

# Welfare Reforms and Employment of Single Mothers

## Are Rural Areas Keeping Pace?

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*Changes in social policies in the mid-1990s increased the penalties for not working and raised the rewards for working. These policies played a major role in stimulating employment among single mothers and the gains were approximately as high in nonmetro areas as in metro areas.*

In the 1990s, the U.S. embarked on a series of social policies aimed at moving low-income families off welfare rolls into employment and supplementing the earnings of working, low-income families. The most controversial of these reforms took place in August 1996, when the Congress replaced the Nation's largest means-tested cash assistance program, Aid to Families with Dependent Children (AFDC), with a new time-limited program, Temporary Assistance for Needy Families (TANF). Unlike AFDC, TANF provides benefits for a maximum of 5 years and imposes strict requirements to work. Other important policy changes included a major expansion of the Earned Income Tax Credit (EITC), substantial increases in childcare benefits, and tighter enforcement of paternity

and child support rules. These significant initiatives have led to increased penalties for not working and increased rewards for working.

The welfare reform legislation was controversial, partly because of concerns that too few jobs would be available to employ all the welfare recipients pushed into the job market. Although the outlook for job creation looked promising at the national level, the worry was that shortages of jobs as well as transportation, childcare, and other barriers to work would be especially severe in some communities, including many rural areas. Unemployment rates are higher in rural areas than in metro areas and the gap has widened since 1992. Single parents eligible for welfare appeared particularly vulnerable in rural areas because of the importance of access to a car and because of the limited number of jobs.

An analysis of trends during the 3 years after welfare reform can tell us whether fears about the shortage of accessible jobs were justified.

Did changes in the welfare system and in other social policies lead to more jobs for single mothers? Were single parents in rural areas able to do as well in the labor market as single mothers in the rest of the country?

Certainly, since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), welfare caseloads have declined sharply, employment of single parents is up, and child poverty is down. The healthy state of the U.S. economy in the late 1990s, especially the lowest unemployment rates in three decades, is at least partly responsible for these surprisingly large caseload reductions and improvements in income and employment. But questions remain about whether social policies exerted an impact independent of general prosperity and whether the stimulus to employment extended to rural areas.

Research findings have so far yielded no consensus on either issue. Some studies find that policy changes accounted for most of the

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gains in employment for single parents, while others suggest the economy was primarily responsible. Although some studies point to special problems in rural areas, the evidence is far from conclusive. A common concern is that the rural poor not only lack access to jobs; their geographic dispersion limits access to social services that could help overcome barriers to finding and retaining employment.

### Employment Gains in Rural and Urban Areas

Single mothers increased their employment substantially, from 64 percent to 72 percent, both in nonmetro and metro areas. Before PROWRA (1995-96), less-educated single mothers (those with a high school degree or less) were employed at a higher rate in nonmetro than in metro areas. On the other hand, more-educated single mothers (those with more than a high school degree) were more likely to hold jobs if they lived in metro versus nonmetro areas. In the 3 years after PRWORA, less-educated women in metro areas caught up with their counterparts in nonmetro areas, even as employment gains for the less-educated extended to nonmetro areas. Among highly educated women, job growth was as high in nonmetro areas as in metro areas. Apparently, the obstacles to employment in nonmetro areas were not so severe as to prevent women from responding to welfare-oriented policies effectively.

Employment estimates based on direct measures of State welfare policies, rather than a comparison of employment before and after welfare reform, confirmed our overall findings. Changes in nearly all of the specific welfare policies measured increased the employment of single mothers. While most

policies exerted similar effects on employment in nonmetro and metro areas, a few had different effects. For example, increases in transitional childcare benefits increased employment less in nonmetro areas, and increases in hours of work required increased employment more in nonmetro areas than in metro areas (see "Data and Methods").

### TANF and Other Social Policies Increased the Employment of Single Mothers in Rural and Urban Areas

In the 3 years following TANF (1997-99), national labor market conditions improved and welfare caseloads declined. The employment-population ratio (hereafter called employment rate) in the U.S. increased 1.4 percentage points, the unemployment rate fell 1.2 percentage points, and welfare caseloads fell 43 percent. Nonmetro and metro areas both benefited.

However, the employment rate for all persons (as opposed to single women analyzed elsewhere in the article) was lower in nonmetro areas prior to TANF and improved less after TANF.

