employment faded considerably by the last year of follow-up (see Figure 8).

Figure 8. Impact of MFIP on Employment of Long-Term Welfare Recipients



Note: MFIP—Minnesota Family Investment Program; impact on the difference in employment between experimental and non-experimental groups. From: Gennetian, Leah Wilcox, and Signe-Mary McKernan, "The Effect of Welfare Reform on Low-Educated, Long-Term Welfare Recipients' Family Investment Program," in *Real Dimensions of Welfare Reform: Welfare, Food Assistance, and Family in the 1990s*, edited by Bruce Baker, Guy Bryner, and Leah Wilcox. Kalamazoo, MI: Upjohn Institute.

Is the welfare-to-work transition more difficult in rural areas? Most national-level research suggests that obstacles to employment for single mothers leaving welfare are no greater in rural than in urban areas. Rural areas are becoming more culturally, politically, and economically integrated, and many issues related to low-wage service economies are relevant for both rural and urban areas.

State-level analyses, however, suggest that barriers to work can vary widely by labor market area. Frank Howell's Mississippi labor market analysis demonstrates that labor market areas differ in their capacity to create net job growth that matches the educational credentials of TANF recipients. Moreover, the labor market areas that are likely to be the most challenged by this spatial mismatch are also those with the least access to licensed child care facilities. The bleakest outlook for TANF recipients to find jobs that will match their educational credentials appears to be in the nonmetropolitan labor market area in the Mississippi Delta region. Areas of the state with the highest levels of urban influence hold the brightest prospects for education-matched employment. The availability of regulated child care facilities also follows this pattern of urban influence.

Similarly, interviews by Cynthia Fletcher and colleagues with welfare families and community informants in seven Iowa communities ranked by population density suggest that different effects of welfare reform policies hinge on differences in the proximity of jobs and access to support services. Families making the transition from welfare to work need an array of support services that include job training, health care, child care, or a range of emergency services that are less available in rural areas. Urban centers offer more job opportunities and support a scale of auxiliary social services that cannot be

5 Bruce Meyer and Dan Rosenbaum. 1999. "Making Single Mothers Work: Recent Tax and Welfare Policy and Its Effects." JCPR working paper no. 152. Chicago: Joint Center for Poverty Research.

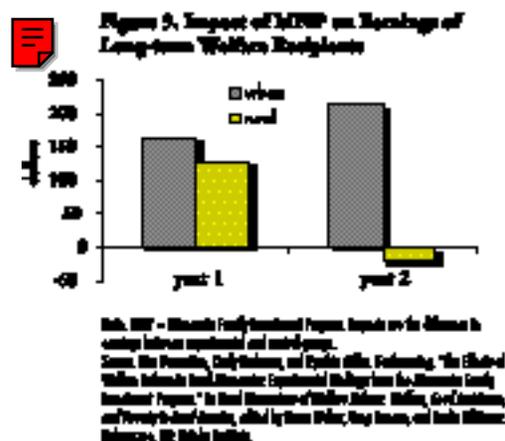
6 Sarah Brauner and Pamela Loprest. 1999. "Where Are They Now? What States' Studies of People Who Left Welfare Tell Us." Washington, D.C.: The Urban Institute.

Maria Cancian, Robert Haveman, Thomas Kaplan, Daniel Meyer, and Barbara Wolfe. 1999. "Work, Earnings, and Well-Being after Welfare." In *Economic Conditions and Welfare Reform*, edited by Sheldon H. Danziger. Kalamazoo, MI: W.E. Upjohn Institute.

matched in rural communities. Welfare recipients who live in or adjacent to urban areas also have potential access to more jobs, and jobs that pay higher wages compared with recipients who live in remote rural communities. Capitalizing on those jobs, wherever one may live, requires access to reliable, affordable transportation. The feasibility of establishing cost-effective mass transit systems depends, in part, on population density and, therefore, is less likely to exist in rural areas.

Has employment improved the economic well-being of rural recipients? National-level analyses show that welfare-to-work transitions have resulted in significant gains in total per capita earnings between 1993 and 1999 for nonmetro, single, female-headed families, larger than the gains seen for their metro counterparts.⁷ Nearly all of the gains in total per capita income between 1993 and 1999 were accounted for by a shift from being on the welfare rolls to being in the workforce. However, these welfare-to-work shifts and the resulting economic gains are largely due to increases in the education and ages of single mothers and improvements in area economies rather than to structural shifts related to welfare reform.

Assessments at the state level also point to limited effects of welfare reform on earnings in rural areas, although the effects are more positive for urban areas. Gennetian and coauthors find that the MFIP program in Minnesota had no statistically significant effect on the average earnings of rural welfare recipients, although it increased the average earnings of urban recipients (see Figure 9). The program increased income (measured by welfare and earnings) for both urban and rural recipients because it allowed recipients to maintain their welfare income as their earnings increased. Differences in recipients'



prior marital history and changes in family structure, in particular, explain the program's different effects on rural and urban recipients.

Can former welfare recipients escape poverty and remain off welfare through work? Although most former recipients can find some work, many cannot get or keep full-time, year-round work. As a result, many welfare recipients return to the welfare system

for economic support. Helen Jensen and coauthors explore returns to welfare in Iowa and find, for example, that among welfare recipients, those in metro areas were less likely to leave welfare compared with those in nonmetro areas. Once they left, however, metro residents were less likely to immediately return. After six months, there was little difference in the likelihood of returning to welfare between metro and nonmetro residents. Iowa's experience suggests that human capital, child support, and the presence of children are major determinants of welfare dependence and cycling.

Additional analysis suggests that the impacts of welfare-to-work transitions are likely to vary systematically by type of county. Henry Brady and colleagues argue that welfare use patterns in California's rural and agricultural counties differ from those in urban counties, owing largely to seasonal variation in employment patterns. The average California welfare recipient in an agricultural or rural county is more likely than the average welfare recipient in an urban county to leave welfare in the summer months.

