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Welfare Reform in Rural Minnesota: Experimental Findings from the Minnesota Family Investment Program

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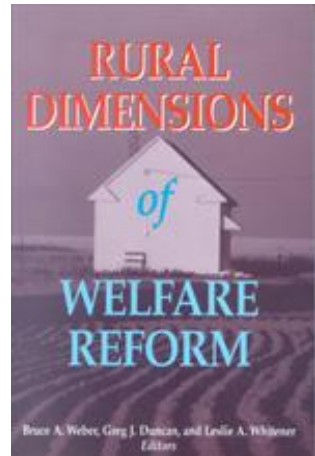
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Welfare Reform in Rural Minnesota

Experimental Findings from the Minnesota Family Investment Program

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Although issues of poverty affect families and children in both urban and rural areas of the United States, the plight of the urban poor rings nearer for many researchers and caseworkers. In fact, child and adult poverty rates vary considerably across regions; they are highest in highly urban areas (central cities) and in nonmetropolitan areas and lowest in the suburbs. A number of trends in the 1990s—declining welfare caseloads, increased labor force participation among the poor, and lessening child poverty—also varied substantially across regions (Rural Policy Research Institute 1999). Unlike patterns in urban areas, caseload declines in rural areas have not run parallel with increases in employment or reductions in poverty. These trends in part reflect the unique challenges that the poor and welfare recipients face in rural areas. The most prominent are access to child care and transportation and the availability and quality of employment opportunities.

Despite these regional differences, the landmark 1996 welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act, or PRWORA) treats eligibility and mandates for welfare assistance in rural and urban areas alike. The effects of this legislation on rural, compared with urban, regions are not well understood and are relatively understudied. Fortunately, prior to the passage of PRWORA, several states were granted federal waivers to implement and test innovative welfare reform policies. Using two years of follow-up data, we examine the effects on employment and earnings among rural, long-term recipients participating in one such experimental wel-

fare waiver evaluation—the Minnesota Family Investment Program (MFIP). The MFIP evaluation included welfare recipients who resided in both urban and rural counties, allowing a comparison of its effects across a diverse cross-section of counties. MFIP was first implemented on a field trial basis in April 1994 in three urban counties of Hennepin (Minneapolis), Anoka, and Dakota, and four rural counties, Mille Lacs, Morrison, Sherburne, and Todd.

Recent findings show that MFIP had a range of positive effects on long-term recipients, increasing parents' employment, earnings, and income and improving their children's behavior and school performance (Miller et al. 2000; Gennetian and Miller 2000). The findings also show, however, that MFIP's effects for long-term recipients differed somewhat for those in urban and rural counties. In contrast to the large and lasting employment and earnings increases in urban counties, average employment increases by the second year of follow-up were much smaller for recipients in rural counties. In addition, MFIP did not significantly increase rural recipients' average earnings.

This chapter examines MFIP's impact in rural and urban areas in more detail and attempts to explain why the impacts were smaller in rural counties. The research makes several contributions. First, it adds to emerging findings about the effects of welfare reform interventions on single-parent families who are long-term welfare recipients. Second, the MFIP data provide a unique opportunity to examine the effects of an identical intervention in two very different contexts—rural and urban areas. Third, the wealth of detailed information about economic and demographic characteristics and behavior allow an in-depth analysis of why or how welfare reform interventions such as MFIP might have different effects for urban and rural recipients. Finally, perhaps unlike many other experimental evaluations, these findings can inform current state policy because the current statewide version of MFIP is very similar to the program implemented for the evaluation.

We find that rural recipient families differ from urban recipient families both in terms of their demographic characteristics and in their work experience and attitudes or perceptions about welfare and work. In particular, compared with urban recipients, more rural recipients are white, more have been previously married, and more have recent work experience prior to entering the evaluation. Moreover, compared with urban recipients, rural recipients are more likely to report a sense of

stigma associated with receiving welfare. These differences in observable characteristics, particularly prior marital status and work experience, can explain a substantial part of the difference in effects for three of the rural counties. However, we also find that MFIP's most negative effects were confined to one particular rural county and that differences in observable characteristics explain very little of the difference in this county. The differences in MFIP's effects in this one county may be due to aspects of the local economy that were unique to this county or to unobservable differences between these recipients and recipients in other counties. Nonetheless, the results highlight the role that regional differences should play in formulating welfare and employment policies.

