March 2000

Characteristics of AFDC/MFIP Recipients

Working Paper, Series Three

This report provides various demographic and outcome statistics on welfare recipients in Minnesota, studying who receives welfare, who may be more likely to stay on welfare for longer periods of time, and if recent welfare reforms have reduced dependency on welfare. It is the third in a series of working papers regarding welfare and welfare reform.

This report was prepared by **Don Hirasuna,** legislative analyst in the House Research Department.

Questions may be addressed to **Don** at 651-296-8038.

Kristie Strum provided secretarial support.

Copies of this publication may be obtained by calling 651-296-6753.

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Introduction

In 1996, the federal government reformed the welfare system. The former entitlement program, Aid to Families With Dependent Children (AFDC), provided cash assistance to low-income families with children. The new federal law implemented the program Temporary Assistance to Needy Families (TANF) and made several significant changes, including incorporating time-limited benefits, work requirements, and block grants to states. Minnesota developed its own program, the Minnesota Family Investment Program (MFIP).[1] The program meets federal requirements regarding time-limited cash and food assistance, work requirements, employment services, and child care services.

These major changes in welfare create a need for information on welfare recipients and program outcomes. This paper attempts to provide early information on MFIP, which began in 1998, and to place it in the context of historical information on AFDC caretakers.

The report consists of four major sections.

> The first section provides a series of demographic statistics on the AFDC and MFIP populations. This section is intended to help the reader understand more clearly who receives assistance from welfare.
>
> The second section reports the outcomes related to the AFDC and MFIP programs. These outcomes are briefly evaluated with respect to number of families, income, and employment.
>
> The third section examines who is more likely to stay on welfare for longer periods of time.
>
> The fourth section puts the information together and attempts to answer the fundamental policy questions:
>
> - Is MFIP achieving the goal of reduced dependency?
> - Are the caretakers remaining on MFIP increasingly the hard-to-serve population?

The information on MFIP, especially pertaining to outcomes, is preliminary. MFIP was fully implemented less than two years ago. A thorough evaluation cannot be done without more years of information. For example, more time is needed to evaluate behavior changes as caretakers approach their five-year time limit.

[1] In 1989, seven years before welfare reform, Minnesota obtained changes in federal law to authorize a test of MFIP. This test, the MFIP field trials, began in seven counties in April 1994. In 1995 and 1996, the approximate percentage of caretaker families receiving MFIP was 6.5 percent. The percentages were calculated from another data set and include all families that were eligible for at least one month of assistance within the year.

Among the noteworthy findings are:

- The racial distribution of AFDC caretakers is changing.
- Less than 10 percent of AFDC caretakers are younger than 20 years of age.
- About half of the AFDC caretakers return for more assistance.
- Outcomes differ substantially based on demographic characteristics.

A note regarding terminology and scope. The paper uses the term caretaker throughout, instead of "parent." In some circumstances persons other than a parent may be responsible for the child. Common examples of eligible caretakers who are not parents include aunts, uncles, and grandparents.

The research only includes families with eligible caretakers and eligible children. Families without eligible parents, such as foster children, are excluded. Likewise, families without eligible children, such as children on Supplemental Security Income (SSI), are excluded as well. Although such cases are important and significant in number, the behavioral and policy concerns regarding these families deserves separate attention.

Information on caretaker families is from January 1992 through June 1999. Statistics preceding 1992 are unavailable through this report. This may be significant in that more years of information may produce more definitive results. For example, low unemployment rates may contribute to fewer caretakers qualifying for AFDC and fewer caretakers staying on AFDC for extended periods. Information on AFDC during years of high and low unemployment may be helpful.

The results on two-caretaker families may not fit traditional notions of a two-caretaker family. This report includes any family with more than one eligible caretaker. That includes families with second caretakers who are only temporarily present. This can occur if the parents divorce, or a parent marries. It may also occur if the grandparent, or some other relative temporarily takes care of the children. The reason for including these families is that they may have a different set of resources and environmental conditions separate from single-caretaker families. Moreover, keeping the number of family categories to two simplifies the work in a way that is more easily understood. The two-caretaker category is carried throughout the report, so that a single cohort can be followed throughout the series of statistics. However, when looking at some of these statistics, such as the ratio of employed to unemployed caretakers, it is important to realize that these include families where the second caretaker currently is not present.

Background Demographic Statistics

This section provides some background statistics on AFDC and MFIP caretakers. It is intended to give a general impression of the characteristics of the population of recipients under the two programs. Introductory statistics are given here on:

- The total number of caretakers
- The percentage of single caretakers
- The gender, age, and number of children
- The age of the youngest child
- The educational attainment of caretakers
- The race of the caretakers

The period covered, January 1992 to June 1999, saw some significant changes in the characteristics of AFDC and MFIP caretakers. Many of these changes are part of a long-term trend that began before MFIP. For these and other trends, MFIP seems likely to not be the sole, or perhaps even a cause, of these changes.

The Number of Caretaker Families

The number of caretaker families provides some context for this study. It gives us an idea of how many families are affected by changes in AFDC and MFIP policies. Moreover, it shows that there are many caretaker families with dependent children on AFDC or MFIP.

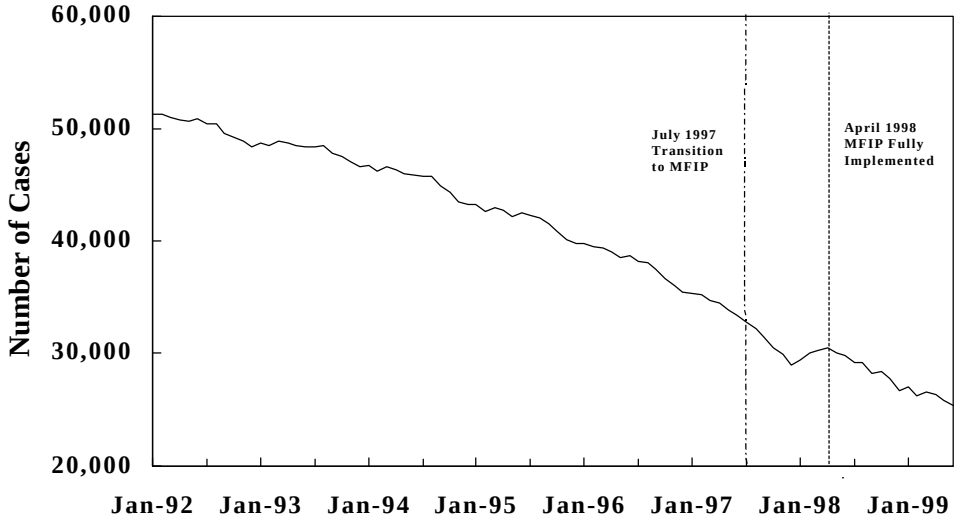
As of June 1999, 26,346 caretaker families were on MFIP. This is the number of families with at least one eligible caretaker and at least one eligible child. The preceding months were characterized by significant month-to-month variation and a long-term trend towards fewer families receiving assistance.

Figure 1 shows the number of caretaker families by month. Beginning in January 1992, the graph tracks the number of caretaker families from AFDC into the first two years of MFIP. The two vertical lines divide the months into three significant time periods that mark the change from AFDC to MFIP. Before July 1997, AFDC was in effect. The months from July 1997 to April 1998 represent a transition to MFIP in which families received cash assistance according to AFDC, but participated in the 60-month time limit. Also, in the last three months of this period, January 1998 through March 1998, families were switched one-by-one from AFDC to MFIP. April 1998 marked the beginning of the full statewide implementation of MFIP for families with children.

The number of families can change from month-to-month. The largest increase in one month was 668 additional families in January 1998. The largest decrease, 1,045 families, occurred in November 1998.

The long-term trend shows a decreasing number of caretaker families. In January 1992, the number of caretakers with children was 51,333. By June of 1999, the number had dropped to 26,346 or a 50.6 percent drop. The decrease is part of a long-term trend that started well before MFIP took effect.

Figure 1
Number of Caretaker Families: January 1992 to June 1999



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Regional Differences in the Number of Caretaker Families

Table 1 below shows the regions where caretakers first enter the system. See Figure 2 for a map of locations and Appendix A for a list of the counties in each region.

The percentages are listed for three separate time periods:

- **AFDC.** The AFDC period is for all entrants between January 1994 and June 1997.
- **Transition to MFIP.** Transition to MFIP covers entrants between July 1997 and April 1998.
- **MFIP.** MFIP includes all entrants after April 1998 until June 1999.

Table 1
Region of Caretaker Family When First Entering the System Between January 1994 and June 1999

Region	Program		
	AFDC	Transition to MFIP	MFIP
Minneapolis-St. Paul SMSA			
Central Minneapolis-St. Paul	36.9%	46.4%	45.4%
Surrounding Suburbs	10.9%	11.7%	11.9%
La Crosse, Rochester, and St. Cloud	5.5%	5.0%	4.6%
Fargo-Moorhead and Grand Forks	9.7%	2.6%	2.4%
Duluth-Superior	5.8%	4.6%	4.5%
Nonmetro Minnesota			
Central	6.3%	6.5%	7.2%
Northeast	3.2%	2.6%	2.1%
Northwest	9.1%	9.7%	10.0%
Southeast	6.2%	5.0%	5.0%
Southwest	6.5%	6.0%	6.9%
Total Number of Cases	45,338	5,574	9,463

Note: Only data on Minnesota counties are included in this analysis. La Crosse, WI, Fargo, ND, Grand Forks, ND, and Superior, WI, are not included. The Minneapolis-St. Paul SMSA is the seven-county definition.

For any of the three periods, a high percentage of caretaker families first entering the system live within the Central Minneapolis-St. Paul region.[2] Table 1 shows that between 36.9 percent and 46.4 percent of all entering caretaker families live within the Central Minneapolis-St. Paul region (Hennepin and Ramsey Counties). For most of the regions, the percent of caretakers was relatively constant throughout the three periods of AFDC, transition to MFIP, and MFIP. However, the Central Minneapolis-St. Paul region is increasing as a percentage of all caretakers with children.[3] Also, the Fargo-Moorhead and Grand Forks region is decreasing as a percentage of caretaker families.

The regions correspond to the Minnesota Department of Economic Security's (DES) Planning Areas. By choosing these regions, the results can be compared with labor market information. Separate categories for metropolitan statistical areas are provided since caretakers from metropolitan areas may face a different set of job opportunities, child care barriers, employment barriers, and other environmental circumstances.

[2] To assure that the data accurately reflects the regions, anyone eligible for AFDC during the first two years that information was collected for the database were dropped. That way, the data is more likely to reflect statistics for those when first entering the system. This may not have been necessary, but it helps assure against bias that may occur if caretakers systematically migrate from one county to another after first entering the AFDC system.

[3] There is significant month-to-month variation in the percentage of caretaker families entering in the Central Minneapolis-St. Paul region. Figure 3 shows that the increasing trend is partly obscured by the large fluctuations in monthly percentages.