Lichter and Jensen find that more than one-third of working, rural, female heads are in poverty, a rate higher than at any time since 1989. The problem for most rural, poor adults is less one of finding a job than of finding a job that pays a living wage. Mark Harvey and coauthors analyze the short-term effects of welfare reform in the persistently poor rural areas of central Appalachia, the Mississippi Delta, the Lower Rio Grande Valley, and Indian reservations in South Dakota. They find that personal and policy adjustments have buffered the severity of negative impacts predicted by many reform critics. Personal adjustments include extensive participation in informal labor markets and reliance on strong networks of family support. An institutional response in these areas has been to suspend time limits in some counties. It is likely that many of those who left the welfare rolls have found work in either the formal or informal labor market. Welfare reform may have reduced the ability of poor adults to combine welfare assistance with informal work.

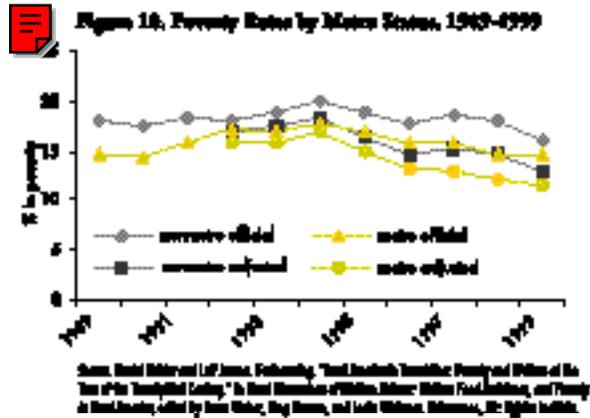
Poverty

Poverty rates are higher in nonmetropolitan areas than in metropolitan areas, but they have declined more rapidly over the last decade (see Figure 10). Public assistance has had a modest effect in moving single mothers out of poverty, moving them out of deep poverty, and closing the "poverty gap" (the gap between their incomes and the poverty line for their family), and for the most part, welfare reform's effect on poverty did not differ greatly in rural and urban areas. Yet there is some indication that this "ameliorative effect" has been greater in metropolitan areas than in nonmetropolitan areas. As Lichter and Jensen report, this ameliorative effect of public assistance for single mothers has diminished since 1996, and it has diminished more in nonmetro areas.

7 Bradford Mills, Jeffrey R. Alwang, and Guatam Hazarika. 2000. "The Impact of Welfare Reform Nationally and in Nonmetropolitan Areas: A Nonparametric Analysis." Paper presented at the Joint Center for Poverty Research conference, "Rural Dimensions of Welfare Reform: A Research Conference on Poverty, Welfare, and Food Assistance." Washington, D.C. May 4-5, 2000.

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Antipoverty policy will be more effective if it recognizes the diversity in context, resources, and opportunities in different places.



Food Insecurity and Hunger

Food insecurity in both nonmetropolitan areas and nationally saw no change between 1995 and 1998, but hunger rates declined significantly. The substantial declines in Food Stamp use during the late 1990s may have stemmed from declining access or declining need. Mark Nord finds that food insecurity increased substantially in the late 1990s among low-income households not participating in the Food Stamp program. He concludes that much of the decline in Food Stamp use by low-income households “appears to have resulted from less access to Food Stamps, rather than less need for food assistance.” Because there was no corresponding increase in hunger, however, it appears that the most needy households, those facing hunger without food assistance, were generally still able to access Food Stamps.

IMPLICATIONS FOR THE REAUTHORIZATION DEBATE

Four lessons emerge from the research:

- Work-oriented welfare policy, the expanded EITC, and a strong national economy have reduced the welfare caseload and resulted in increased incomes and lower poverty for both urban and rural single-parent families. When viewed from the national level, nonmetropolitan outcomes related to welfare use, poverty, and employment of single-parent families are not significantly different from metropolitan outcomes. As one looks at specific states, and regions within those states, however, large variation emerges in the structure of opportunities and in outcomes.
- Both personal characteristics and structural conditions hinder the success of low-income individuals making the transition from welfare to work. Low-income people in rural areas generally face substantial structural barriers: fewer and lower-wage jobs, long distances to services and jobs, low automobile access (a greater barrier because of the distances and no public transportation), and lack of child care options. Personal barriers, however, are more ubiquitous in both rural and urban areas: a lack of soft skills (work-related social and inter-

personal skills), lack of education (although rural single mothers are somewhat better educated than their urban counterparts), and personal stress.

- Participation in the informal economy is an important element of the economic strategies used by low-income people to make ends meet, perhaps particularly in rural areas. Welfare reform’s work mandates do not recognize informal work, and rural residents in severely depressed regions have experienced economic hardship as they comply with the work requirements that disrupt or displace informal work. This happens when reductions in welfare payments and loss of informal income are not offset by income gains from work.
- Important stakeholders in welfare policy (welfare participants, employers, and welfare administrators) have quite different views on what prevents welfare participants from getting jobs that move them to self-sufficiency. Welfare participants stress low wages, their own lack of education, and local child care availability as major barriers to self-sufficiency. Employers stress the lack of soft skills, transportation, and child care problems, and the lack of a “work ethic” among welfare recipients. Welfare administrators point to both personal issues (generational dependence on welfare, lack of education and motivation, substance abuse) and structural barriers (lack of jobs and transportation, expense of owning a car) as impediments to self-sufficiency. Where welfare policy implementation is devolved to the local level, local administrators appear to be energized by the increased responsibility to attempt innovations (for more on administrators’ views, see Tickamyer and colleagues; for employers’ views, see Owen and colleagues).

These lessons suggest that antipoverty policy will be more effective if it recognizes the diversity in context, resources, and opportunities in different places. The 2002 reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will provide an opportunity to make adjustments in the federal welfare regulations and in state programs. Haskins, Sawhill, and Weaver⁸ identify several important issues sure to be controversial in the discussions leading up to reauthorization. Four of these contentious issues have important implications for rural areas: the structure, funding levels, and allocation of the TANF grant among the states; time limits and sanctions; funding for child care; and whether current policy makes adequate provision for the next recession. In addition to the specific PRWORA issues, there are other, more general issues that relate to whether the overall wage, tax, and safety net structure provides enough support and incentives to low-income workers and their families in both rural and urban areas. The occasion of reauthorization provides the opening for debate on the broader social policy issues and programs.