THE MFIP MODEL AND EVALUATION

MFIP Model

MFIP integrated several programs in the Minnesota welfare system. These included Aid to Families with Dependent Children (AFDC), the core of the traditional system, and STRIDE, the state's employment and training program for AFDC recipients,¹ which operated on a voluntary basis for certain targeted groups. It also included the state-run Family General Assistance program,² which allowed some low-income families to qualify for welfare who would not qualify under AFDC. MFIP also included the federally funded Food Stamp program, which provided assistance in the form of coupons to be spent on food.³ MFIP did not replace or change Medicaid, the federal-state health program serving low-income families, which is available equally to recipients of MFIP and AFDC.

MFIP differed from the AFDC system in three fundamental ways. First, MFIP made work pay for families receiving welfare. This was accomplished primarily by decreasing the extent to which families' welfare grants were reduced when they went to work. For a family on AFDC, some earnings were disregarded when benefit amounts were calculated, but benefits were still reduced substantially for each dollar of earnings. Under MFIP, much more of a family's earnings were dis-

regarded when determining benefit levels. MFIP's more generous disregard ensured that working always resulted in more income than not working. For example, in 1994 a single parent with two children who had no income from work received the same \$769 in monthly welfare benefits under MFIP or the AFDC system. If she worked 20 hours per week at \$6 per hour, her grant was reduced by \$237 less under MFIP than it would have been under AFDC. This raised the reward for working—the difference in total income between working and not working—from \$255 to \$492, or a 93 percent increase.

MFIP child care payments also encouraged work because MFIP paid child care expenses directly to the provider, leaving recipients with no up-front costs. AFDC recipients, in contrast, had to pay for child care up-front, and those costs could be subtracted from their income when their AFDC grant was calculated. Although AFDC recipients were eventually reimbursed for child care expenses, this process could take up to two months.

The second way MFIP varied from AFDC was that MFIP required long-term public assistance recipients to participate in employment and training services. Under MFIP, single parents who had received public assistance for 24 of the prior 36 months were required to participate in employment and training activities in order to continue receiving their full grants. Individuals were exempt from participating if they had a child under the age of 1, if they had other "good cause" reasons, or if they were working at least 30 hours per week.

For single-parent families, MFIP's employment and training services were a substitute for those provided under AFDC through the STRIDE program. MFIP differed from STRIDE in two significant ways: STRIDE was essentially a voluntary program and had a strong focus on education and training, whereas MFIP was mandatory for long-term recipients and placed greater emphasis on rapid entry into employment.

Finally, MFIP consolidated benefits and streamlined public assistance rules and procedures. MFIP combined the benefits of AFDC, Family General Assistance, and food stamps into a single program; therefore, families on MFIP encounter a single set of rules and procedures. In addition, recipients received food stamp benefits as part of their cash assistance grant instead of separately as coupons (as they did under the AFDC system).

Minnesota implemented a revised version of MFIP in January 1998 in response to new flexibility under federal Temporary Assistance for Needy Families (TANF) rules. The many similarities between the original MFIP program and statewide MFIP make the evaluation results a good starting point for predicting the likely results of statewide MFIP, even though the changes in the program make it difficult to make such predictions with accuracy. The biggest policy changes in the new program are aimed at reducing costs and increasing the urgency of the employment message. These include the five-year time limit, the reduced basic grant, the reduced earnings threshold for leaving welfare, the more immediate participation mandate, tighter sanctions, and the increased orientation toward full-time work.

The statewide program may exhibit other strengths and weaknesses relative to the field trials, which is true of many programs that move from an experiment to a wider application. On the one hand, the results presented here may be more favorable than would be the case in a statewide program because each county in the statewide program will probably receive less intensive “hand-holding” by state staff than was true in the field trials. Also, staff may be less enthusiastic than the staff in counties that volunteered to participate in the field trials. In addition, as more welfare recipients are subject to work requirements, any employment effects that resulted from “jumping the queue” of employment over other workers may be more difficult to achieve as more workers become subject to the same requirements. On the other hand, the new program has the advantage of potential “community effects,” or change in community norms that will occur now that MFIP is saturating the entire state caseload rather than affecting just a subset of families within particular counties.