Figure 2
Map of Minnesota Regions

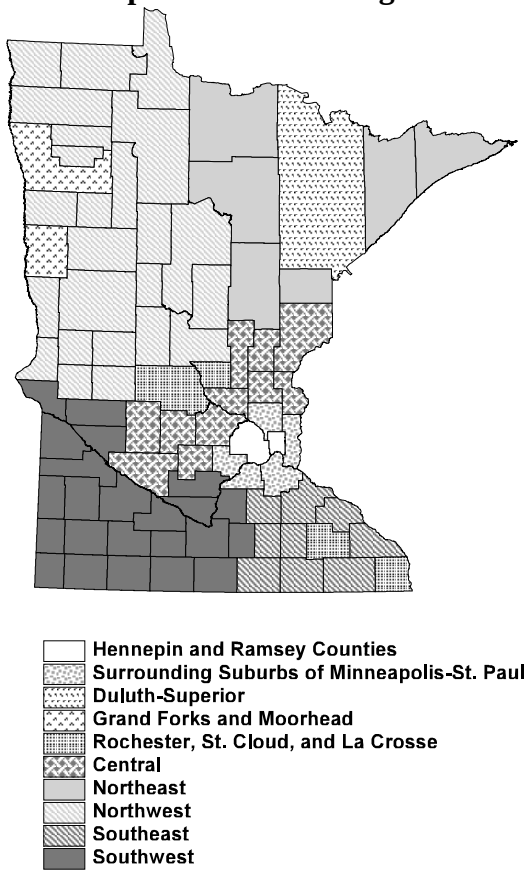

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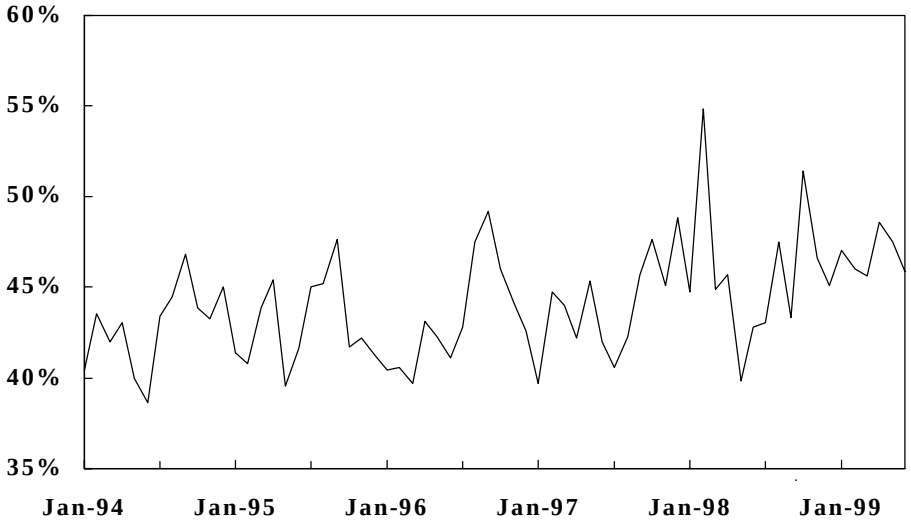
Figure 3
The Percentage of Entering Caretakers from Central Minneapolis-St. Paul



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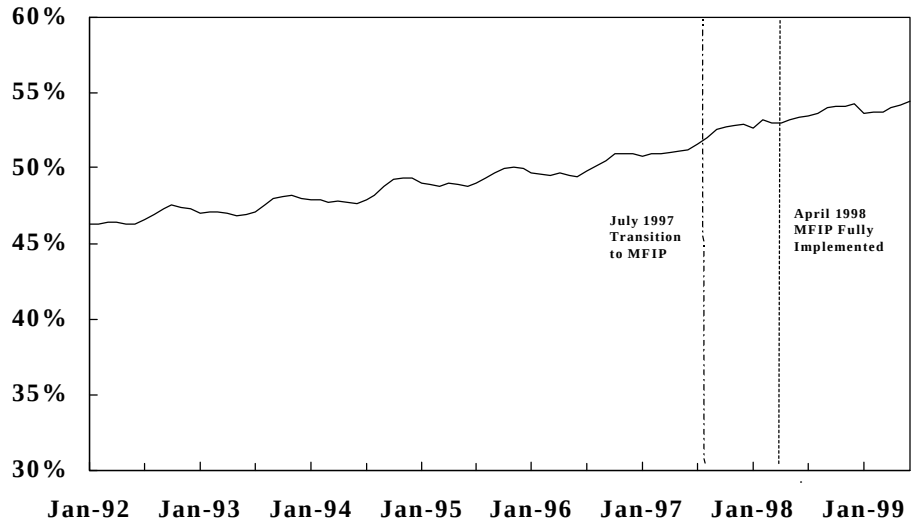
The statistics are for entrants (i.e., caretaker families beginning on the programs) and differ from the number of caretaker families (i.e., all families on the program) by region at any single point in time. The number of caretaker families partly depends upon the number of exits. Regions with many entrants may also have many exits. The net effect, in some cases, could be no change in the number of cases.

Entrants are listed instead of active cases because some caretaker families migrate to other regions within the same period. For example, a family receiving AFDC may migrate from southeastern Minnesota to southwestern Minnesota. The effect of including active cases is that some caretakers will be double counted. By reporting entrants, the double-counting problem is removed.

An increasing percentage of caretaker families live in Central Minneapolis-St. Paul. In January 1992, 46.3 percent of caretaker families on the program lived in Central Minneapolis-St. Paul (Hennepin and Ramsey Counties). Figure 4 shows that the percentage steadily increased to 54.5 percent by July 1999.

Even though the percentage is increasing, the actual number of caretaker families is decreasing. From January 1992 to June 1999, the number of caretaker families in Hennepin and Ramsey Counties decreased from 23,736 to 13,810. The number of caretaker families in the rest of the state decreased from 25,571 to 11,531.

Figure 4
Percentage of Caretaker Families Living in Central Minneapolis-St. Paul (Hennepin and Ramsey Counties)



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The Number of Single- and Two-Caretaker Families

Under the AFDC and MFIP programs, both families headed by a single parent and families where both parents live in the home may be eligible to receive assistance. However, the rules for AFDC and MFIP are different between single- and two-parent families.

For eligibility under AFDC, the principal wage earner of the family must:

- have been unemployed for the year preceding his or her application and been employed six of 13 consecutive quarters,[4]
- have been unemployed for at least 30 days, or
- is currently working less than 100 hours a month

Although MFIP does not impose eligibility requirements like these on two-parent families, the program does require separate rules for eligibility for two-caretaker families and single-caretaker families. Two-caretaker families must spend at least 55 hours engaged in an approved work activity, unless special provisions apply. By contrast, single-caretaker families must spend 35 hours per week in work activity (for federal fiscal year 2000). The percentage of single caretakers is graphed on a month-by-month basis (Figure 5) and listed by region (Table 2) in order to provide information on how many families may be subject to rules for two-caretaker families.

Overall, single-caretaker significantly outnumber two-caretaker cases. Single caretakers make-up 91.9 percent of all caretakers who entered the system between January 1992 and June 1999.

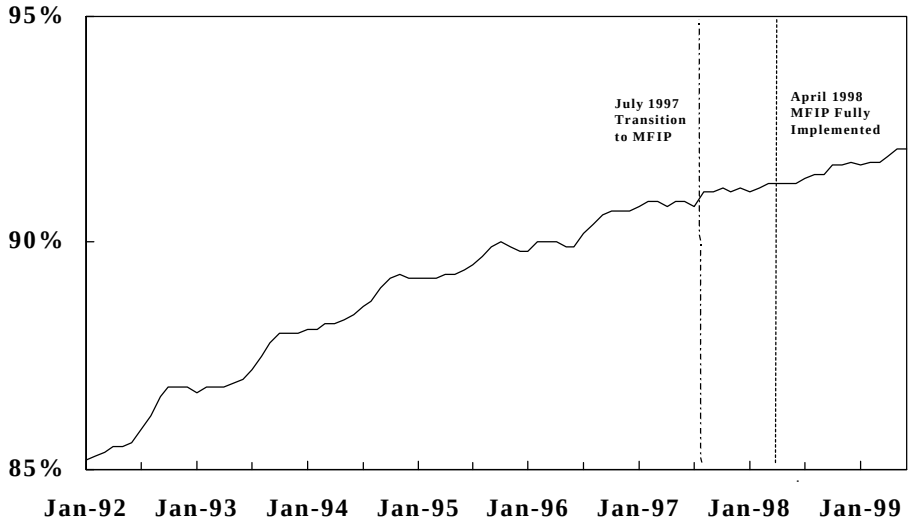
The percentage of single caretakers has slightly increased. Figure 2 shows that in January 1992, 85.2 percent of AFDC caretakers families were single. By June 1999, the percentage increased slightly to 92.1 percent. Even though there is an increasing proportion of single caretakers, the number of single caretakers leaving AFDC and MFIP is larger than for two-caretaker cases. From January 1992 to June 1999, single-caretaker cases decreased by 20,384. For the two-caretaker category, the number of families decreased by 5,579.

Overall, single caretakers significantly outnumber cases with at least two caretakers. Single caretakers make up 91.9 percent of all caretakers who entered the system between January 1992 and June 1999.

[4] The 13 quarters may end up to one year before the quarter in which the principal wage earner applied. Employment within a quarter requires at least $50 in wages.

Cases with at least two caretakers may include more than two-parent families. Families with relative caretakers and families with a second caretaker that is temporarily present are also included. The results suggest that even still, these caretakers are decreasing as a percentage of all caretaker families.

Figure 5
Percentage of Single Caretakers Eligible for AFDC or MFIP



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The percentage of single-caretaker cases varies slightly by region. Of entering cases, single caretakers make up a larger proportion of all cases in the Minneapolis-St. Paul, Rochester, St. Cloud, and La Crosse metropolitan areas. The percentages are higher than the state average in the rest of the state.

Table 2
The Regions Where Single Caretakers Enter AFDC or MFIP

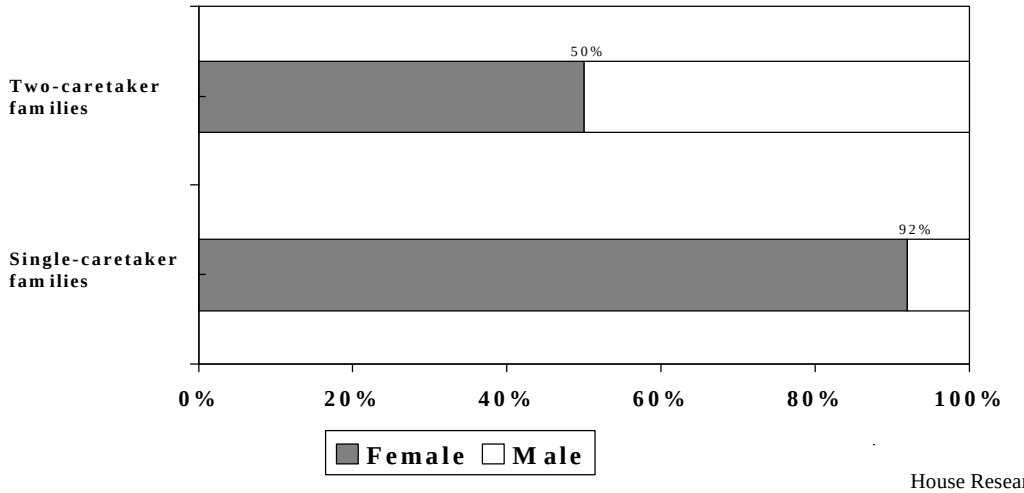
Region	**Percent**
Minnesota	91.9%
Minneapolis-St. Paul SMSA (Hennepin and Ramsey Counties)	94.5%
Minneapolis-St. Paul SMSA (Remaining Counties)	93.0%
La Crosse, Rochester, and St. Cloud	93.7%
Fargo-Moorhead and Grand Forks	84.4%
Duluth	86.8%
Nonmetro Minnesota	
Central	88.6%
Northeast	83.8%
Northwest	87.8%
Southeast	91.4%
Southwest	91.8%

The Gender of Caretakers

A common perception of single-caretaker families on AFDC or MFIP is that of a mother, grandmother, or some other female with dependent children. However, this is not always the case. Among two-caretaker families, there is typically a male and a female. And male caretakers make up a small percentage of caretakers in single-caretaker families.

Figure 6 shows 92.1 percent of single-caretaker families are headed by females. The remaining 7.9 percent are families with male caretakers.[5] For two-caretaker families, 50 percent of those on AFDC or MFIP are male.