### All Single Mothers

From September 1995 to July 1996 (pre-TANF), single mothers with children under age 18 had identical employment rates in nonmetro and metro areas. After TANF (September 1998 to July 1999), single mothers in nonmetro areas increased their employment rate by 8 percentage points, from the pre-TANF level of 64 percent to 72 percent (table 1). This jump in employment is high in percentage terms and in relation to the experiences of other groups. To see whether these gains came mainly from the economy or from the social policy changes, these employment gains may be compared with those of single women in the same age

Table 1  
**Employment among single mothers and other single women before and after 1996 welfare reform**  
*TANF and other social policies increased employment 7 to 9 percentage points*

	Nonmetro	Metro
	<i>Percent employed</i>	
<b>Single mothers:</b>		
Before welfare law: Sept. '95-July '96	63.9	63.7
After welfare law: Sept. '98-July '99	71.5	73.1
Change	+7.6*	+9.4*
<b>Single women without children under age 18:</b>		
Before welfare law: Sept. '95-July '96	70.7	75.6
After welfare law: Sept. '98-July '99	71.7	76.3
Change	+1.0	+0.7
<b>Estimated policy effect</b>	+6.7*	+8.7*

Note: All averages are multiplied by 100.  
\*Indicates statistically significant change.

Source: McKernan, Lerman, Pindus, and Valente, 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

## Data and Methods

The data come from monthly information drawn from the nationally representative Current Population Survey (CPS), which interviews approximately 50,000 households each month. We extracted information on the employment status of single women, ages 19-45 (including those who were divorced, separated, and widowed), both single mothers and other single women, during the September 1995-July 1996 period (11 months before the August 1996 enactment of welfare reforms) and the September 1998-July 1999 period. (We did not include 1997 because some States did not implement TANF until the middle of 1997.) Metro areas, as defined by the Census, are places with a core population (such as a city of 50,000 population or more) and adjacent communities that have a high degree of social and economic integration with the core. Those living in all other areas are classified as nonmetro residents. Within the nonmetro classification, it would have been better to distinguish between those living in isolated rural areas and those in nonmetro areas adjacent to metro areas, but such information cannot be obtained from the public use CPS data.

Employment is the primary variable of interest. As defined in the monthly CPS data, an individual is either employed (if working for pay for at least 1 hour) or not employed (all other cases) during the survey week. We tabulate the employed proportion of the population for each group in the pre-welfare reform and post-welfare reform periods. Estimates of how changing social policies affected employment in metro and nonmetro areas relied mostly on difference estimates-comparing employment outcomes of a target group affected by social policies with employment outcomes of a comparison group not affected. To distinguish between the roles of the strong economy versus changes in welfare policies, the main comparisons are between single women with and without children. Single women without children under the age of 18 serve as a comparison group because they are ineligible for welfare under both AFDC and TANF, and so should not be affected by welfare reform. However, the economic expansion of the late 1990s certainly improved job prospects for all workers, including single women. To the extent that single mothers experienced higher job growth than did single women without children, the additional employment was likely the result of changing welfare policies. Thus, by subtracting the job gains among women without children from job gains among single mothers, we have an estimate of the effects of welfare policies. While some may question whether single women without children are a good comparison group for single females with children, the data show that these groups had similar employment trends before PRWORA.

Another approach, multivariate analysis based on probit equations, measures each woman's employment status while controlling for her demographic characteristics (age, education, race, and immigrant status), the local area unemployment rate, and State welfare policies. The data on State policies come from the Urban Institute Welfare Rules Database (WRD), which provides an account of changes in State welfare rules on a monthly basis. The rules of interest include work requirements, sanctions, time limits, transitional benefits, and asset limits. Our analysis estimates the extent to which these rules increased or decreased the likelihood that single women were working.

The multivariate approach allowed us to further explore any differences in the effects of welfare policy in nonmetro and metro areas. Specifically, we examined the potential role of metro-nonmetro differences in demographic and economic characteristics and the effects of individual components of State welfare policies. Overall, the results were similar to those based on comparison groups. The estimates based on the multivariate equations show social policies increasing employment by 9 percentage points for metro single mothers and about 7 percentage points for nonmetro single mothers. According to our regression results, single women with no children under age 18 experienced no statistically significant change in employment in metro and nonmetro areas between the pre- and post-TANF time periods. When the equation measured the social policy effects controlling for differences in the age, education, and citizenship status of women as well as area unemployment rates, the results continued to show sizable positive effects of social policies on the employment of single mothers. Moreover, there were no statistically significant differences between the overall effects of social policies in nonmetro and metro areas.