The MFIP Evaluation

The MFIP field trials began in 1994 and included single-parent and two-parent families in seven urban and rural counties in central Minnesota.⁴ Random assignment began in April 1994 and concluded in March 1996, after a total of 14,639 families had entered the research sample. Welfare recipients already on the AFDC caseload were randomly assigned when they reapplied for assistance. At this time, single-parent families in urban and rural counties could be assigned to one

of two research groups—the MFIP group or the AFDC group.⁵ All single-parent families assigned to the MFIP group received the full MFIP program. This included MFIP’s benefit structure, its financial incentives, and, once they had received public assistance for 24 of the prior 36 months, the requirement to participate in MFIP’s employment and training services. Single-parent families assigned to the AFDC group were eligible for the benefits and services offered by Minnesota’s AFDC system. They were subject to the financial rules of the AFDC and Food Stamp programs,⁶ and, if in a STRIDE target group, they were eligible to volunteer for STRIDE services.

DATA AND DESCRIPTIVE CHARACTERISTICS

There are two main samples in the MFIP evaluation—the full evaluation sample and a smaller survey sample that was interviewed three years after random assignment. Administrative data are available for two-and-one-half years after random assignment for the full evaluation sample. The administrative data include public assistance benefit records provided by Minnesota’s Department of Human Services and unemployment insurance records provided by Minnesota’s Department of Economic Security. These data are used to construct average quarterly measures of employment, earnings, and welfare receipt. A client survey was administered approximately three years after random assignment, collecting information about the characteristics of employment, family structure, and a number of other measures of family well-being.

As noted, we focus here on long-term recipients, defined as single-parent families that have received welfare for 24 months or more at the time of random assignment. The primary reason for defining long-term recipients in this way is because these families were required to participate in employment services if they did not already work at least 30 hours per week. The sample used here includes 2,373 single-parent recipient families—1,780 urban and 593 rural—for which administrative data are available, and 976 single-parent recipient families—724 urban and 252 rural—with survey data.⁷

Table 10.1 presents descriptive characteristics by area of residence

Table 10.1 Selected County and Single-Parent-Family Characteristics in Rural and Urban Counties

Characteristic	Urban	Rural	Total sample
Demographic			
Race/ethnicity (%)			
White, non-Hispanic	43.4	92.3	55.7*
Black, non-Hispanic	41.9	0.7	31.6
Hispanic	2.1	0.3	1.7
Native American/Alaskan/Asian	12.6	6.7	11.1
Average age (yr.)	30.1	31.5	30.8
Family structure (%)			
Never married	68.4	44.6	62.5*
Youngest child under 6, or client pregnant at the time of random assignment	65.5	60.6	64.3*
Labor force status (%)			
Worked full-time for 6 months or more for one employer	51.4	64.0	54.5*
Any earnings in past 12 months	15.0	21.1	16.5
High school diploma or GED	66.9	71.7	68.1*
Received AFDC for 5 years or more	55.9	45.7	53.3*
Lives in public/subsidized housing	43.4	37.3	41.8*
Currently enrolled in education or training	22.7	24.8	23.2
Average unemployment rate, 1997 ^a (%)	2.3	6.3	4.3
Employment by industry, 1990^a (%)			
Agriculture	1.0	10.9	6.0
Manufacturing	20.5	20.3	20.4
Wholesale/retail trade	22.8	19.4	21.1
All other	55.7	49.4	52.6
Sample size (total = 2,373)	1,780	593	2,373

NOTE: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996. An asterisk (*) denotes that the differences between urban and rural counties on this characteristic are statistically significant at the 10% level. The box in the ethnicity category indicates the overall significance of ethnicity.

^a Calculated using data from the City and County Data Book, and the 1990 Census, "USA Counties." These data were calculated using unweighted averages of the relevant county statistics. The differences in these characteristics were not tested for statistical significance.

SOURCE: MDRC calculations using data from the Background Information Form (BIF).

for single-parent recipients.⁸ The data used to calculate these descriptive characteristics come from a baseline information form that each parent completed at the time of random assignment. The majority of the sample was white, most were never married, most had some work experience, and over half had been on welfare for five or more years when they entered the evaluation.⁹ The MFIP evaluation sample, as a whole, looks quite similar to the Minnesota caseload in 1994, with the exception that a slightly lower proportion of the evaluation sample was white. However, a depiction of the national welfare caseload in 1994 shows that the MFIP sample, compared with recipients in other states, had a higher proportion of white families and a lower proportion of Hispanic families, and recipients had higher levels of education (U.S. House of Representatives 1996).