Figure 6
Percentage of Female Caretakers for Single- and Two-Caretaker Families



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The Age of Caretakers

The age of caretakers may be significant for policy purposes. Younger caretakers typically are harder to serve than their older cohorts, if the program goal is to help them to become economically independent of the program. Young caretakers typically have fewer educational skills and work experience. Also, younger caretakers may have younger children and, therefore, will more likely need some kind of (or more expensive) day care assistance.

Although the changes are small, the data show a shift towards younger single caretakers and older two-caretaker families. After the 60-month time limits were implemented, the percentage of younger single caretakers increased slightly. By contrast, there was a general

[5] The percentage of females remains fairly constant. In January 1992, the percentage of female-headed cases equaled 95.5 percent. In June 1999, the percentage equaled 94.8 percent. The higher percentages of female-headed cases may occur for many reasons. There is some cyclical variation, with a smaller percentage of females in summer months. However, the yearly variation is typically small (between one- and five-tenths of a percentage point).

increase in the age of the household head for two-caretaker families. Although the changes coincide with the change in the time limits, other factors may have contributed to the slight shift in the distribution of ages for single caretakers.

Figure 7 shows the 25th, 50th, and 75th percentiles for the age distribution of caretakers. The percentiles are for all caretakers on AFDC or MFIP in any month. The top line is the 75th percentile. This is where 25 percent of the caretakers are older and 75 percent of the caretakers are younger. The darkened middle line is the median, or the 50th percentile, the age where half of the caretakers are older and half are younger. The bottom line is the 25th percentile, where 75 percent of the caretakers are older and 25 percent of the caretakers are younger.

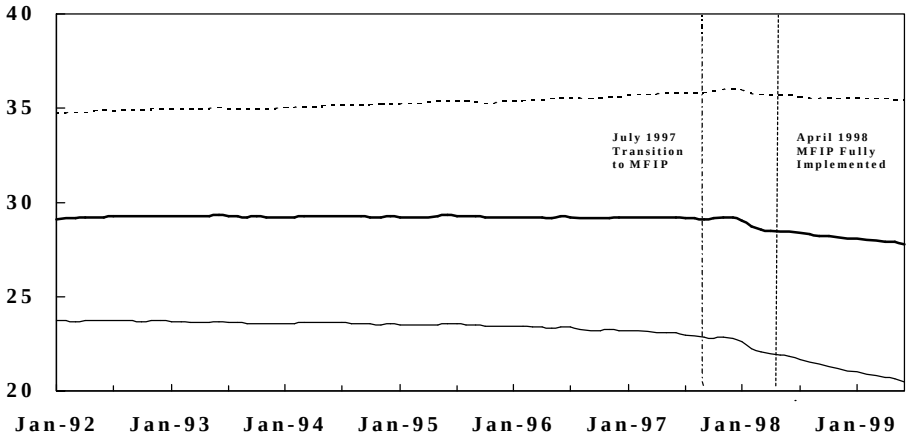
The graph shows some changes in the age of caretakers coincided with implementation of MFIP. From January 1992 to February 1998, the ages at the 25th and 50th percentiles remained relatively constant at 23 and 29 years old. After February 1998, while families were being switched from AFDC to MFIP, a shift towards a higher percentage of younger caretakers occurred. The age at the 25th percentile equaled 20 and the age at the median equaled 27. This means there are slightly higher percentages of younger caretakers.

Figure 7 also shows an increase in the age of caretakers at the 75th percentile. These increases occurred throughout the AFDC and MFIP periods. From January 1992 to June 1999 the age slightly increased from 34 to 36 years.

One cannot conclude from this data that MFIP caused the change in the age distribution. It may only be a coincidence that it occurred with implementation of MFIP. Various factors unrelated to time limits and MFIP may explain the shift in the age distribution. For example, as the baby boom generation ages, the age distribution of single caretakers may shift towards younger caretakers. Another possibility is that the current job market favors those who are older or who have more work skills.

On the other hand, implementation of time limits and MFIP could be related to a shift in the age distribution. For example, older caretakers may be more readily able to fulfill their employment requirement by finding a job. Another example is that older caretakers may have fewer day care needs, because they have older children.

Figure 7
Age Distribution of Single Caretakers
(25th, 50th, and 75th percentile)



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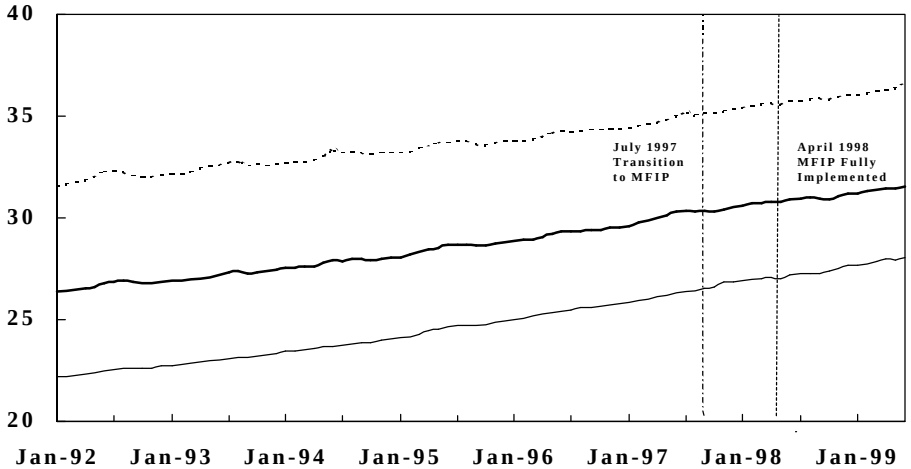
The age of the household head for two-caretaker families steadily increased from January 1992 through July 1999 without regard to whether AFDC or MFIP was in place. This is the opposite of the trend for single-caretaker families. Household heads are the caretakers, typically female, who were assigned the dependent child.[6]

Figure 8
Age of Household Head from Two-Caretaker Families
(25th, 50th, and 75th Percentiles)



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[6] In some cases, no children were reported, but there was information of young minors within the family. In such cases, the household head was the oldest female in the family. Unless there were no other members at least 14 years younger than the oldest female. These cases were dropped and assumed not to be a family with both caretakers and children eligible for AFDC or MFIP.

Figure 8 shows that from January 1992 through June 1999, the median age of caretaker rose slightly from 26 to 31 years old. The 25th percentile for age increased from 22 to 28 years old. During this same period the 75th percentile increased from 31 to 36 years old.

In more recent years, caretakers may be entering the system at younger ages. This may be occurring for both single- and two-caretaker families. Table 3 shows that the median age for entering single caretakers decreased from 24.9 to 21.4 years old. The age for multiple caretakers decreased from 26.9 to 24.0.

The table shows that the 25th percentile is 15.9 for single caretakers entering after the start of MFIP. These tables may have only an indirect connection to teenage out-of-wedlock births. There are many reasons why the caretakers might be so young. Some caretakers enter as children and at some later point become parents eligible for MFIP. For single caretakers who started their first episode at less than 15 years old, 42.7 percent started before they were 12 years old.

The number of single caretakers entering AFDC, transition to MFIP, and MFIP are respectively 34,744, 5,522, and 9,389. For two-caretaker families the number of entrants are 767, 52, and 84. The number of single caretakers who are younger than 15.9 and entering MFIP equals 2,347. However, of that amount, approximately 1,002 were under 12 years old. Also, some of the caretakers between 12 and 16 years old may have been children at the time of entry.

Moreover, whether the age of entrants is getting younger is partly clouded by data problems. Especially in the earlier years in the data set, low-income caretakers may have received AFDC before the first recording in the data. For such cases, the caretakers were recorded as entrants. In reality they are returning for their second, third, or even more times.

One of the problems with the current record keeping system is that there is no information on caretakers before the first month that the information was entered into the computer database. There is no way of knowing for certain whether a caretaker is receiving AFDC for the first time, or for the second, third, or fourth time.[7] This may bias the statistics, especially in earlier years. Caretakers who leave AFDC are more likely to return sooner rather than later. There may be a higher percentage of caretakers who have received AFDC in the past. This would make them look like they are entering at an older age than actually is the case. To compensate for the problem and consistent with similar reports, the first two years of the data set are dropped. In essence it is assumed that anyone returning to AFDC would have done so within two years. This, in fact, is not true for everyone, but the hope is to capture most of those who do return.[8]

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[7] The current data does have a variable stating whether the entrant was known to Maxis before January 1992. However, the variable includes other types of assistance such as Medical Assistance and food stamps. Parents can qualify for either type of assistance without being on AFDC. Eventually, we may be able to link additional information dating back to 1986.

[8] Among single caretakers who returned to AFDC or MFIP, 90 percent returned within 23 months. These results are biased towards shorter times since it does not account for the fact that some will return sometime after June 1999. When running Kaplan Meier statistics, another way of estimating time until returning to AFDC, the 25th percentile equaled seven months and over 50 percent of the AFDC single caretakers will not return or will return at some date beyond seven years.

Younger entering caretakers may not be the only, or even a significant contributor, to the median age for active cases. Many reasons can explain the decreasing median age for single caretakers. It may be due to older caretakers exiting at a faster pace. Or, fewer older caretakers entering the system may also explain the shift in the age distribution. Or, another explanation might be fewer younger caretakers exiting the system.

Minor caretakers may still make up a relatively small percentage of the total caseload. The Minnesota Department of Human Services notes that out of a total caseload of 42,776, only 361 (8 percent) were minor caretakers in the month of December 1999. These results may point to the underlying churning of young entering caretakers. As with any cohort, caretakers may exit and re-enter and re-exit a number of times in numerous ways. The complex combination of entry and exits can result of different statistics regarding first-time entries and active cases.

Table 3
Age of Caretaker When First Entering The System
Entrants Between January 1992 and June 1999

When A Caretaker Enters the System	**Single-Caretaker Cases**			**Two-Caretaker Cases**		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
AFDC (January 1992 through June 1997)	19.3	24.9	32.5	N.A	26.9	N.A.
Transition to MFIP (July 1997 through March 1998)	15.8	21.1	30.2	N.A.	23.1	N.A.
Full Implementation of MFIP (April 1998 through June 1999)	15.9	21.4	30.3	N.A.	24.0	N.A.

The Number of Children

As noted above, the number of families on welfare has declined significantly. This section examines whether the families remaining on welfare are larger families with more children. Families with more children may have more difficulty leaving welfare because they face more work-related expenses, such as daycare. Health care costs for a larger family may also make it more difficult to leave the system.

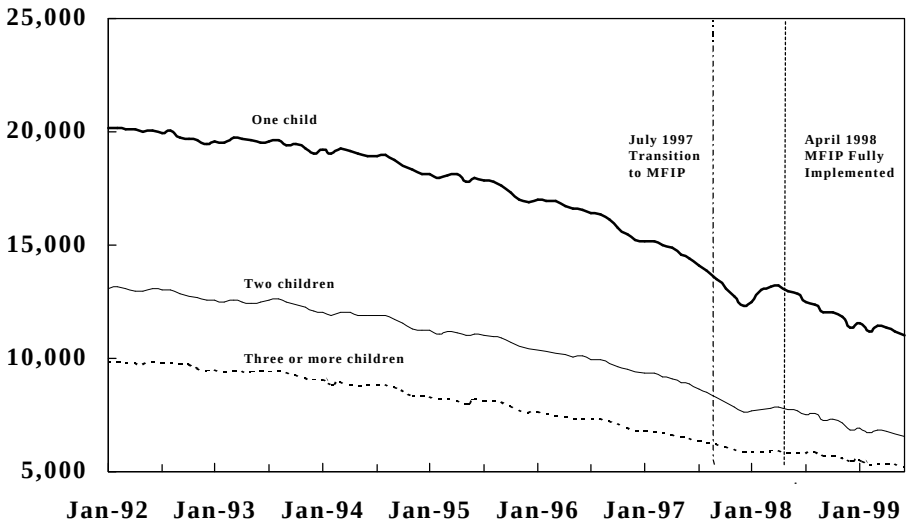
A cursory examination suggests that families of all sizes are leaving the system. For single caretakers, the family size of those remaining on welfare has stayed relatively constant. By contrast, for families with two caretakers the percentage of families with more children has increased over the period studied. These two-caretaker families, as noted above, constitute a relatively small portion of total cases.