8 Ron Haskins, Isabel Sawhill, and Kent Weaver. January 2001. *Welfare Reform Reauthorization: An Overview of Problems and Issues.* Policy Brief no. 2. Washington D.C.: Brookings Institution.

PRWORA Reauthorization Issues with Important Rural Implications

TANF block grant structure and funding. There are three primary structure and funding issues: the size of the block grant, the formula for allocating funds among states, and the continuation of a supplemental fund for states with low welfare spending per poor person and high population growth rates. Although the size of the grant is, of course, pivotal to the reauthorization discussion, it is the allocation formula and the continuation of the supplemental fund that will have the greatest impact on the distribution of program resources to different areas. The current distribution formula bases a state's share on the historical allocation of Aid to Families with Dependent Children (AFDC) funds, which provided fewer dollars per poor child to poorer states. Because these poorer states tended to be the more rural states, an unintended consequence of the current allocation formula is that the states with below-average welfare grants per poor person are disproportionately rural.

On the other hand, the supplemental fund for states with low welfare spending per poor person and high population growth tends to favor rural states. Of the 17 states receiving money from this supplemental fund in fiscal year 2001, 12 are predominantly rural. However, this supplemental fund provision is not in the current congressional "baseline." Thus, to reauthorize the provision, Congress must find a funding mechanism (either raise taxes or cut some other program), which makes reauthorization more difficult. If Congress fails to continue this provision, the funding reductions will be realized disproportionately in rural states.

Time limits and sanctions The likelihood of reaching the five-year lifetime limit for welfare receipt or of being sanctioned for noncompliance with program requirements is greater in areas with fewer opportunities to work. Rural workers have higher rates of unemployment and underemployment than urban workers⁹ and are thus less likely to become employed and remain steadily employed than urban workers. Under current policy, states can exempt 20 percent of the caseload from the five-year time limit. It is unclear whether this will provide enough flexibility for states to assist all the families that exceed the limit. A proposal that may be considered during the reauthorization process would allow states to stop the time-limit clock for those who work a minimum number of hours (25 hours per week, for example).¹⁰ Given the higher underemployment rates in rural areas, such a policy would likely benefit rural families.

Funding for and adequacy of child care. The 1996 welfare reform legislation increased funding for child care by creating a child care block grant and by allowing states to use TANF funds for child care. Rural families, however, do not have as much access to affordable and flexible child care as those in urban

areas.¹¹ Family-based financial incentives for child care are ineffective if child care is unavailable. Lack of base funding for child care facilities has hindered the development of formal child care facilities in rural areas. Improving child care choice in rural areas would require additional base funding.

Provisions for recessionary periods The TANF block grant is currently a flat grant, with two modest provisions intended to help states in times of recession, when demands for public assistance will be greater. The two measures are a fund from which states can borrow money, and a contingency fund with a modest amount to states with high unemployment or other recessionary indicators. The rate of unemployment that qualifies a state for access to the contingency fund is quite high, and states would be required to substantially increase their own spending in order to begin receiving funds. Furthermore, the measures that qualify a state for funding are statewide indicators that do not recognize within-state regional variations. These measures are "widely perceived as inadequate to ensure that states will have enough money to pay benefits during recessions."¹²

In a recession, jobless nonmetro workers are less likely than even central-city workers to move into adequate or marginal jobs.¹³ Moreover, as the economy improves, nonmetro residents are less likely than metro residents to move out of underemployment and into adequate employment.¹⁴ The lack of adequate funding during recessionary periods will thus hurt the rural workforce more than the urban workforce, as will using statewide economic indicators (rather than local or regional indicators) as the criteria that qualify a state for funding. The contingency fund provision is not currently in the congressional "baseline," which, as noted above, makes reauthorization more problematic.

Issues that Affect Low-Income Families and Workers in Rural and Urban Areas

Making work pay. As TANF caseloads have fallen sharply, most but not all families that leave welfare are gaining at least a temporary foothold in the labor market. However, too many families leaving welfare remain poor, and not all are receiving the work-based supports they need to gain permanent economic independence.

Macroeconomic policy aimed at maintaining a full-employment economy can provide the underpinning for specific tax and human investment policies. Some of these policy options include expanding the federal EITC to further support the work efforts of low-income families; initiating or expanding state EITC supplements; expanding coverage of and participation rates in health insurance and child care assistance programs for all low-wage families; increasing the minimum wage to keep up with general wage levels; and taking advantage of resources in the

9 Daniel Lichter. 1987. "Measuring Underemployment in Rural Areas." *Rural Development Perspectives*, 3:11-14.

Jill Findeis and Leif Jensen. 1998. "Employment Opportunities in Rural Areas: Implications for Poverty in a Changing Policy Environment." *American Journal of Agricultural Economics*, 80 (5): 1000-1007.

10 Ron Haskins, Isabel Sawhill, and Kent Weaver. January 2001. *Welfare Reform Reauthorization: An Overview of Problems and Issues.* Policy Brief no. 2. Washington D.C.: Brookings Institution., p. 4.

11 Rural Policy Research Institute (RUPRI). 2001. "Welfare Reform in Rural America: A Review of Current Research." Columbia, MO: University of Missouri.

12 Ron Haskins, Isabel Sawhill, and Kent Weaver. January 2001. *Welfare Reform Reauthorization: An Overview of Problems and Issues.* Policy Brief no. 2. Washington D.C.: Brookings Institution, p. 7.

13 Jill Findeis and Leif Jensen. 1998. "Employment Opportunities in Rural Areas: Implications for Poverty in a Changing Policy Environment." *American Journal of Agricultural Economics*, 80 (5): 1000-1007.

14 L. Jensen, Jill Findeis, W. Hsu, and J. Schlachter. 1999. "Slipping Into and Out of Underemployment: Another Disadvantage for Nonmetropolitan Workers?" *Rural Sociology*, 64(3): 417-438.

The problems that rural welfare mothers face in obtaining training, child care, and other services, and in keeping and advancing in jobs are more pronounced than those of urban welfare mothers.

Workforce Investment Act to help match workers and jobs. In addressing these policy areas, it is important to preserve work incentives for families and job-creation incentives for firms.