Urban and rural single-parent recipients were different in a number of ways. (Significant differences are indicated by an asterisk in Table 10.1.) Approximately 81 percent of the urban recipients lived in Hennepin County, which includes Minneapolis (data not shown); 43 percent were white, and 68 percent were never married. In contrast, 92 percent of the rural recipients were white and 45 percent were never married. Parents in rural counties appear better prepared to enter the workforce; 64 percent had worked full-time at some point, and 21 percent had worked in the year prior to random assignment, whereas about 15 percent of urban recipients had recent work experience. Recipients in rural counties were also more likely than urban recipients to have completed some kind of secondary education. For example, rural recipients were 5 percentage points more likely than urban recipients to have a high school diploma. Local environments also differed. The rural areas had higher unemployment rates in 1997 and relatively more employment in the agricultural sector.

Table 10.2 presents information about recipients' attitudes and opinions on work and welfare based on data from a Private Opinion Survey administered at the time of random assignment. Although a large majority of the sample reports a preference to work part-time or full-time (not shown), a majority also report at least one barrier to part-time employment, including child care, transportation, and health and emotional problems. Many respondents report being ashamed of being on welfare and that people looked down on them for being on welfare, yet most still believe that welfare provided better income than work.

Table 10.2 Selected Attitudes and Opinions of Single-Parent Sample Members in Urban and Rural Counties (%)

Characteristic	Urban	Rural	Total sample
Client-reported barriers to employment (among those not currently employed, those who agreed or agreed a lot that they could not work part-time ^a right now for the following reasons)			
No way to get there every day	45.9	39.6	44.2*
Cannot arrange for child care	53.8	37.8	49.6*
A health or emotional problem, or a family member with a health or emotional problem	26.2	29.9	27.2
Too many family problems	25.2	23.1	24.6
Already have too much to do during the day	23.1	25.8	23.8
Any of the above five reasons	79.5	74.0	78.0*
Client-reported attitudes toward welfare (those who agreed or agreed a lot with the following statements)			
I feel that people look down on me for being on welfare	63.3	75.1	66.5*
I am ashamed to admit to people that I am on welfare	54.1	67.8	57.7*
Right now, being on welfare provides for my family better than I could by working	58.8	68.9	61.5*
I think it is better for my family that I stay on welfare than work at a job	17.7	22.2	18.9*
Client-reported social support network (those who agreed or agreed a lot with the following statements)			
Among my family, friends, and neighbors, I am one of the only people who is on welfare	34.4	42.1	36.4*
When I have trouble or need help, I have someone to talk to	75.0	83.1	77.2*
Client-reported sense of efficacy (those who agreed or agreed a lot with the following statements)			
I have little control over the things that happen to me	21.5	19.5	20.9
I often feel angry that people like me never have a chance to succeed	49.4	46.9	48.8

Table 10.2 (Continued)

Characteristic	Urban	Rural	Total sample
Sometimes I feel that I'm being pushed around in life	42.2	51.2	44.6*
There is little I can do to change many of the important things in my life	33.4	30.8	32.7
All of the above	7.9	9.5	8.4
None of the above	28.5	27.0	28.1
Sample size (total = 2,373)	1,780	593	2,373

NOTE: The sample includes AFDC and MFIP group members who were randomly assigned from April 1, 1994, to March 31, 1996. Twenty-seven percent of single-parent sample members did not fill out a Private Opinion Survey because the survey began in the second month after the start of random assignment. An asterisk (*) denotes that the differences between urban and rural counties on this measure are statistically significant at the 10% level.

^a Part-time is defined as a minimum of 10 hours per week and less than 40 hours per week.

These attitudes and perceptions differ considerably among urban and rural recipients. It is particularly striking that, compared with urban recipients, rural recipients are much more likely to perceive stigma associated with welfare; that is, they are ashamed to admit being on welfare. Yet, at the same time, those in rural counties were more likely to agree that welfare provides a better alternative than work. The other striking difference is that rural recipients were less likely than urban recipients to report a barrier to part-time work. In particular, rural recipients were more than 6 percentage points less likely to report transportation as a barrier to part-time employment and 16 percentage points less likely to report child care as a barrier. Shelton et al. (in this volume, p. 345) also found that urban recipients report child care as a barrier to work more often than rural recipients.