Figures 9 and 10 plot the number of families by number of children. For each of the family sizes—one, two, and three or more children—the number of cases decreased throughout this time period.

For single-caretaker families, the number of families with one child on AFDC equaled 20,175 in January 1992. By June 1999, the number of cases equaled 11,009 or a 45.4 percent reduction. For families with two children, the number of cases decreased from 13,094 to 6,518 or a 50.2 percent drop. For families with three or more children, the number of families decreased from 9,868 to 5,262 or a 44.7 percent reduction.

The data show a slight trend of higher percentages of families with one child. In January 1992, the percentage of single-caretaker families with one child equaled 46.8 percent. By June 1999, the percentage equaled a slightly larger 48.3 percent.

Figure 9
Number of Single-Caretaker Families With One, Two, and Three or More Children



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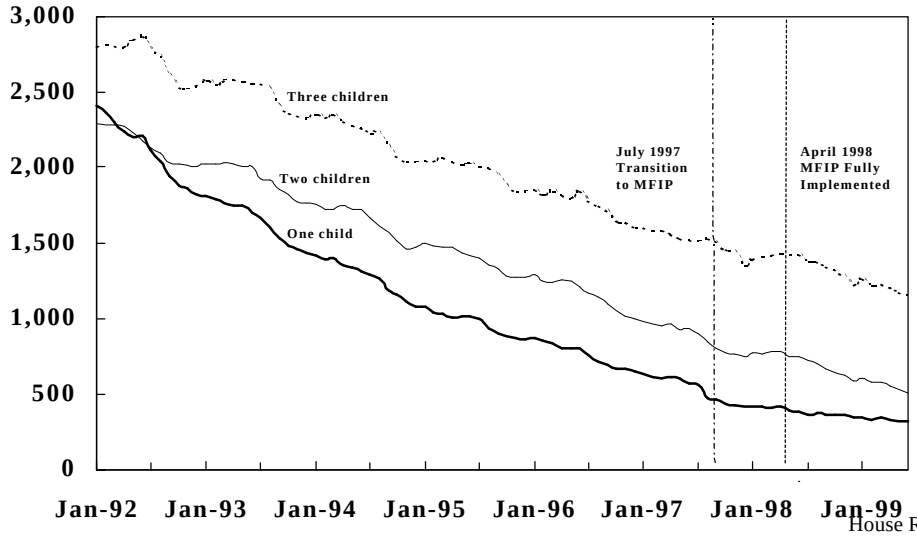
The number of two-caretaker families on welfare dropped by larger percentages than single-caretaker families. But unlike single-caretaker families who show no pattern of declines by family size, for two-caretaker families larger percentages of smaller families left the programs. In January 1992, the number of two-caretaker families with one child equaled 2,413. In June 1999, there were only 317 families or a 86.9 percent reduction. Families with two children decreased from 2,295 in January 1992 to 507 in June 1999 or a 77.9 percent reduction. Caretakers with three or more children decreased from 2,804 to 1,154 or a 58.8 percent decline.

The percentage of two-caretaker families with three or more children increased. In January 1992, the percentage of families with three or more children equaled 37.3 percent. By June 1999, the percentage equaled 58.3 percent. For single-caretaker families, the percentage with three or

more children remained between 21.6 percent and 23.1 percent for the study period.

Figure 10
Number of Two-Caretaker Families with One, Two, and Three or More Children



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The Age of the Youngest Child

The age of the child is important for a number of reasons. Families with younger children tend to stay on AFDC longer. There are many potential reasons for this. A younger child implies more years of eligibility before the child becomes an adult. A younger child may indicate that the caretaker faces additional expenses that are provided for under AFDC or MFIP. For example, under AFDC children automatically qualify for Medical Assistance. In the private sector, caretakers may face expensive insurance premiums. The thought of facing those premiums may inhibit caretakers with younger children from leaving AFDC or MFIP. Another potential reason is that a younger child may indicate that the caretaker is younger and at that age, may have fewer years of education and less work experience.

Information is available only for three selected months—May 1992, December 1996, and May 1999. Because the information used for this report does not include the age of the youngest child outside of these months, it is difficult to make inferences about the ages of children for any other period.

The median age of the youngest child in an AFDC or MFIP family is less than five. For single caretakers, the median age of the youngest child is four years old. For two-caretaker families, the median age depends upon the time period, but ranges between two and five years old.

For two-caretaker families the age of the youngest child appears to be increasing. Table 4 shows that in May 1992, the median age of the child was two years old. For December 1996, the median age was four years old and by May 1999, the median age was five years old. The older ages is consistent with the older ages of their caretakers (See Figure 8).

Because of the limited data (observations for only three months), one cannot make conclusive statements regarding the age of the children. The statistical medians may be different for other months.

Table 4
Age of the Youngest Child for All AFDC or MFIP Caretakers For Three Selected Months

Month Used for Estimating the Age of the Youngest Child	Single-Caretaker Families			Two-Caretaker Families		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
May 1992	1	4	8	N.A.	2	N.A.
December 1996	2	4	9	N.A.	4	N.A.
May 1999	1	4	9	N.A.	5	N.A.

Educational Attainment: The Percentage of High School Graduates

The level of educational attainment is commonly thought to be an important characteristic of AFDC and MFIP caretakers. The common impression is that those with more education possess more employable skills and are more likely to find and keep a job. Listed below are the percentage of high school graduates by family type and by period for caretakers entering the programs. The educational attainment rates are at the beginning of their eligibility on AFDC or MFIP.

The percentage of entering caretakers who are high school graduates may be decreasing. Table 5 shows that single caretakers with at least a high school diploma decreased from 52.5 percent under AFDC to 39.0 percent under MFIP. Two-caretaker families with at least a high school diploma similarly decreased from 48.5 percent to 32.1 percent.[9]

[9] Only the household heads of two-caretaker families were reported. Data is available for the second caretaker.

Table 5
Entering Caretakers with a High School Education

When Caretaker Enters the System	Single-Caretaker Families	Two-Caretaker Families
AFDC (January 1994 through June 1997)	52.5%	48.5%
Transition to MFIP (July 1997 through March 1998)	38.3%	30.5%
Full Implementation of MFIP (April 1998 through June 1999)	39.0%	32.1%

At least some of the lower percentages may be related to younger caretakers entering the system. As noted earlier, the percentage of younger entering caretakers has increased over time. At least some of these are children who are not originally AFDC or MFIP caretakers, but became so at some later date.

Table 6 shows the decrease in the percentage of high school graduates is noticeably less dramatic when examining caretakers who are 19 or older. For these cases, single caretakers who are high school graduates slightly decreases from 64.8 percent under AFDC to 59.3 percent under MFIP. For two-caretaker families, the percentage fluctuates and ultimately decreases from 60.4 percent to 55.1 percent.

As in the statistics on age, caretakers entering in the first two years of the data set were not included in the analysis. These caretakers may have entered the system at an earlier date than the beginning of the database. Their first recorded episode may be their second, third, or some other time on welfare. By excluding those whose first recorded time on AFDC was between January 1992 and December 1994, the likelihood of including older caretakers who are returning to the system is diminished.

Table 6
Entering Caretakers Age 19 or Older with a High School Education

When Caretaker Enters the System	Single-Caretaker Families	Two-Caretaker Families
AFDC (January 1994 through June 1997)	64.8%	60.4%
Transition to MFIP (July 1997 through March 1998)	59.3%	64.4%
Full Implementation of MFIP (April 1998 through June 1999)	59.3%	55.1%

The Racial and Ethnic Characteristics of AFDC and MFIP Caretakers

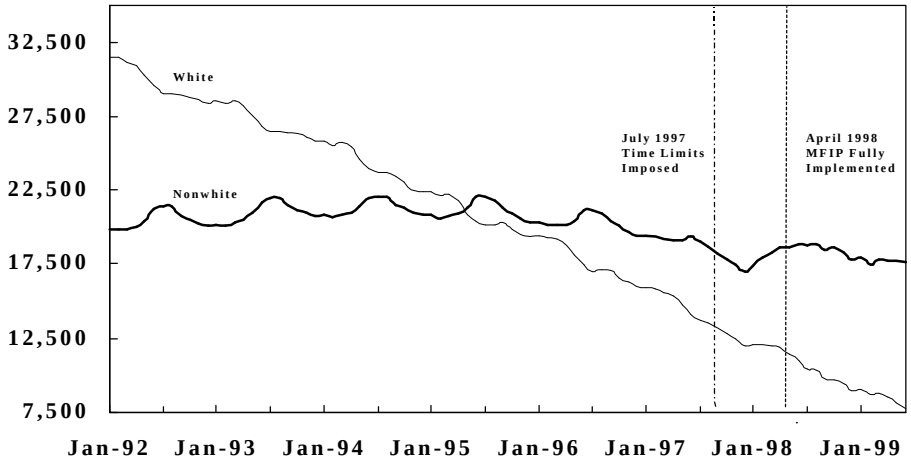
Persons from nonwhite racial or Hispanic origins are the focus of many studies. For example, with respect to the national economy, poverty rates and unemployment rates for blacks and Hispanics are historically higher than for whites. The statistics on nonwhites raise many policy questions. As the caseload has decreased, has its racial and ethnic composition changed? If so, are those remaining more likely to stay on welfare for a longer period of time? Black and Asian American single caretakers, in particular, tend to stay on AFDC and MFIP for longer periods of time. Another question is whether the change in racial composition of the caseload is related to a change in the geographic distribution across Minnesota. For example, a previous study found a higher concentration of black single caretakers in Hennepin and Ramsey Counties. Counties along the western border and in central Minnesota tend to have high percentages of caretakers of Hispanic origin. Does a proportionate increase in the number of nonwhite and Hispanic caretakers correlate with a percentage increase of caretakers in these regions?

The racial distribution of AFDC and MFIP cases has changed significantly.[10] The number of families headed by white caretakers has decreased while nonwhite caretaker families remained constant or slightly decreased. From January 1992 to June 1999, the number of white caretakers decreased from 31,520 to 7,744 or a 75 percent drop. By contrast, the number of nonwhite caretakers decreased from 19,789 to 17,602 or by 11 percent. Nonwhites and Hispanics increased from 38.6 percent to 69.4 percent of all cases.

[10] We determined race for each case by selecting a household head, typically a female caretaker, and designating the race of the caretaker as the race for the entire case. The number of cases within a year is the number of cases for each race that qualified for at least month for the fiscal year. We excluded data from 1987 because no information was available before November of 1986.

By June 1999, the statewide percentage of nonwhites equaled 69.4 percent of MFIP caretaker families. This percentage is substantially larger than in 1992 (38.6 percent).

Figure 11
The Number of White and Nonwhite Caretakers



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For both single- and two-caretaker families the number of whites is decreasing. The number of nonwhite two-caretaker families also decreased throughout this period. In contrast, the number of black and Hispanic single-caretaker families increased until 1997. For Asian Americans, the number of single-caretaker cases increased until 1993 and began to decrease thereafter.