Estimates based on direct measures of State welfare policies confirmed our overall findings (McKernan et al.). Changes in seven of eight specific rules measuring work requirements, sanctions, time limits, transitional benefits, and asset limits affected the employment of single mothers. For example, an increase in the hours of work required and increases in months of transitional childcare benefits increased employment. As for nonmetro/metro differences in the effects of these rules on employment, we found different effects for three of the eight rules. For example, hours of work required increased employment more in nonmetro areas than in metro areas.

group but without children under age 18. The employment rate of the welfare-ineligible (nonmetro) single women without children was nearly 71 percent before TANF, a rate much higher than the initial rate for single mothers. However, single women without children experienced no significant increase in jobholding in the post-TANF period. This suggests that PRWORA and other social policies did raise the employment of single mothers relative to ineligible women in nonmetro areas, by nearly 7 percentage points.

How do these gains compare with gains in metro areas? Single mothers in metro areas achieved large and significant employment gains (9 percentage points, or a 15-percent increase) between the pre- and post-TANF periods, while no significant difference over this period occurred for the comparison group. Thus, the net social policy effect in metro areas remains at nearly 9 percentage points, about 2 percentage points higher than the nonmetro gain, but this difference between the two areas is statistically insignificant.

### **Less-Educated and More-Educated Single Mothers**

The social policy impact on single parent employment should be greater among less-educated women because they are more disadvantaged and more likely to be on welfare than highly educated women. On the other hand, less-educated (low-skill) women may have fewer ways of responding to the PRWORA's incentives and pressures to work than do medium- and high-skill women. Additionally, the impact of social policy on less-educated single mothers may have differed between nonmetro and metro areas. For example, if fewer low-

Table 2  
**Employment among less- and more-educated single mothers before and after 1996 welfare reform**

*TANF and other social policies increased employment 4 to 8 percentage points for less-educated single mothers and 7 to 9 percentage points for more-educated single mothers*

	Education <= High School		Education > High School	
	Nonmetro	Metro	Nonmetro	Metro
<i>Percent employed</i>				
<b>Single mothers:</b>				
Before welfare law: Sept. '95-July '99	58.5	53.7	73.1	77.4
After welfare law: Sept. '98-July '99	65.4	64.7	81.1	84.3
Change	+6.9*	+10.9*	+8.0*	+6.9*
<b>Estimated policy effect</b>	+3.8	+8.1*	+9.3*	+7.4*

Note: All averages are multiplied by 100.

\*Indicates statistically significant change.

Source: McKernan, Lerman, Pindus, and Valente, 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

skill and more high-skill jobs were available in nonmetro areas, then social policies should exert smaller effects on the less-educated and larger effects on the more-educated in nonmetro areas.

Table 2 shows a complex pattern of results. For less-educated (nonmetro) single mothers, employment jumped from 58 percent before the new welfare law to 65 percent after. However, the estimated policy effect is less than 4 percentage points after considering the employment gains of single women without children. The estimated policy effect is 8 percentage points in metro areas. Comparing the levels of employment in nonmetro and metro areas provides an explanation and some interesting results. Surprisingly, before the new welfare law, less-educated single mothers were nearly 5 percentage points more likely to work in nonmetro areas than in metro areas (table 2). After the new welfare law, however, employment levels were the same

(65 percent). (More-educated nonmetro single mothers were *less* likely to be employed before and after TANF than their metro counterparts.)