EXPECTED EFFECTS AND BASIC EMPIRICAL ESTIMATION

Expected Effects

Both of MFIP's primary components—enhanced financial incentives and mandatory employment-focused activities—should affect parents' employment decisions, although not always in the same way. When thinking about their effects, it is helpful to consider what parents would have done in the absence of the program. As an extreme example, if all people receiving welfare in Minnesota typically went to work soon after they started receiving benefits, the program would have no effect on employment rates. In reality, however, some parents return to work quickly, some after several months, and others do not work.

The mandatory employment and training activities were purposefully targeted to parents who had remained on welfare for a long period without working, or parents who would not have worked in the absence of MFIP. By requiring that they participate in case management and employment activities if not employed at least 30 hours per week, the mandates should increase full-time employment. By increasing full-time employment, the mandates should decrease welfare receipt. The mandates will have little effect on people who would have worked full-time anyway.

Financial incentives have somewhat different expected effects. A single parent can obtain a higher total income under MFIP than AFDC if she works either part-time or full-time. For parents who would not have worked under AFDC, MFIP should increase their incentive to find a job. MFIP's incentives were relatively more generous for part-time work. Thus, parents who go to work may be more likely to take a part-time than a full-time job.

Some parents, however, would have returned to work in the absence of MFIP. Providing them with more generous benefits will not affect their decision about getting a job, but it may affect the intensity of their work effort. Consider a parent working 30 hours per week. MFIP provides her with higher benefits than she could have obtained under AFDC and, therefore, higher total income. If she cut back her work hours, substituting welfare benefits for earnings, she could re-

ceive the same total income as she would have received under AFDC but with less work. Note that she will not be encouraged to leave her job because MFIP's more generous benefits are only provided to parents who work. In contrast, because she can keep more of her benefits under MFIP compared with AFDC, as her earnings rise, she may be encouraged to increase her earnings further by increasing the number of hours worked. Thus, for parents who would have worked in the absence of MFIP, its incentives may either increase or decrease work intensity, depending on which of these two effects dominates.

For those who would not have worked in the absence of MFIP, the incentives should increase employment. MFIP may produce large increases in part-time employment, however, because its incentives are more generous for part-time work. The incentives should also increase welfare receipt, at least in the short term, given that they allow families that earn more to still receive some benefits.

How do we expect MFIP's effects to differ in urban and rural counties given the differences in characteristics previously noted? On the one hand, because rural recipients have more recent work experience and more of a sense of welfare stigma, they generally may be more likely to go to work in the absence of MFIP. In this case, we would expect MFIP to have less of an effect on their employment and earnings compared with urban recipients. On the other hand, MFIP's participation requirements may be more effective for a group of welfare recipients who are better prepared to work, such as the rural recipients, and, in this case, MFIP may have a more positive effect on rural recipients compared with urban recipients.

Basic Empirical Estimation

To evaluate the effects of MFIP relative to the AFDC system, recipients were randomly assigned to either the AFDC system or the MFIP system. Random assignment provides a powerful tool for estimating program effects. Because sample members were assigned randomly in a lottery-like process, the characteristics of individuals in each research group should not differ systematically at the time of random assignment, known as "baseline." Therefore, any significant differences in outcomes between these research groups can be attributed to the program, and a comparison of the outcomes for families assigned

to each group provides a reliable estimate of MFIP's impact.¹⁰ Because changes in employment and earnings somewhat mirror changes in the receipt of welfare or the amount of welfare payments, the focus of this study is on earnings and employment rather than welfare receipt or payments. A unique feature of the MFIP evaluation is that both rural and urban counties were included in the evaluation. To assess whether MFIP's effects differed by region, the impact was estimated separately for recipients in urban counties and rural counties.