Table 7
Number of Single-Caretaker Families by Race and Year

Year	Asian American	Black	Hispanic	American Indian	White
1992	1,848	11,352	2,170	4,220	38,795
1993	1,880	11,870	2,271	4,125	37,615
1994	1,831	12,284	2,381	4,009	35,603
1995	1,771	12,609	2,448	3,837	32,389
1996	1,682	12,627	2,339	3,683	29,201
1997	1,507	11,902	1,972	3,432	24,944
1998	1,527	11,942	1,730	3,301	21,085

Table 8
Number of Two-Caretaker Families by Race and Year

Year	Asian American	Black	Hispanic	American Indian	White
1992	714	848	765	801	6,050
1993	585	789	677	737	5,208
1994	491	738	581	693	4,528
1995	392	681	487	649	3,877
1996	315	609	404	608	3,335
1997	267	541	286	566	2,713
1998	223	476	219	536	2,153

Summary of Demographic Characteristics

The following are some highlights of this chapter on demographics.

- The number of families with eligible caretakers and children on AFDC decreased from 51,333 in January 1992 to 26,346 on MFIP in June 1999.

- Single caretakers make up the vast majority of the cases (approximately 92.1 percent in June 1999). Ninety-two percent of single caretakers are female.

- Single caretakers tend to be younger and over the 1992-99 time period, the age of entering single caretakers decreased. By contrast, the age of entering caretakers increased for two-caretaker families over the same period.

- For single caretakers, the family size appears to have changed relatively little over the time period. For two caretakers, the reduction in the number of recipients has modestly increased the share of larger (three or more children) families.

- The age of the youngest child for the majority of families is less than five years old.

- Nonwhites' share of the overall population of caretakers increased significantly over the period studied.

Outcomes of AFDC and MFIP Caretakers

This section examines whether reform has helped to decrease "dependency." The goals of welfare reform include promoting job preparation and work. This is sometimes characterized as reducing dependency on the welfare system. But reducing dependency may mean different things to different people. To some, it may mean reducing caseloads. To others, it may mean finding ways for persons on welfare to "give something back."[11]

As in the preceding demographic statistics section, this section is limited to a few introductory statistics such as:

- Income
- Employment
- Number of episodes
- Time spent on welfare

Some of these statistics, such as the time spent on welfare, are preliminary. More time is needed before more conclusively evaluating whether the new welfare policies have resulted in shorter times spent on MFIP.

The statistics include information on AFDC and MFIP so that comparisons can be made across time periods. In assessing the data, it is important to recognize that some of the changes taking place after MFIP may be related to other circumstances wholly unrelated to the reform. A more complete analysis, including a regression analysis, would be necessary to analyze whether other factors or the recent welfare reform contributed to the changes. No regression analysis was conducted here because the literature suggests that before doing so, it is important to at least attempt to account for different types of exits from the program.[12] There may be significant policy implications if caretakers are leaving AFDC or MFIP because they married or moved to another state, rather than because they obtained a job that pays more than the income limits. Data including this type of information is not yet available.

The Number of Caretakers

As shown in the previous section, the number of caretakers has decreased since the first month available in the data set (January 1992). In the first month, the number of caretakers with

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[11] Haveman, Robert H. and Barbara Wolfe. *Welfare to Work in the U.S.: A Model for Other Nations?* Madison: Institute for Research on Poverty, University of Wisconsin-Madison, 1998. Internet: http://www.ssc.wisc.edu/irp/pubs/dp115998.pdf.

Bloom, Dan. *After AFDC: Welfare-to-work Choices and Challenges for States.* New York: MDRC, 1997.

[12] Haveman and Wolfe (1998) and Bloom (1997)

dependents equaled 51,333. By June 1999, the number had dropped to 26,346.

The decrease in caseload is consistent with the national experience. After peaking in 1994, the AFDC caseload began dropping at a dramatic pace. From 1994 to 1997, the number of AFDC cases decreased from slightly over 5 million to approximately 3.8 million. The number of cases also declined in individual states. Because AFDC caseload decreased before the 1996 welfare reform, it may be that other reasons besides welfare reform contributed to the decline.

For the nation, some attribute the decrease in caseload partly to the growth of the economy. Researchers note that decreasing unemployment rates correspond with lower caseloads. Some researchers also note that a countervailing effect to decreasing caseloads is higher benefits.

Whether MFIP contributed to a decrease in the number of Minnesota caretakers with children cannot be determined from Figure 1. A more formal analysis would be necessary to untangle the environmental factors from MFIP. Also, welfare reform implementation involved two major dates, the month that time limits were imposed and the month that all caretakers were shifted into receiving an MFIP grant. An analysis would need to look at these dates separately.[13]

Income of AFDC and MFIP Caretakers

Caretakers can receive income without leaving AFDC or MFIP. In fact, MFIP requires many caretakers to develop an employment plan. The plan requirement may be satisfied by the caretaker working a job. In some cases, the caretaker may earn enough income to leave MFIP. Other caretakers may have income from other sources besides work. Under current law, a single caretaker with two children can earn about $1,170 in monthly income and still qualify for MFIP.

Real incomes of single- and two-caretaker families steadily increased from March 1992 through July 1999. Figures 12 and 13 below show monthly gross income of single- and two-caretaker families on AFDC and MFIP. Monthly gross income is income used to determine the

[13] However, the trend in the number of caretakers with children is consistent with at least some effect from MFIP. For example, after the implementation of the time limits, the following six months averaged a 2.3 percent per month decline in caseload. This is a slightly sharper monthly decline than any other six-month period in the previous five years. The next largest decline occurred between December 1996 and May 1997.

The decline in caseload is consistent with the suggestion that time limits are leading to smaller caseloads. However, the decline in numbers is not enough to reach a conclusion. Alternative explanations include unprecedented low unemployment rates and an increase in the minimum wage.

From January 1998 to April 1998, MFIP caretakers increased from 37,932 to 39,702. Afterwards, the number of caretakers resumed its downward decline. The temporary increase may be related to the folding of three programs into MFIP-AFDC, General Assistance, and some food stamp recipients.

AFDC or MFIP benefit and does not include the benefit itself. The incomes are reported in July 1999 dollars.

These charts do not show a noticeable increase in real income from the start of the time limits or from MFIP implementation. This may be because caretakers who increased their incomes no longer qualify for MFIP. The data do not track caretakers' incomes once they leave the welfare system.

Figure 12 shows real monthly income for single-caretaker families. From March 1992 to June 1999, median income increased from $331 to $778. The 25th percentile for single caretakers increased from $149 to $489. At the 75th percentile, real monthly income increased from $588 to $1,190.

The percentiles are of those with at least some income; caretakers without income are excluded. An alternative approach would be to show real income for all caretakers. That would likely depict an increase in real income as more caretakers find work. However, the next set of tables will show an increase in the ratio of employed to unemployed caretakers, which should correspond to an increase in the number of persons with earned income. The effect of these tables is to isolate the results to those whoalready have some income.

Figure 12
The 25th, 50th, and 75th Percentiles of Real Income for Single-Caretaker Families

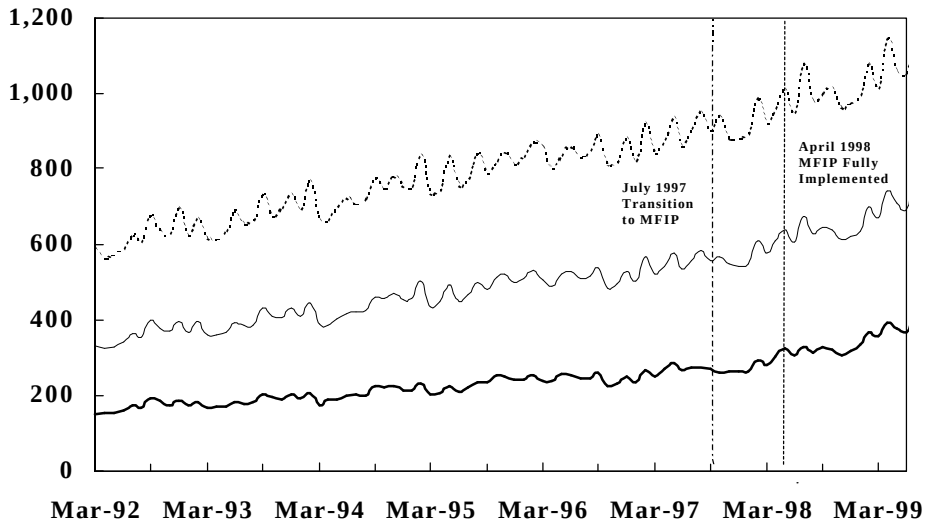

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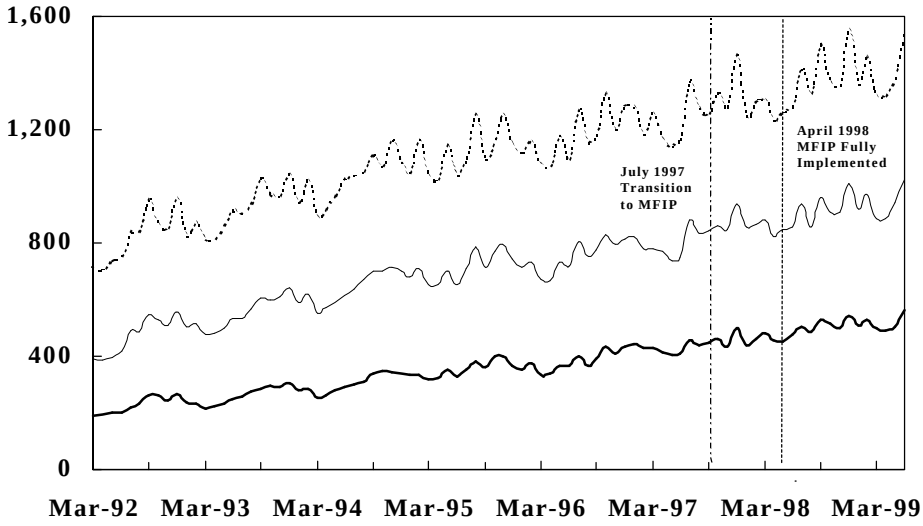
Figure 13 shows real income for two-caretaker families. From March 1992 to June 1999, real monthly income at the 50th percentile increased from $391 to $1,020. Real monthly income for the 25th percentile increased from $188 to $558. At the 75th percentile, real monthly income increased

from $719 to $1,546. Income for two-caretaker families is the sum of all gross monthly income received by both caretakers.

Figure 13
The 25th, 50th, and 75th Percentiles of Real Income for Two-Caretaker Familes (June 1999 dollars)



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The Ratio of Employed to Unemployed of Single- and Two-Caretaker Families

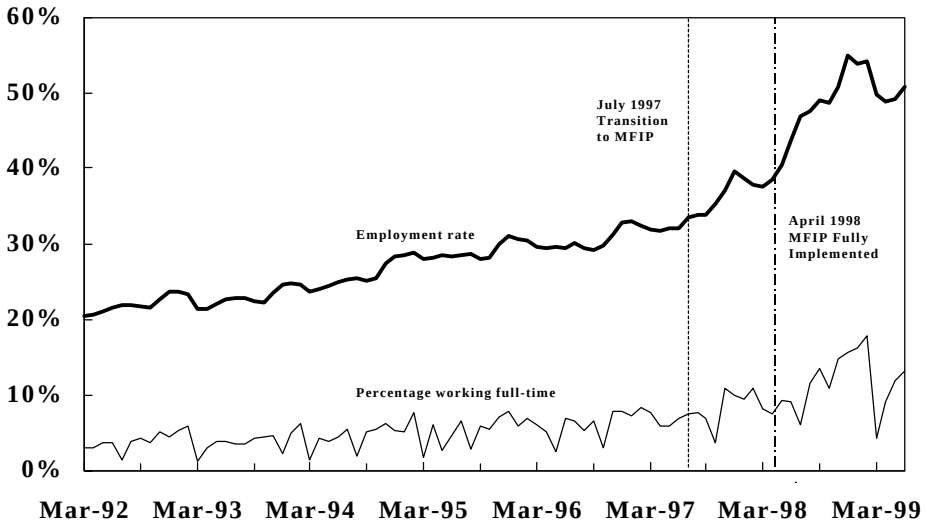
It is possible for caretakers to work and receive AFDC or MFIP at the same time. As long as their income does not exceed the limits, caretakers can work part-time or full-time jobs. Moreover, MFIP expects caretakers to work between 20 and 55 hours a week under their employment plans.[14]

The ratio of employed to unemployed caretakers for single caretakers increased noticeably after the implementation of the time limits and MFIP. Figure 14 below shows the percentage of MFIP single caretakers who are working and of those who have a full-time job. From July 1997 to June 1999, the ratio of employed to unemployed single caretakers increased from 33.4 percent to 50.9 percent. The percentage working full-time increased from 7.4 percent to 13.1 percent. These ratios are for all single caretakers; they excluded caretakers who satisfy their employment plans through school or other nonemployment activities or who are exempt from the employment plan requirements.