Although the overall impact of welfare reform does not seem to differ greatly between metropolitan and nonmetropolitan areas at the national level, some studies of specific state welfare programs and specific policy provisions (Gennetian et al., e.g.) have found that welfare reform has had a less favorable impact on earnings and employment in rural areas. Rural areas provide lower-paying and more part-time and seasonal jobs than urban areas. They also have a less extensive array of education and training options than urban areas. Thus, the problems that rural welfare mothers face in obtaining training and education and in keeping and advancing in jobs are more pronounced than those of urban welfare mothers. If welfare reform outcomes are to be as positive in rural as in urban areas, additional educational infrastructure and options must be created in rural areas.

People who live in sparsely settled rural areas do face unique barriers to working that are associated with low-population densities. States can facilitate access to reliable cars for rural, low-income workers and seek creative ways of providing or subsidizing services that are needed for successful transitions to work. Of special importance to rural areas are policies that address the less favorable opportunities (low-wage jobs) and high unemployment of rural labor markets; recognize the transportation needs of rural resi-

dents by enabling them to own reliable cars while simultaneously maintaining eligibility for assistance programs; and address service delivery problems (such as health care) caused by the geographic dispersion of people in need of program services.

Maintaining the safety net. Many low-income families that need supports from Food Stamps do not realize that they remain eligible for this program, even if they lose eligibility for cash assistance. Some states have been quite successful in getting the message out; others, much less so. Increased state

efforts to ensure that families eligible for Food Stamps and other in-kind programs are, in fact, enrolled in the program would strengthen the safety net for low-income families.

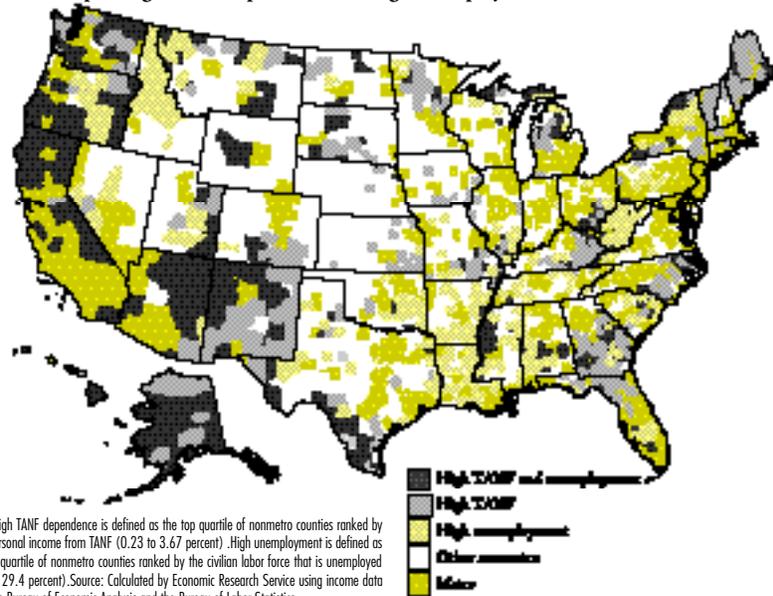
Helping multiple-barrier families. Families with multiple barriers to work, including low skill levels, drug dependence, mental health problems, and family members (children or adult relatives) with disabilities have less success in the workforce. The unique needs of multiple-barrier families could be addressed by experimenting with intensive demonstration programs aimed at multiple-barrier families, and by creative options that reward postsecondary schooling and community-service activities for families facing TANF work and time limits, and by considering selective use of state-financed, low-wage, public-sector jobs for women.

Helping distressed areas. Not all areas have benefited equally from the strong economy and welfare reforms. Parts of the urban core of major metropolitan areas and rural areas in Appalachia, the Mississippi Delta, the Pacific Northwest, the Four Corners region, and the Rio Grande Valley have high TANF caseloads and high unemployment rates (see Map 3).

Recipients in these areas may be more likely to reach the time limits and be economically dependent on informal work. State policy could be more flexible about time limits and work requirements in persistently poor areas, and could put more effort into creating employment opportunities.

Some policy actions appear to be helpful in both rural and urban areas: tax policy, Food Stamps, and certain workforce investments. However, the diversity of circumstances among low-income people and between regions suggests the need for flexibility in regulation (e.g., time limits) and differential investments in services (e.g., child care, education, transportation), infrastructure, and job creation.

Map 3: Overlap of high TANF dependence and high unemployment in nonmetro counties, 1998



Note: High TANF dependence is defined as the top quartile of nonmetro counties ranked by total personal income from TANF (0.23 to 3.67 percent). High unemployment is defined as the top quartile of nonmetro counties ranked by the civilian labor force that is unemployed (7.1 to 29.4 percent). Source: Calculated by Economic Research Service using income data from the Bureau of Economic Analysis and the Bureau of Labor Statistics.

A ROLE FOR PLACE-BASED ANTIPOVERTY STRATEGIES?

The choice of antipoverty strategy has implications for population distribution between rural and urban areas. Urban labor markets provide higher earnings and better and more varied work supports. Policy that encourages work and enhances job-readiness but does not address rural barriers to working may induce more rural low-income people to move to cities.

A recent study by the Brookings Institution, which analyzed welfare caseloads in the 89 urban counties containing the nation's 100 largest cities, found that caseloads are concentrating geographically in these cities, and are highly concentrated in the nation's largest cities.¹⁵ Some observers have concluded that this is because urban welfare recipients are "still stuck on the rolls...trapped by concentrated urban poverty" [*The Economist*, July 22, 2000, p. 31]. The increasing concentration of caseloads in urban areas might well be due to rural recipients leaving the caseload at a greater rate than urban recipients, and to these rural welfare leavers remaining in rural areas with or without a job. It might also be that the increasing concentration of caseloads in urban areas is, in part, a result of rural-to-urban migration of former rural welfare recipients who cannot find work in rural areas. This speculation is a fruitful area for future research.

The long-standing policy debate continues about the proper balance between human investments and place-specific investments. Current antipoverty strategies emphasize human investments and family supports. There is a continuing need to provide financial incentives that "make work pay," to strengthen the safety net for those who cannot work, and to continue to invest in training and work support systems. However, employment, earnings, and poverty outcomes are not as favorable in areas in which job opportunities are lacking. Stimulating job investments in these areas would increase the likelihood of the success of the current human-investment, work-oriented welfare policy for the residents of these areas and lessen incentives to move.