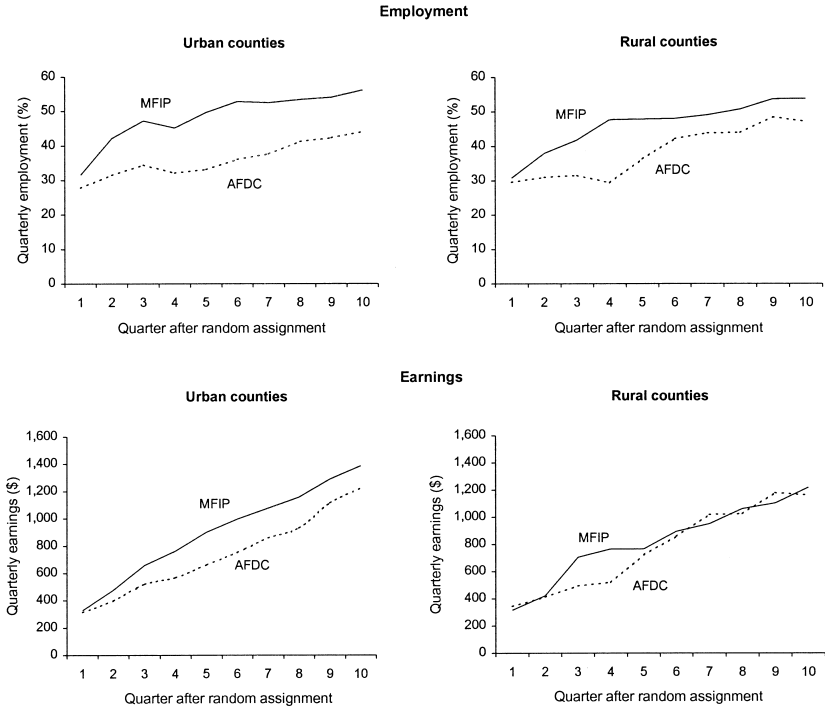
IMPACTS IN RURAL AND URBAN COUNTIES

Figure 10.1 presents MFIP's impact on quarterly employment and earnings for two years after random assignment. The results are based on administrative data on employment from unemployment insurance records. Average quarterly employment rates for the MFIP and AFDC groups in the urban counties (left panel of Figure 10.1) both increased steadily over the follow-up period. Rates for the MFIP group, however, increased at a faster rate than their AFDC counterparts. In quarter five, for example, 49.6 percent of the MFIP group was employed compared with 33.1 percent of the AFDC group. MFIP increased employment an average of 13–14 percentage points per quarter throughout the two-year follow-up.

MFIP's effects on earnings in urban areas are similar to its effects on employment. Both groups see an increase in average earnings throughout the follow-up period, and the increase is larger and faster for members of the MFIP group. These results persisted throughout the follow-up period.

MFIP's effects on earnings and employment in the rural counties (right panel, Figure 10.1) show that, as with urban counties, average employment and earnings for the MFIP and AFDC groups increased throughout the follow-up period. However, average employment rates increased faster for the MFIP group in earlier quarters. In later quarters (corresponding to the second year of follow-up), the difference in employment rates for the AFDC and MFIP groups decreased somewhat, and the AFDC group began to catch up with the MFIP group. Average employment rates for the MFIP group were nearly 12 percentage points

Figure 10.1 Quarterly Employment and Earnings for Long-Term Recipients in Urban and Rural Counties



SOURCE: MDRC calculations using data from Minnesota’s unemployment insurance (UI) earnings records.

higher than the AFDC group in the first five quarters. By quarter six, the difference in employment rates between the MFIP and AFDC group was only 6 percentage points and no longer significant.

The effects of MFIP on average earnings follow a similar pattern. In fact, in later quarters, the MFIP group had lower earnings on average than the AFDC group despite having somewhat higher employment rates (Figure 10.1, bottom right panel). Positive effects on employment rates without positive effects on earnings suggests that some parents in the MFIP group who would have worked anyway reduced their hours worked. As noted earlier, this is one of the potential effects of en-

hanced financial incentives. Although not shown, MFIP increased income (measured from welfare and earnings) for recipients in urban and rural counties. However, income increases for urban recipients were both from more earnings and more welfare income, whereas income increases for rural recipients derived primarily from more welfare income. MFIP's effects on annual employment and welfare receipt are presented in Table 10.3. The types of jobs rural recipients obtained were also somewhat different from those of their urban counterparts (Table 10.4). Although there are some differences in impacts, the data highlight differences in the types of jobs recipients secure in rural and urban areas. A comparison of the two AFDC groups, for example, shows that although more rural recipients reported working during the period, more of them were working part-time. In addition, their wages were lower on average—a higher fraction of rural workers earned \$5–\$7 per hour.