[14] An individual caretaker's required hours of work varies depending upon whether it is a single-caretaker or a two-caretaker family, the age of the caretaker, and on whether the family includes at least one child under age six.

The increase appears related to the implementation of MFIP, but this is not certain. Further analysis would need to be done to determine whether other factors were related to the increase in the ratio of employed to unemployed caretakers. For example, the ratio of employed to unemployed caretakers may be related to increased job opportunities for lower skilled workers.

Figure 14
The Ratio of Employed to Unemployed Single Caretakers



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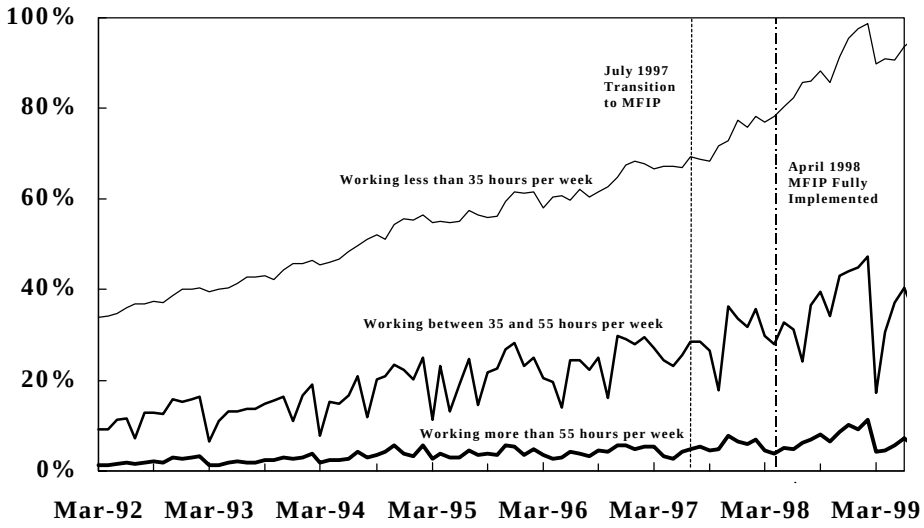
The ratio of employed to unemployed caretakers for the cohort of two-caretaker families increased at lower rates after the implementation of MFIP. From March 1992 through June 1999, the ratio of employed to unemployed caretakers for two-caretaker families increased from 33.8 percent to 95.6 percent. Although the increase occurred throughout the period, there is a slightly higher month-to-month percentage change after July 1997—from 1.1 percent to 1.5 percent (average of monthly percentage changes). The slight increase may not be due to the change from AFDC, but to factors unrelated to MFIP.

Figure 15 shows the monthly ratio of employed to unemployed caretakers for two-caretaker families. The figure shows that the ratio of employed to unemployed caretakers for those working more than 55 hours increased from 1.1 percent in January 1992 to 5.6 percent in July 1999. The percent of families working between 35 and 55 hours per week increased from 8.1 percent to 29.6 percent. The percentage of persons working less than 35 hours a week increased from 24.5 percent to 60.5 percent.

These are not the same as the actual ratio of employed to unemployed caretakers for two-caretaker families in any single month. In this report, two-caretaker families include any case with more than one caretaker eligible for AFDC of MFIP. The second caretaker may be present all of the time or in some cases, present only temporarily. Because of problems with the data set,

employment of the second caretaker includes those that are no longer part of the household, but may receive other forms of assistance. For example, a second caretaker receiving food stamps, but not MFIP, is counted within these statistics.

Figure 15
The Ratio of Employed to Unemployed Two-Caretaker Families



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The Number of Times a Caretaker Returns To Welfare

The pattern of AFDC and MFIP recipiency varies from person to person. Some individuals enter the system, stay for one or two months and never return again. Others enter once or twice and stay for an extended period. Still others may receive assistance many times. To examine how many separate times caretakers are on the program, entrants from January 1992 to June 1994 were selected and counted for the number of episodes on AFDC or MFIP.

A large percentage of caretakers leave after the first episode and never return to the AFDC system. Table 9 shows the percentage of caretakers that first entered AFDC between January 1992 and December 1994 by the number of episodes on AFDC or MFIP.[15] Many of the caretakers stayed for only one episode, 62.5 percent of single-caretaker families and 45.9 percent of two-caretaker families.

[15] Entrants were restricted to these two years because of a censoring problem. In order to help assure that the complete number of episodes are counted, the first two years and the last three and one-half years worth of entrants were not included. The first two years were not included, because a significant proportion of these entrants may have been on AFDC before January 1992 and there is no way of finding out how many. The last three and one-half years were dropped because they were more likely to return at some future date.

Many caretakers have more than one episode on AFDC: 23.3 percent for single-caretaker families and 26.9 percent for two-caretaker families. Five percent of single-caretakers returned for three or more times and 27.3 percent for two-caretaker families.

Table 9
Number of Times That Caretakers On AFDC and MFIP For Caretakers Entering AFDC Between January 1994 and December 1996

Number of Episodes	Single-Caretaker Families	Two-Caretaker Families
1	62.5%	45.9%
2	23.3%	26.8%
3 or more	5.0%	27.3%

Time On AFDC or MFIP—Preliminary Estimates

One way of examining whether MFIP reduces "dependency" is whether the time spent on welfare is shortened. This section provides some preliminary estimates on the time spent on welfare by program.

Estimates are constructed for three separate types of caretakers that enter the system during the following time periods that coincide with important changes in program rules:

1. AFDC: January 1992 through June 1997

2. Transition to MFIP: July 1997 through March 1998

3. MFIP: April 1998 through June 1999

These three groups of entrants were selected, because caretakers may behave differently under each program. For example, a caretaker receiving AFDC may behave differently when faced with a 60-month time limit.

The estimates list the number of months when 25 percent, 50 percent, and 75 percent of the caretakers finish their first period on welfare. Other times on welfare, such as a caretaker's second, third, or more episodes are not included in this analysis. The median survival time is the time in which 50 percent of the individuals in the population are expected to remain on the program. The estimates are only for the first time on welfare.[16] Caretakers may return to the system, but these are not included because of the short time period under MFIP.

[16] Information is available up to June 1999. After that date, there is no way of knowing whether caretakers remained on MFIP. Without this knowledge, a statistical technique, the Kaplan-Meier method, cannot estimate the probability of staying on the program beyond the 15 months of MFIP information. Appendix C describes the statistical technique used to estimate the percentile times on AFDC and MFIP.

The preliminary estimates suggest that the time spent on AFDC may be slightly shorter than the time spent on the transition to MFIP, and the time spent on MFIP. Table 10 shows that for single-caretaker families, the estimated median time spent on AFDC is eight months. The estimated median time spent on AFDC with time limits is nine months and for MFIP is ten months. For two-caretaker families, the estimated median time is: (1) four months under AFDC; (2) five months under transition to MFIP; and (3) five months under MFIP.

The difference in time spent on welfare may or may not be due to the new programs. Because there are only a few months of MFIP data, factors unrelated to the MFIP may cause these differences. Many other events occurred about the same time that transition to MFIP and MFIP were implemented. Events, such as low unemployment rates, increases in the minimum wage, and increases in the federal earned income tax and Minnesota working family credits may affect the time spent on welfare. Also, if the decreasing caseload is accompanied by an increasing percentage of hard-to-serve cases, then longer lengths of stay might be observed for more recent dates.

Table 10
Estimate of Time Spent on AFDC, Transition to MFIP, or MFIP (months)

When Caretaker Enters the System	Single-Caretaker Families			Two-Caretaker Families		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
AFDC (January 1992 through June 1997)	19	8	4	9	4	2
Transition to MFIP (July 1997 through March 1998)	20	9	4	10	5	2
Full Implementation of MFIP (April 1998 through June 1999)	—	10	5	11	5	3

Summary of Outcomes

A goal of the1996 federal welfare reform was to promote job preparation and work. For some, this means reducing dependency on the welfare system. A cursory examination finds that by some measures, dependency may have been reduced over time. However, for some of these

measures, the reductions began well before welfare reform was implemented and may be independent of the implementation of MFIP.[17]

Several measures of dependency show improvement over the time period studied:

- **The number of caretakers with children decreased.**[18] However, the number of caretakers with children has been decreasing since at least 1992. The relationship to the implementation of MFIP is not clear.

- **Real incomes of caretakers increased.** Real incomes for caretakers receiving assistance have increased over time, but again this pattern began before implementation of welfare reform

- **The ratio of employed to unemployed caretakers increased.** The ratio of employed to unemployed caretakers appears to have increased, especially for single-caretaker families. Although the increase occurred with the implementation of MFIP, it is uncertain to what extent MFIP is responsible. Other factors, such as low statewide unemployment rates, more job opportunities for low-skilled workers, the minimum wage, the earned income credit and the Minnesota working family credit, could all affect the ratio of employed to unemployed caretakers of low-income families. Not only are the magnitude of individual effects undeterminable, it is uncertain whether some of these policies, such as an increase in the minimum wage, didn't have the opposite effect of contributing to a decrease in the ratio of employed to unemployed caretakers.

The estimates for the time spent on AFDC, transition to MFIP, and MFIP are preliminary. More time is needed to provide reliable estimates of the effects of the MFIP program. Preliminary estimates suggest that entrants spend a slightly longer time on MFIP than on AFDC. These estimates are for their first episode and say nothing about the time spent for those who return to the system for more than one time. Experience under AFDC suggests a substantial percentage of caretakers will return after leaving the system.

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[17] See Haveman and Wolfe (1998) and Bloom (1997).

It is theoretically possible that, because of the publicity preceding welfare reform, individuals began to change their behavior. This may occur because of an added stigma attached to welfare benefits or because of anticipated changes in the rules regarding welfare. The 1994 implementation of the experimental version of MFIP may have contributed to anticipated changes.

[18] This research excludes child-only cases, or cases with only adults. A child-only case was assumed to occur if all members of the household are less than 19 and the youngest member is less than 14 years younger than the oldest member.

Preliminary Estimates: Who is More Likely to Stay for a Longer Time on AFDC or MFIP

Knowing which groups are likely to spend more time on welfare may be useful in considering alternative welfare policies. Even though a program may increase the ratio of employed to unemployed caretakers overall, many recipients may still remain on welfare. It is possible that certain types of recipients, employed or not, are more likely to remain on welfare. Information on the characteristics of those likely to remain on welfare for longer periods of time may be useful in developing policies to reduce long-term dependency on welfare. For example, if sub-state regions are associated with longer times on welfare, perhaps focusing policies to fit sub-state regions makes sense.

This section reports a set of preliminary statistical estimates of the time spent on AFDC, transition to MFIP, and MFIP. The statistics extend the previous section's preliminary estimates, breaking down the estimates by other characteristics of the caretakers:

- Region
- Age
- Number of children
- Education
- Race and ethnicity

A number of caveats must be applied to this analysis. The main problem results from the limited experience with (and, as a result, limited data on) MFIP.