APPENDIX

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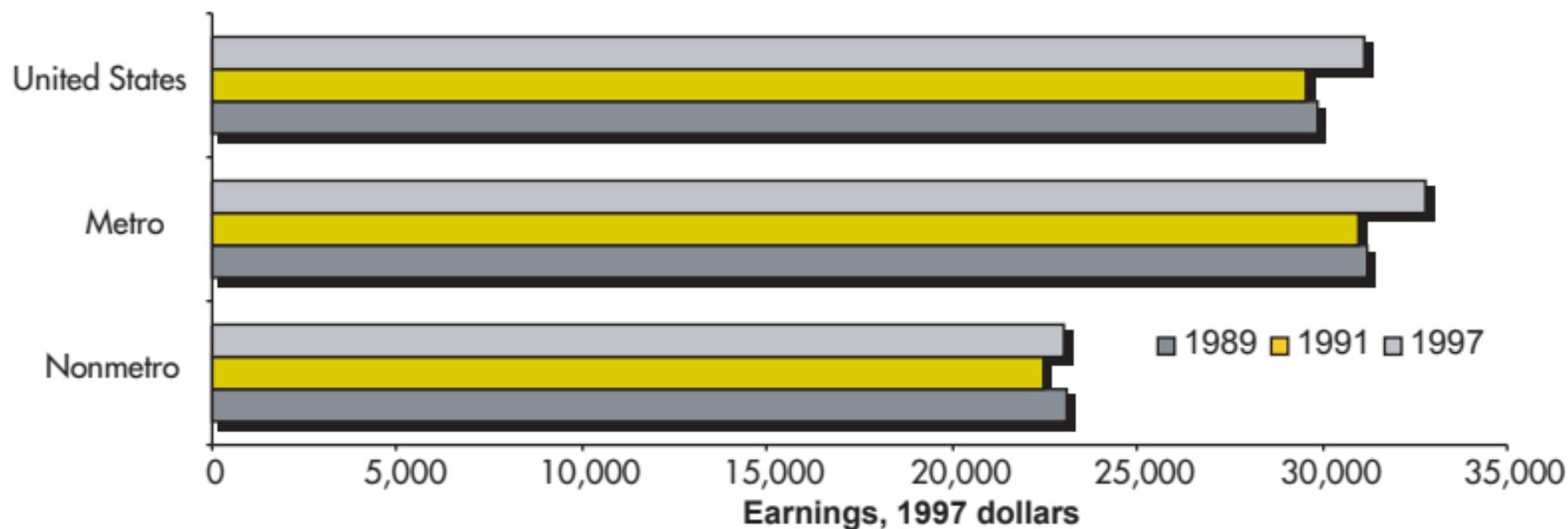
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15 Katherine Allen and Maria Kirby. July 2000. "Unfinished Business: Why Cities Matter to Welfare Reform." Survey Series. Washington, DC: Center for Urban and Metropolitan Studies, Brookings Institution. <http://www.brook.edu/es/urban/welfarecaseloads/2000report.htm>.

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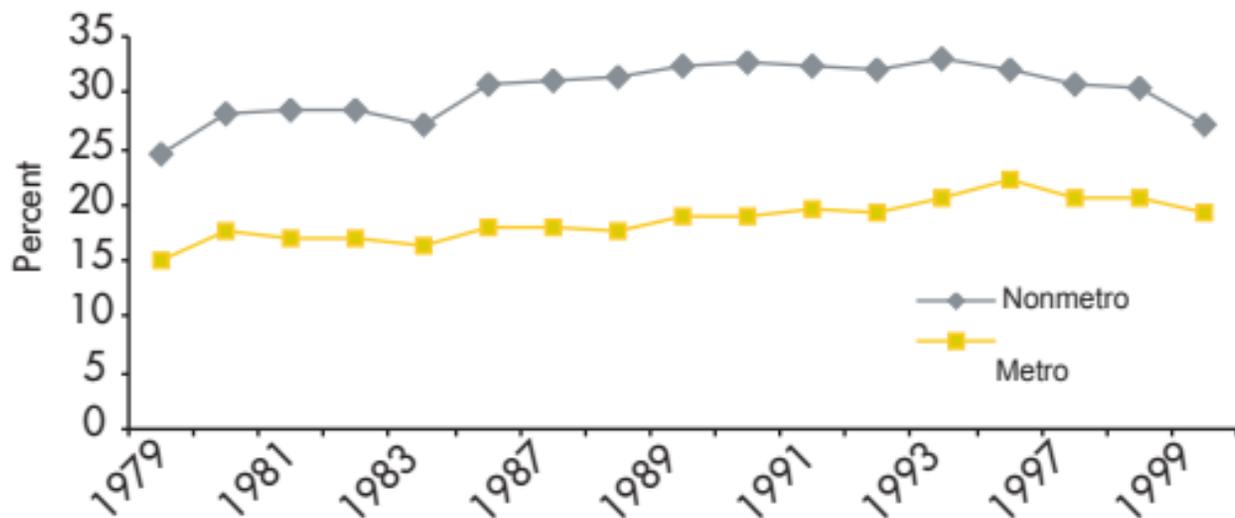
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Figure 1. Real Earnings per Nonfarm Job by Place of Work, Selected Years