### **White, Hispanic, and Black Single Mothers**

One might expect welfare and other social policies to achieve less for minority groups facing additional employment barriers, such as language or discrimination. In fact, the gains for minorities were generally as high as for Whites, with one important exception. TANF and other social policies increased employment by 6-9 percentage points for all but the nonmetro Hispanic group (table 3), whose employment did not change significantly after welfare reform. Given the growth in Hispanic employment in metro areas, social policies appear to have exerted a lesser effect (nearly 8 percentage points) on Hispanic employment in nonmetro than in metro areas,

Table 3

**Employment among White, Hispanic, and Black single mothers before and after 1996 welfare reform***The policy effect is similar in nonmetro and metro areas for all but the Hispanic group*

	White		Hispanic		Black	
	Nonmetro	Metro	Nonmetro	Metro	Nonmetro	Metro
<i>Percent employed</i>						
<b>Single mothers:</b>						
Before welfare law:						
Sept. '95-July '96	68.0	72.5	60.1	51.6	54.5	58.3
After welfare law:						
Sept. '98-July '99	76.1	79.7	53.5	64.1	66.6	69.4
Change	+8.1*	+7.2*	-6.6	+12.4	+12.1*	+11.1*
<b>Estimated policy effect</b>	+6.0*	+6.8*	+1.4	+8.9*	+9.2	+9.2*

Note: All averages are multiplied by 100.

\*Indicates statistically significant change.

Source: McKernan, Lerman, Pindus, and Valente 2000. Weighted sample of 59,604 single females age 19 to 45 from the Current Population Survey outgoing rotation group data for 9/95-7/96 (pre-TANF) and 9/98-7/99 (post-TANF).

although this difference is not statistically significant.

Why should TANF affect nonmetro Hispanics differently? Site visits suggest that English-language resources are lacking in some nonmetro areas. Many Hispanics are thus limited to entry-level service jobs such as hotel housekeeper. If there are fewer such jobs in nonmetro areas, there may be fewer job opportunities for Hispanics. This situation may be exacerbated by the fact that nonmetro areas have smaller Hispanic communities, which means a smaller network to help find or provide employment.

The jump in employment among Black single mothers—up 12 percentage points in nonmetro areas and 11 percentage points in metro areas—is noteworthy. After accounting for the gains of single Black women without children, the social policy effect is 9 percentage points in both nonmetro and metro areas, especially dramatic given the

lower employment levels of single Black mothers in the pre-TANF period.

Our results indicate that TANF increased the probability of employment for welfare-eligible single mothers (those with children under age 18) by 7-9 percentage points in nonmetro and metro areas. This increase was shared by less- and more-educated single mothers, White and Black single mothers, and Hispanic single mothers in metro areas.

### Conclusion

Contrary to expectations, single mothers were as likely to hold jobs in nonmetro areas as in metro areas just prior to the 1996 welfare reforms. Additionally, in the post-reform period, single mothers achieved employment gains nearly as high in nonmetro areas as in metro areas.

Policy effects on employment did vary by area for single parents with and without high school

degrees. Despite the higher average unemployment rate in nonmetro areas, less-educated single mothers were more likely than their metro counterparts to have worked prior to welfare reform. However, social policies may have induced more job gains among these less-educated single mothers in metro areas. As a result, metro areas caught up with nonmetro areas in terms of employment levels of single mothers. The picture is quite different for more-educated single mothers, for whom employment rates were lower in nonmetro areas but the gains induced by social policy changes were similar or higher (than in metro areas). Thus, social policy changes narrowed the differences in employment by area for both the less-educated and the more-educated single mothers.

Other estimates based on changes in concrete welfare policies—such as work requirements, transitional childcare benefits, and sanctions—generally confirm the finding that the policy changes brought about through welfare reform raised the employment rate of single mothers. Most of these concrete welfare policies had similar effects in nonmetro and metro areas. These empirical findings contribute to a growing body of evidence suggesting that the aggregate effects of obstacles to employment are no greater in nonmetro areas. Nonmetro areas are becoming more diverse, and many issues related to low-wage service economies are relevant for both nonmetro and metro areas.

Yet, how do we reconcile the empirical findings with the conventional view of very serious accessibility and other problems that limit employment in rural areas? One possibility is that the rural problems reflect only pockets of poverty

in nonmetro areas. The pockets do not characterize most nonmetro areas, just as pockets of poverty in metro areas do not define all metro areas.

Second, the results presented in this article analyze only the level of and gains in employment of single mothers, not their absolute or relative earnings. Though women in nonmetro areas may be as likely to be employed, they may be more likely to work in low paying or part-time jobs. Future research should examine whether single mothers in nonmetro areas have done as well as mothers in metro areas in raising their earnings. [RA](#)

#### **For Further Reading . . .**

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