- **The results are preliminary.** More years of data are necessary to examine the time spent on MFIP. A high percentage of cases that began under MFIP were still on the program during the last month of the data set—48.7 percent of single caretakers and 38.8 percent of two-caretaker families. It is uncertain how much longer these families will stay. Sometimes a substantial percentage may stay beyond 15 months. Because of this, it is often impossible to estimate length of stay on MFIP.

  The sample sizes become fairly small with such a high number of censored observations. Under AFDC there are 102,528 single caretakers that leave before the end of the AFDC period. With MFIP, only 13,947 single caretakers started and left before the end of the first period. For two-caretaker families, the number of caretakers that start and leave while on AFDC equaled 10,596. The number of two-caretaker families that start and leave while on MFIP was 80.

  The lack of data prevented comparing the AFDC, transition to MFIP, and MFIP programs. Thus, all of the comparisons are across characteristics of caretakers and are within each program.

- **The analysis does not control for other factors.** The analysis is conducted with a set of descriptive survival statistics. The approach estimates who is more likely to stay on welfare, but does not separate out the influence of other factors. A more systematic approach would be to conduct a regression analysis which could measure the effects of other variables.[19] Although descriptive statistics cannot isolate the effect of a variable while holding all others constant, they may show a trend that provides useful insights.

- **It may have taken more time to finish implementing MFIP programs.** The data provides little more than a year's worth of MFIP information. During that time, the counties and the state government may have slowly adjusted to the new program. These implementation difficulties may have affected the outcomes of caretakers on MFIP.

- **The statistics are limited to the duration of a caretaker's first episode on the program.** Because individuals may enter, leave, and return to the AFDC system, policymakers may be concerned with the total time spent on welfare programs. Because there were too few months of information on MFIP, this research is limited to the time spent when a caretaker first enters the welfare system. Subsequent times spent on welfare and time spent away from the system are not examined.

- **Two-caretaker families include families where the second caretaker may be temporarily present.** In some cases, the second caretaker may become ineligible while the primary caretaker remains eligible. In other cases a second caretaker may join the family, or may join the family on a subsequent episode. These families were all considered two-caretaker families. Part of the reason is that these families may be classified as one- or two-parent families depending upon whether the second caretaker is present. For purposes of this paper, they are classified as two-caretaker families because at some point in time, they may face a different set of rules regarding AFDC and MFIP eligibility. Also, there may be behavioral differences between two-caretaker and single-caretaker families.

Regional Differences in Time on AFDC, Transition to MFIP, and MFIP

The estimated time spent on welfare may differ by region of the state. A number of reasons, both cultural and economic, may explain these differences. For example, job opportunities for low-skilled workers may be better in some regions. Caretakers' employable skills may vary across

[19] House Research is a participant (with the Departments of Human Service, Finance, and Revenue) in an effort to develop a data set that matches welfare and income tax information for a panel of welfare recipients over a number of years (both before and after welfare status). Information from the income tax system will provide more useful "controls" for a regression analysis of the characteristics of recipients that are better predictors of long durations on the programs.

regions. Other characteristics related to length of stay, such as the percentage of two-caretaker families, may vary by region. These regional differences may have important policy implications. For example, certain regions may contain more caretakers with language barriers or certain regions may have fewer job opportunities.

Single caretakers in Central Minneapolis-St. Paul and Duluth regions have longer estimated times on welfare, while those in the Fargo-Moorhead, Central, and Southwestern regions are among the shortest.

Table 11 lists regional estimates of median time on welfare for single-caretaker families. For each program, the Central Minneapolis-St. Paul region has the longest times spent on welfare. For AFDC, the time spent was ten months. The shortest period on AFDC is five months for the Fargo-Moorhead and Central Minnesota regions. Under transition to MFIP, the longest period is Central Minneapolis-St. Paul (12 months) and the shortest period is Fargo-Moorhead (five months). Cells without an entry are missing values, where the amount of time spent on welfare is uncertain. For example, the time spent on MFIP before at least 50 percent of the caretakers are estimated to leave is uncertain. The shortest estimated time on MFIP is seven months and is in the Fargo-Moorhead, Central, and Southwest regions.

Table 11
Median Estimates of the First-Time on Welfare for Single-Caretaker Families by Region

Region	Program		
	AFDC	Transition to MFIP	Full Implementation of MFIP
Minneapolis-St. Paul SMSA			
Central Minneapolis-St. Paul	10 months	12 months	—
Surrounding Suburbs	8	8	8
La Crosse, Rochester, and St. Cloud	7	7	8
Fargo-Moorhead and Grand Forks	5	5	7
Duluth	9	10	13
Nonmetro Minnesota			
Central	5	6	7
Northeast	7	7	8
Northwest	7	8	10
Southeast	6	7	8
Southwest	6	6	7

For two-caretaker families on AFDC, none of the differences between the metro and nonmetro regions are significantly different from one another.[20] AFDC caretakers from the metro region are estimated to stay one month longer than the nonmetro region. Caretakers under transition to MFIP are estimated to stay one month less in the metro region. Under MFIP, caretakers are expected to stay four months longer.[21]

Table 12
Median Estimates of the First-Time on Welfare for Two-Caretaker Families by Region

Region	Program		
	AFDC	Transition to MFIP	Full Implementation of MFIP
Metro	5 months	4 months	8 months
Nonmetro	4	5	3

The Age of the Caretaker and Time on AFDC, Transition to MFIP, and MFIP

The age of the caretaker may make a difference for a number of reasons. Age is a potential indicator of the skills of the caretaker. Older persons tend to have more years of experience and higher educational attainment rates. These caretakers may be more likely to find a job that pays enough to leave the welfare system. Older caretakers may have older children who require fewer hours of daycare.

Younger single caretakers are estimated to stay on welfare for a longer period of time. Table 13 tends to show that younger, single caretakers have longer first episodes on AFDC. For example, the median stay was three months shorter for caretakers over age 25 (seven months), as compared with caretakers under age 20 (ten months). Similar, but bigger, differences in the estimates appear for transition to MFIP (12 months for those under age 20 versus six months for those over age 35). For MFIP, the lack of experience with the new program made it impossible to estimate durations for caretakers under age 20 and the estimated durations were the same for all the other age categories.

[20] Log-Rank test at a statistical level of 0.05.

[21] The estimated time on welfare is for the designated head of household. These are typically the caretaker designated with the children, or in cases where both parents are designated with the children, it is the female member. If there is more than one female in the case, then it is the oldest female.

Table 13 **Median Estimates of the First-Time on Welfare for Single-Caretaker Families by Age of Caretaker**			
Age of Caretaker	Program		
	AFDC	Transition to MFIP	MFIP
Under 20	10 months	12 months	—
20 through 24	8	8	8
25 through 35	7	7	8
Over 35	7	6	8

Table 14 shows the number of months on welfare by age of the head of household of two-caretaker families. The table shows that under AFDC and MFIP, caretakers under 25 stay for one month longer than for caretakers 25 and older. However, these estimates for the age groups are not statistically different from one another.

Table 14 **Median Estimates of the First Time on Welfare for Two-Caretaker Families by Age of Head of Household**			
Age of Caretaker	Program		
	AFDC	Transition to MFIP	MFIP
Under 25	5	5	5
25 and Older	4	5	4

The Number of Children and Time Spent on AFDC, Transition to MFIP, and MFIP

The number of children makes a difference not only in terms of the size of the grant, but also in costs associated with working parents. A previous House Research report, "Identifying Who Might be Subject to the 60-Month Time Limit," found caretakers with more children were slightly more likely to stay beyond the time limit than caretakers with fewer children.

In this study, the median estimated time on welfare does not appear to increase with the number of children. However, at the 25th percentile, caretakers with three or more children are more likely to stay on AFDC for a longer period of time.[22]

[22] In "Identifying Who Might be Subject to the 60-Month Time Limit," the percentage of single caretakers staying over the time limit equaled 26.0 percent for families with one child, 27.9 percent for families with two children, and 28.8 percent for families with three children.

Table 15 lists the median estimated time on welfare, by the number of children, for single caretakers. The table shows that the median, or 50 percent, of AFDC single caretakers with one, two, and three or more children are all estimated to stay for eight months. Under transition to MFIP, the length of stay for a single caretaker with one child is nine months and for three or more children is eight months. Under MFIP, single caretakers with one child and with three or more children stay an estimated 11 months.

At the 25th percentile, single caretakers with one child on AFDC are estimated to stay for 18 months. Single caretakers with three or more children are estimated to stay for 21 months. Whether this tendency holds true for single caretakers under transition to MFIP, or MFIP is uncertain because the Kaplan-Meier procedure did not produce an estimate.

Table 15
Median Estimates of the First Time on Welfare for Single-Caretaker Families by Number of Children

Number of Children	Program		
	AFDC	Transition to MFIP	MFIP
1	8 months	9 months	11 months
2	8	9	8
3 or More	8	8	11

Table 16 shows little variation in the estimated median number of months on welfare by the number of children in two-caretaker families. Under AFDC, families with one and two or more children stay for four months. The estimated time for transition to MFIP is one month longer for families with two or more children. Under MFIP the difference is reversed. In either of the last two cases, the estimates are not statistically different from one another at the 0.05 level.

Table 16
Median Estimates of the First Time on Welfare for Two-Caretaker Families by Number of Children

Number of Children	Program		
	AFDC	Transition to MFIP	MFIP
1	4 months	4 months	5 months
2 or more	4	5	4

Educational Attainment and Time Spent on AFDC, Transition to MFIP, and MFIP

Those with more years of schooling when entering AFDC, transition to MFIP, or MFIP are expected to stay for a shorter period of time. These caretakers should have more skills, making them more employable. The reported statistics are for the level of educational attainment when the recipient entered the system.

For single caretakers, educational attainment appears to be related to shorter times on welfare. Higher educational attainment rates and shorter estimated times on welfare materialize at the median or at the 25th percentile (for those estimated to stay for longer periods of time). Under AFDC, there is little difference in the estimated median length of stay. Three groups—caretakers with less than a high school diploma, caretakers with a high school diploma, and caretakers with at least some post-secondary education—are all estimated to stay for eight months. Caretakers with a college degree are estimated to stay seven months. However, caretakers with more years of education at the start of their first time on AFDC are less likely to stay for an extended period of time. At the 25th percentile, which are the longer times on AFDC, higher education corresponds to relatively shorter times. Caretakers with less than a high school diploma are estimated to stay for 21 months. Caretakers with a high school diploma or caretakers with some post-secondary education are expected to stay for 17 months. Caretakers with a college degree are estimated to stay for 13 months.

Under transition to MFIP, the difference is greatest for those with a high school diploma. Caretakers with less than a high school diploma are estimated to stay for 11 months. Caretakers with a high school diploma stay for seven months. Caretakers with a college degree stay for five months.

Under MFIP, the greatest difference is also between those with and without a high school diploma. For caretakers with less than a high school diploma, the estimated median number of months is 13. For high school graduates, the estimated median duration is seven months. Those with a college degree are not statistically different from those with a high school diploma and those with some post-secondary education.

Table 17
Median Estimates of the FirstTime on Welfare for Single-Caretaker Families by Educational Attainment

Educational Attainment	Program		
	AFDC	Transition to MFIP	MFIP
Less Than a High School Diploma	8 months	11 months	13 months
High School Diploma	8	7	7
At Least Some Post-Secondary Education	8	7	7
College Graduate	7	5	8

Counter to expectations, for two-caretaker families, the estimated time increases with educational attainment. Under AFDC, the estimated median time is four months for caretakers without a high school diploma and five months for caretakers with at least a high school diploma. Under transition to MFIP and MFIP, the estimates with and without a high school diploma are not significantly different from one another.