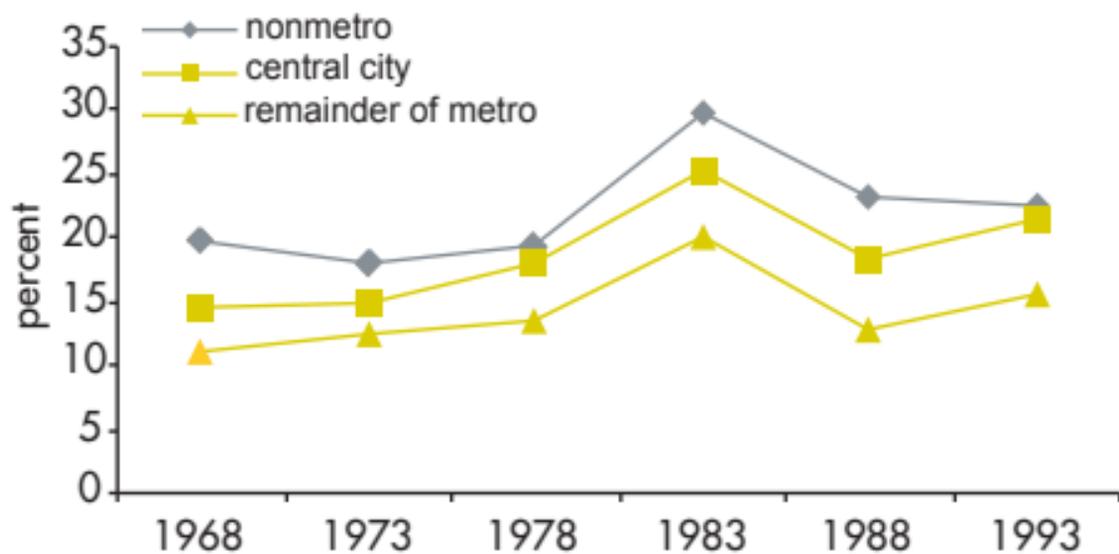
Source. Economic Research Service, USDA. 2001. "Rural Income, Poverty, and Welfare: Nonfarm Earnings." ERS Briefing Room Brief. Washington, DC. ERS.
<http://www.ers.usda.gov/briefing/IncomePovertyWelfare/nonfarmearnings/>

Figure 2. Share of Workers Earning Low Wages



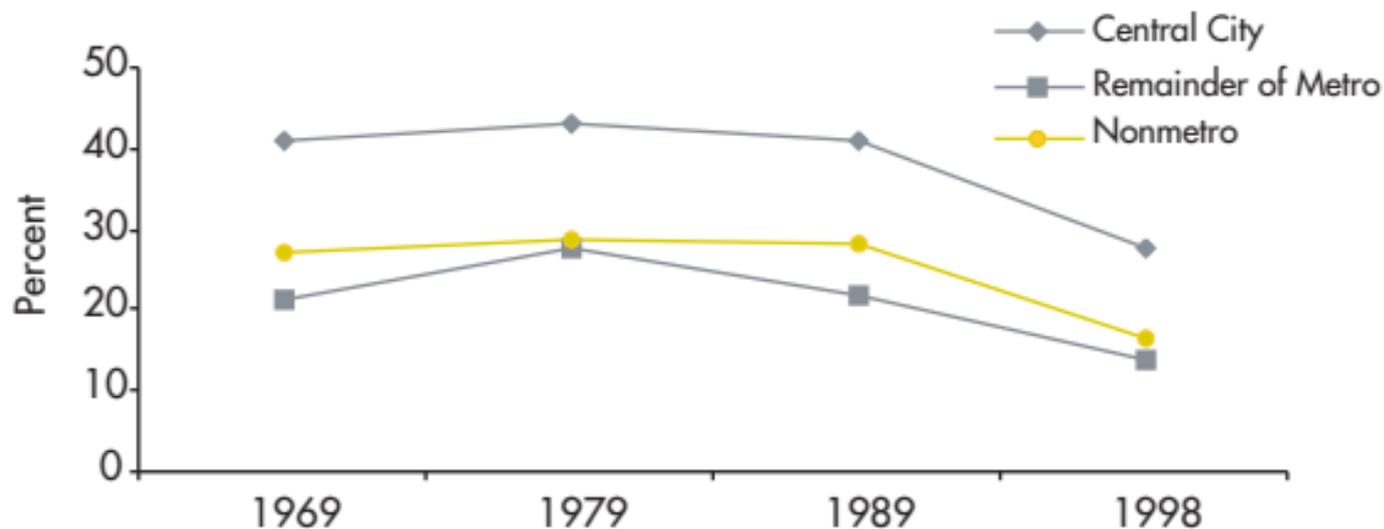
Note. Data are missing for the years 1984-1985 and 1994-1995. "Low wage" are earnings that fall below the four-person poverty threshold for the indicated year. Workers are age 25 and older.
Source: Economic Research Service, USDA. 2001. "Rural Labor and Education: Rural Low-Wage Employment." Briefing Room Brief. Washington, DC: ERS. <http://www.ers.usda.gov/briefing/LaborAndEducation/lwemployment/>

Figure 3. Underemployment in Nonmetro and Metro Areas, Selected Years



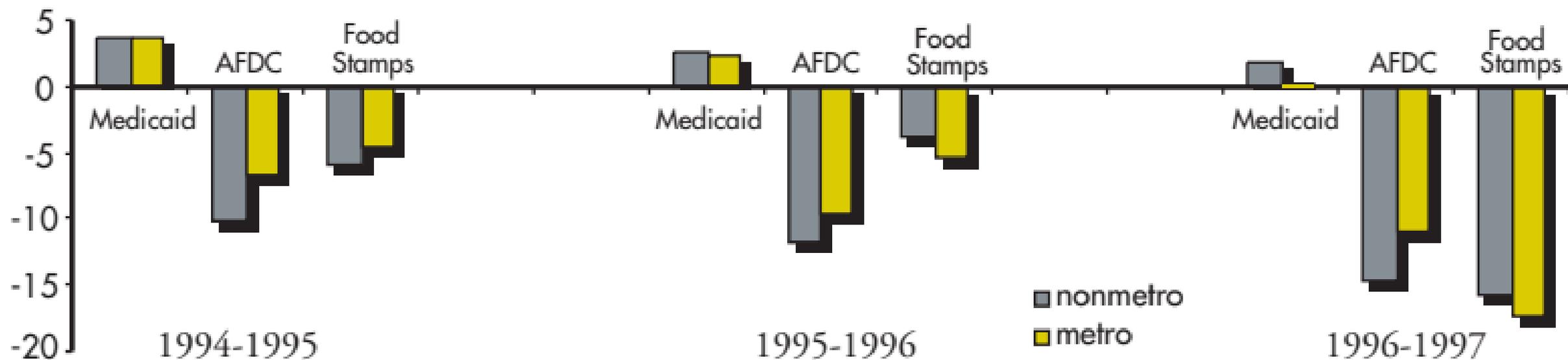
Source: Data from Jill Findeis and Leif Jensen, "Employment Opportunities in Rural Areas: Implications for Poverty in a Changing Policy Environment," *American Journal of Agricultural Economics*, 80(5): 1000-1007.