Table 18
Median Estimates of the First-Time on Welfare for the Household Head of Two-Caretaker Families by Educational Attainment

Educational Attainment	Program		
	AFDC	Transition to MFIP	MFIP
Less Than a High School Diploma	4 months	4 months	4 months
At Least a High School Diploma	5	7	5

Differences in Time with Respect to Race and Hispanic Origin

Past research has found that race and Hispanic origin tend to correlate with time spent on AFDC.[23] Consistent with that literature, this study finds noticeable differences by race. However, the data used in this study do not show a similar relationship for two-caretaker families. The reason may be that a lack of data for two-caretaker families required grouping of disparate racial and ethnic groups.

The preliminary estimates indicate that among single caretakers, Asian Americans and blacks have the longest durations. Table 17 shows that the median estimated time for Asian Americans under AFDC was 12 months and for blacks, 10 months. The shortest time on welfare is for caretakers of Hispanic origin (four months). Under transition to MFIP, Asian Americans stayed for 15 months and blacks for 12 months.[24] Caretakers of Hispanic origin stayed for six months. Under MFIP, a lack of data prevented estimating median times for Asian Americans and blacks. For Hispanics the estimated median time is six months.

The shorter times for Hispanics may be related to migrant farm labor. An earlier House Research report, "Identifying AFDC Regions," found several counties in Western and Central regions to possess a high percentage of Hispanics. These counties also had high seasonal fluctuations in AFDC caseloads, which peaks in the summer months.

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[23] See House Research Report, "Identifying Who Might Be Subject to the 60-Month Time Limit." Race does correlate with longer times on welfare, but this does not necessarily imply that race is the cause for longer times. Other factors may correlate with race which may reduce the correlation associated by race alone. Moreover, this analysis only establishes a correlation and does not establish causality.

[24] Under transition to MFIP, the estimates for Asian Americans and blacks are not statistically different from one another at the 0.05 level.

Table 19
Median Estimates of the FirstTime on Welfare for Single-Caretaker Families by Racial and Hispanic Categories

Race	Program		
	AFDC	Transition to MFIP	MFIP
Asian American	12 months	15 months	—
Black	10	12	—
Hispanic	4	6	6
Native American	7	10	12
White	8	8	9

For two-caretaker families, the median estimated time on welfare is shorter for nonwhites than for whites. Under AFDC the median estimated time for whites is five months and for nonwhites is three months. Under transition to MFIP, the median estimated time is five months for whites and four months for nonwhites. Under MFIP the median estimated times are five months for whites and three months for nonwhites.

As indicated above, this is counter to the estimates for single caretakers and the experience reported in the literature. The difference between the estimates may result from the need to combine all nonwhite groups (Asian Americans, blacks, Hispanics, and American Indians). Because of small sample sizes, the four nonwhite racial and ethnic categories were grouped into one category. By doing so, Hispanics from the Western and Central regions, which in the past typically stay on AFDC for shorter periods of time, were grouped with other racial categories.

There are other possibilities for the difference in length of stay between two-caretaker families and single-caretaker families. Various circumstances, such as child care alternatives, job opportunities, and demographic characteristics of two-caretaker families by racial category, could also explain the differences in the estimates.

Table 20
Median Estimate of the First Time on Welfare for Single-Caretaker Families by Racial Category

Race	Program		
	AFDC	Transition to MFIP	MFIP
Nonwhite	3	4	3
White	5	5	5

Summary

This section identifies characteristics of recipients who are more likely to have longer durations on AFDC, transition to MIFP, and MFIP. The results are preliminary. More time is needed to evaluate effectively the MFIP program. Also, other research, including regression analysis, must be conducted before making more conclusive statements about who is more likely to stay on welfare longer.

Keeping in mind these caveats, preliminary evidence suggests that the following types of caretakers are likely to stay on welfare for longer periods of time. **Single caretakers** are estimated to stay longer if they:

- are from the Central Minneapolis-St. Paul and Duluth regions,
- are younger,
- have fewer years of education, or
- are Asian American or black.

For **two-caretaker families**, whites are estimated to stay slightly longer than nonwhites.

Policy Conclusions Regarding Outcomes and Hard-to-Serve MFIP Caretakers

This study compiled statistics for caretakers with children who are eligible for AFDC, transition to MFIP, or MFIP. It is intended to provide some information on the characteristics of these caretakers. The study also provides some initial information on outcomes and on who is more likely to stay longer on AFDC, transition to MFIP, and MFIP.

Two central policy questions are: (1) whether the change from AFDC to MFIP reduced dependency on the welfare system; and (2) whether those remaining are the hard-to-serve caretakers. Some suggest that after the decrease in the number of caretakers with children those remaining are the hard-to-serve population. These caretakers may not have the skills to find and keep jobs that pay enough to leave welfare, or they may have other barriers that prevent them from leaving.

With respect to outcomes, the number of caretaker families is decreasing; real income is increasing; and the ratio of employed to unemployed caretakers is increasing. Some may consider all of these measures of reduced dependency on welfare.

Most of these measures were improving before MFIP, suggesting other factors may also have contributed to these trends. Some possible factors include more job opportunities for low-skilled workers, the increase in the minimum wage, the earned income credit, and the Minnesota working family credit. Some of these changes, such as the minimum wage, are not only uncertain on how much of an effect they have, but also as to whether they provided benefits of increased real income or increased employment rates.

Some of the increases in the employment rate of single caretakers appear consistent with adoption of MFIP. Policies such as an employment plan and the 60 month time limit may have had some effect on the employment of single caretakers. However, without more research, the results are not conclusive. More sophisticated statistical analysis, such as regression analysis, may help provide better insight into the effects of welfare reform.

Preliminary information suggests an increasing proportion of AFDC caretakers are from hard-to-serve populations. The percentage of single caretakers who are Asian American and black is increasing over time. Also, the median age of caretakers is declining and smaller percentages of caretakers have high school diplomas. These characteristics are related to longer estimated times on welfare. The results are not conclusive; the estimates of the time on welfare are preliminary. Also, as in the previous set of conclusions, more research needs to be done. Regression analysis could provide better information and insight on this subject; case studies on the particular barriers that may prevent caretakers from leaving MFIP could be useful.

Appendix A: County by County Listing of Regions

Minneapolis-St. Paul

Central Minneapolis-St. Paul
- Hennepin
- Ramsey

Surrounding Suburbs of Minneapolis-St. Paul
- Anoka
- Carver
- Dakota
- Scott
- Washington

La Crosse, Rochester, and St. Cloud
- Benton (St. Cloud)
- Houston (La Crosse)
- Olmsted (Rochester)
- Stearns (St. Cloud)

Moorhead and Grand Forks
- Clay (Fargo-Moorhead)
- Polk (Grand Forks)

Duluth
- St. Louis

Nonmetro Minnesota

Central
- Chisago
- Isanti
- Kanabec
- Kandiyohi
- McLeod
- Meeker
- Mille Lacs
- Pine
- Sherburne
- Wright

Northeast
- Aitkin
- Carlton
- Cook
- Itasca
- Koochiching
- Lake

Northwest
- Becker
- Beltrami
- Cass
- Clearwater
- Crow Wing
- Douglas
- Grant
- Hubbard
- Kittson
- Lake of the Woods
- Mahnomen
- Marshall
- Morrison
- Norman
- Ottertail
- Pennington
- Pope
- Red Lake
- Roseau
- Stevens
- Todd
- Traverse
- Wadena
- Wilkin

Southeast
- Dodge
- Fillmore
- Freeborn
- Goodhue
- Mower
- Rice
- Steele
- Wabasha
- Winona

Southwest
- Big Stone
- Blue Earth
- Brown
- Chippewa
- Cottonwood
- Faribault
- Jackson
- Lac qui Parle
- Le Sueur
- Lincoln
- Lyon
- Martin
- Murray
- Nicollet
- Nobles
- Pipestone
- Redwood
- Renville
- Rock
- Sibley
- Swift
- Waseca
- Watonwan
- Yellow Medicine

Appendix B: Data

The data includes demographic information on every applicant deemed eligible for AFDC by the Minnesota Department of Human Services. Eligibility for AFDC is reported on a month-by-month basis from January 1992 to June 1999. Information on income, employment, number of children, and place of residence are also reported on a monthly basis. Information on educational attainment is included for two points: (1) for first month it is available on the data base and (2) for its most recent recording. The age of the youngest child is reported for three separate months: (1) May 1992, (2) December 1996, and (3) May 1999. Most other variables, such as race, gender, and birth date are for the most recent recording.

To simplify the data set, each family was collapsed into one observation. Each observation carries information on the caretaker(s) and the dependent(s). As another simplification, only month-by-month eligibility is reported for caretakers. For two-caretaker families, a household head was identified and month-by-month eligibility reported for that head.

For most single-caretaker families, the caretaker, or household head was already identified. In some cases, it was not clear which, if any, person was the caretaker(s). Under such cases, any person 19 years and older was automatically assumed a caretaker. If every person was younger than 19 years old, then a caretaker was any person 14 or older with at least one person more than 14 years younger. In some cases, no caretakers were identified. Still other households contained all persons 19 and older. These cases were excluded from the data set.

The data excludes a number of family types. Child-only households—e.g., foster care children—are not included. Caretakers with children on SSI are also excluded from the data set. Relative caretakers who are minors and responsible for minor children who are within 14 years of age, if any, are excluded.

Appendix C: Statistical Technique

The Kaplan-Meier method estimates the probability of staying on the program for a number of months. The estimate is constructed by first ordering caretaker families by the time they stay on the program or until they reach the end of the program (this is called a censored observation). Once ordered, it will be possible to count the number of distinct times—call it t—that a caretaker family exits or is censored—call the number of times k. With this information, the next step is to determine the probability of exiting the program for each caretaker family. The Kaplan-Meier method estimates this as the product of estimated probabilities that a caretaker family stays on the program in an individual month for k months in a row. Mathematically, the estimate is constructed as

$$S(t_j) = \prod_{j=1}^{k} \left(\frac{N_j - C_j - D_j}{N_j - C_j} - \right)$$

where $S(t_k)$ is the estimated probability of staying on the program for t_j months, N_j is the number of caretaker families on the program at the beginning of t_j months. C_j is the number of censored observations occurring at t_j months, and D_j is the number of caretaker families leaving after t_j months. The term $\prod_{j=1}^{k}$ signifies a series in which the fraction in the parentheses is repeatedly multiplied against itself. Instead of the same fraction each time, the index j (=1,2,3,...,k) signifies that there are k distinct terms to multiply against one another.

The probability of staying on the program, $S(t_j)$, can be graphed with the number of months, t, on the horizontal axis. The graph would show that the probability decreases as the number of months increase and as caretaker families exit the program. The graph remains flat if no family leaves, or if there is only a censored observation. A statistical test can be generated that will give an idea whether two or more probability curves are statistically different from one another.

An alternative to assuming one date for censored observations would be to assume three separate dates. All those entering during the respective periods—AFDC, transition to MFIP, and MFIP—would be censored if they stayed on welfare past the end of each period. By assuming the three different censoring periods, this would help remove behavioral changes due to the new welfare policies. However, because of a lack of data, there were many uncertain estimates of time spent on transition to MIFP and MFIP. The proposed technique was dropped in favor of using one censored date.

Also, information on caretakers is unavailable before January 1992. There is some information on whether the caretaker received any type of welfare—general assistance, food stamps, etc.—before that date, but none specific to AFDC. Because, the focus is on caretakers on their first episode, and because there is some potential that caretakers in subsequent episodes may be shorter, or longer in duration, the first two years of observations were dropped from the data set. Caretakers entering AFDC before January 1994 were not considered in the analysis. It was hoped that by doing so, the estimates would more accurately reflect those receiving AFDC for the first time.