Figure 4. Percent of Single Mothers Reporting Welfare Income, by Residence, 1969-1998



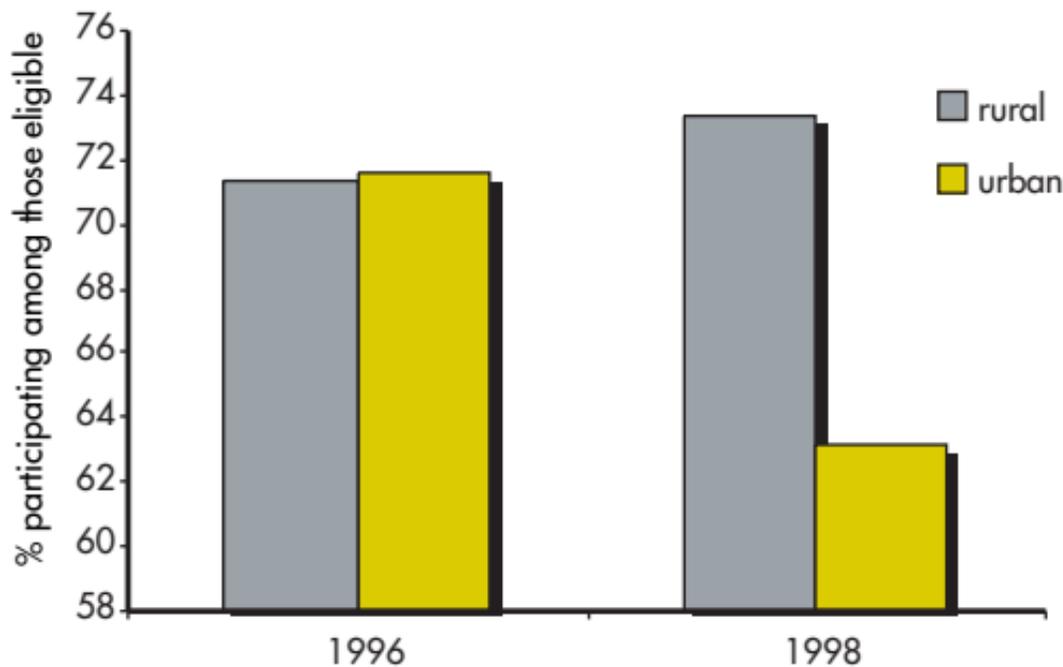
Source. Sheldon Danziger. Forthcoming. "Approaching the Limit: Early National Lessons from Welfare Reform." In *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute.

Figure 5. Average Annual Change in Transfer Payments for Selected Programs, 1994-1997



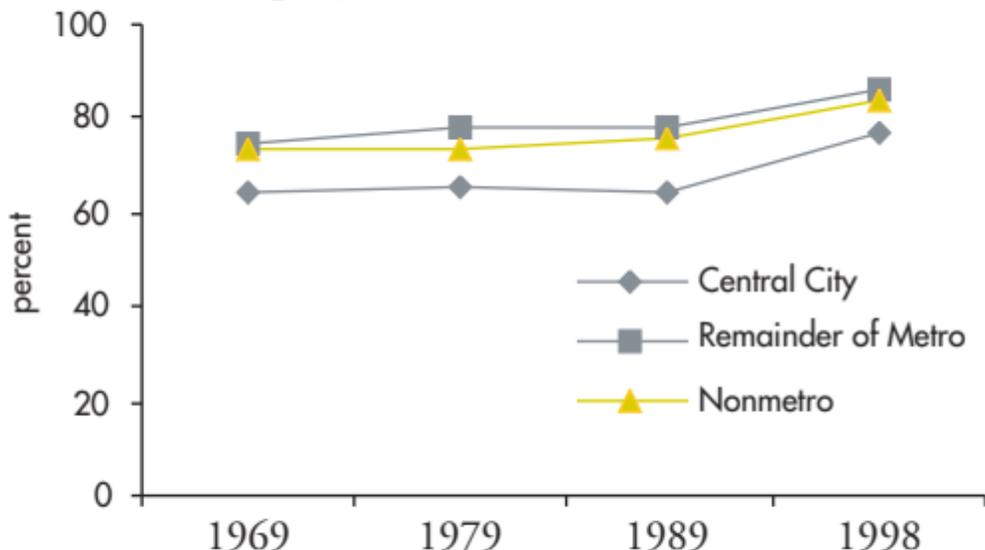
Source. Economic Research Service, USDA. 2001. "Food Stamps and Family Assistance Benefits Sharply Decline in Post-Welfare Reform Era." *Rural Conditions and Trends*, 11 (2), p. 70. <http://www.ers.usda.gov/publications/RCAT/RCAT112/>.

Figure 6. Food Stamp Participation Rates by Residence



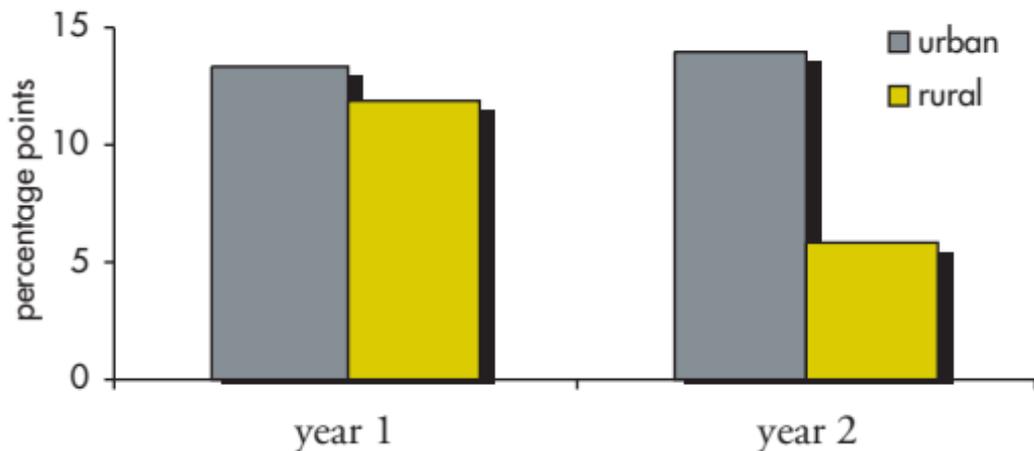
Source. Sheena McConnell and James Ohls. Forthcoming. "Food Stamps in Rural America: Special Issues and Common Themes." In *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute

Figure 7. Percent of Single Mothers Reporting Earnings by Residence, 1969-1998



Source. Sheldon Danziger. Forthcoming. "Approaching the Limit: Early National Lessons from Welfare Reform." In *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute.

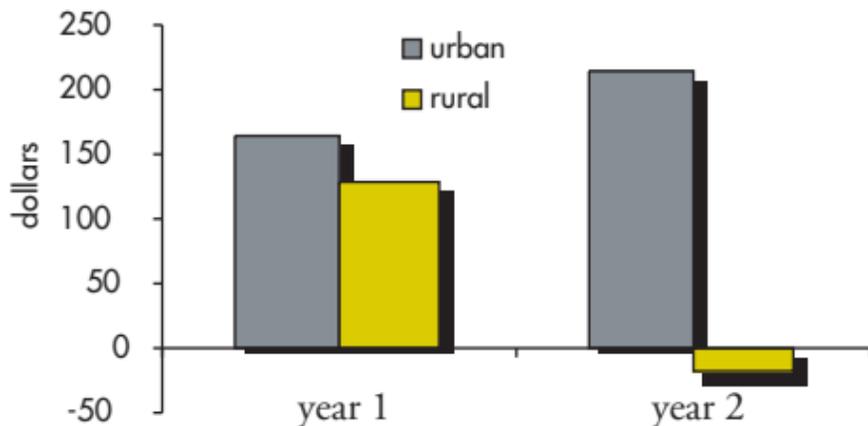
Figure 8. Impact of MFIP on Employment of Long-term Welfare Recipients



Note. MFIP = Minnesota Family Investment Program. Impacts are the difference in employment between experimental and control groups.

Source. Lisa Gennetian, Cindy Redcross, and Cynthia Miller. Forthcoming. "The Effects of Welfare Reform in Rural Minnesota: Experimental Findings from the Minnesota Family Investment Program." In *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute.

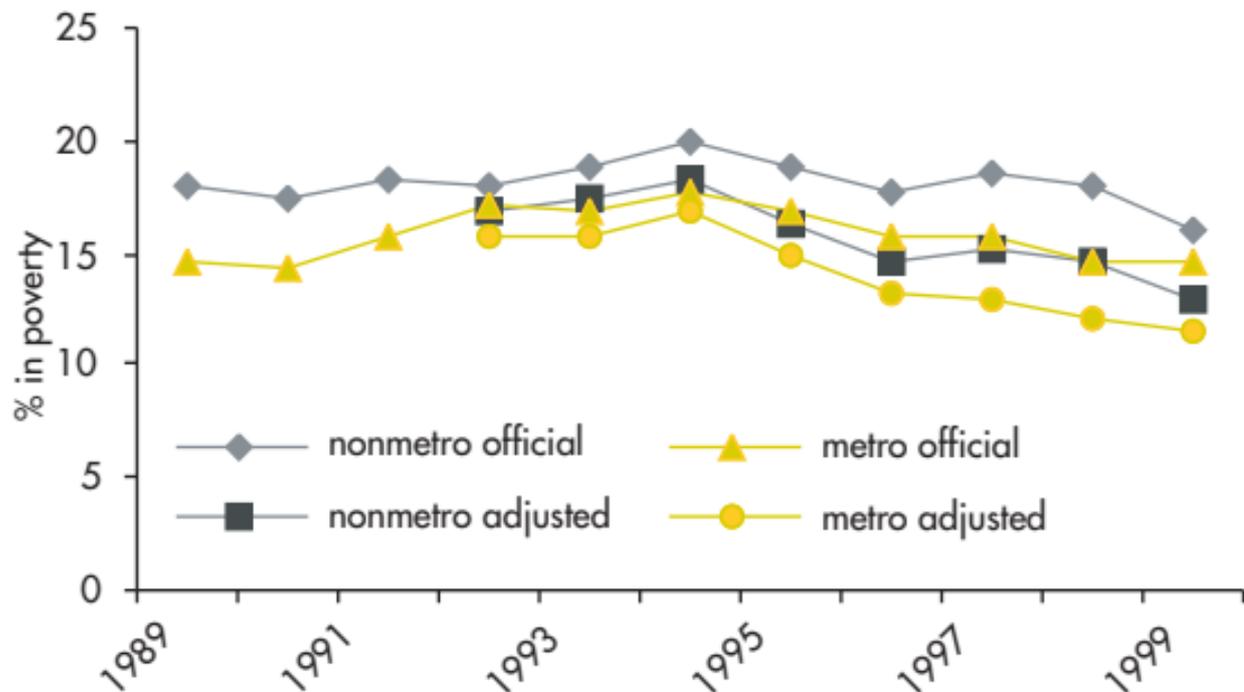
Figure 9. Impact of MFIP on Earnings of Long-term Welfare Recipients



Note. MFIP = Minnesota Family Investment Program. Impacts are the difference in earnings between experimental and control groups.

Source. Lisa Gennetian, Cindy Redcross, and Cynthia Miller. Forthcoming. "The Effects of Welfare Reform in Rural Minnesota: Experimental Findings from the Minnesota Family Investment Program." In *Rural Dimensions of Welfare Reform: Welfare, Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute.

Figure 10. Poverty Rates by Metro Status, 1989-1999



Source. Daniel Lichter and Leif Jensen. Forthcoming. "Rural America in Transition: Poverty and Welfare at the Turn of the Twenty-First Century." In *Rural Dimensions of Welfare Reform: Welfare Food Assistance, and Poverty in Rural America*, edited by Bruce Weber, Greg Duncan, and Leslie Whitener. Kalamazoo, MI: Upjohn Institute.