Looking in more detail at the effects in the rural counties, Figure 10.2 presents MFIP's impacts on earnings for each individual rural county, using administrative records data for the full sample. Because the sample sizes for each individual county are fairly small, none of the effects are statistically significant. Nonetheless, the figure shows that the impacts are smaller in the rural counties when grouped together largely because of MFIP's negative effects in Sherburne County. The pattern in Sherburne County indicates that, in the first five quarters, MFIP increased earnings, but in quarter six, the pattern changes, and MFIP actually lowered earnings in later quarters. MFIP's effects in Sherburne County, however, do not explain the entire story. The effects in the other three rural counties are also, on average, smaller than those in the urban counties.

Part of the explanation for the different impacts in Sherburne County may be that employment and earnings were very high for the AFDC group; although not shown, 55 percent of the AFDC group worked in each quarter, compared with only 33 percent to 43 percent in the other counties. Programs typically have a more difficult time increasing employment when so many of the participants would have worked anyway. Also, as mentioned earlier, MFIP's financial incentives might reduce earnings on average for recipients who would have worked anyway by causing some of them to cut back on their work

Table 10.3 Summary of MFIP's Impacts on Employment and Welfare for Single-Parent, Long-Term Recipients in Urban and Rural Counties

Outcome	Urban counties			Rural counties		
	MFIP	AFDC	Impact (difference)	MFIP	AFDC	Impact (difference)
Employment and earnings						
Average quarterly employment (%)						
Year 1	46.0	32.8	13.3***	43.8	32.0	11.8***
Year 2	53.2	39.3	13.9***	50.3	44.5	5.8*
Average quarterly earnings (\$)						
Year 1	699	537	163***	665	536	128
Year 2	1,129	913	216***	1,002	1,019	-17
Welfare receipt ^a						
Average quarterly receipt rate (%)						
Year 1	92.4	90.7	1.7*	92.8	87.6	5.2**
Year 2	81.0	75.7	5.3***	81.9	69.5	12.4***
Average quarterly benefit (\$)						
Year 1	1,964	1,810	154***	1,915	1,646	269***
Year 2	1,627	1,484	143***	1,583	1,192	391***
Sample size (total = 2,373)	846	934		295	298	

NOTE: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for food stamps at random assignment. A two-tailed *t*-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1%; ** = 5%; * = 10%.

^a Welfare receipt is defined as receipt of either food stamp coupons or cash benefits from AFDC, Family General Assistance, or MFIP. Average welfare benefits are the sum of benefits from any of these sources.

SOURCE: MDRC calculations using data from Minnesota's unemployment insurance (UI) earnings records and public assistance benefit records.

hours. This type of effect was found in the urban counties for recent applicants and for a subgroup of long-term recipients with recent work experience (see Miller et al. 2000).

Further analysis showed that Sherburne County differed from the other rural counties in a number of ways, one being its lower unemployment rate. Although all of the rural counties are concentrated in the eastern part of the state, Sherburne County is closest to the urban areas, bordering Anoka County. In general, rural counties that were close to urban areas may have experienced faster job growth during the early 1990s than more remote rural areas (Conoway 1998). In a separate chapter in this volume, McKernan et al. (p. 257) also found that among rural counties, employment opportunities were better if the county was adjacent to a metropolitan area. Recipients in Sherburne County also differed in many ways from recipients in the other three rural counties. Although the data are not shown, Sherburne County recipients were somewhat younger on average, were more likely to be white, and were more likely to have children under age 6 when they entered the study.

In terms of employment prospects, recipients in Sherburne County were more likely than other rural recipients to have had recent work experience and more had obtained a high school diploma or a higher degree. They were also much more likely to have been enrolled in education or training (primarily vocational education and skills training) at the time of random assignment. All of these differences are consistent with the fact that the AFDC group in Sherburne County had much higher employment rates and average earnings than the AFDC groups in the other three counties (Figure 10.2). Recipients in Sherburne County were also more likely to perceive stigma associated with welfare compared with their rural counterparts, and they were more likely to report transportation and child care as barriers to employment.

In summary, MFIP increased employment in both urban and rural counties. However, in contrast to the large and lasting employment increases in urban counties, MFIP's effects faded considerably by the second year in the rural areas. Much of the difference for the rural counties is driven by MFIP's effects in Sherburne County. However, MFIP's effects in the other three counties are still, on average, smaller than in the urban counties.

Table 10.4 MFIP's Impact on Household Composition, Marital Status, and Characteristic of Current or Most Recent Job for Long-Term Recipients in Rural and Urban Counties

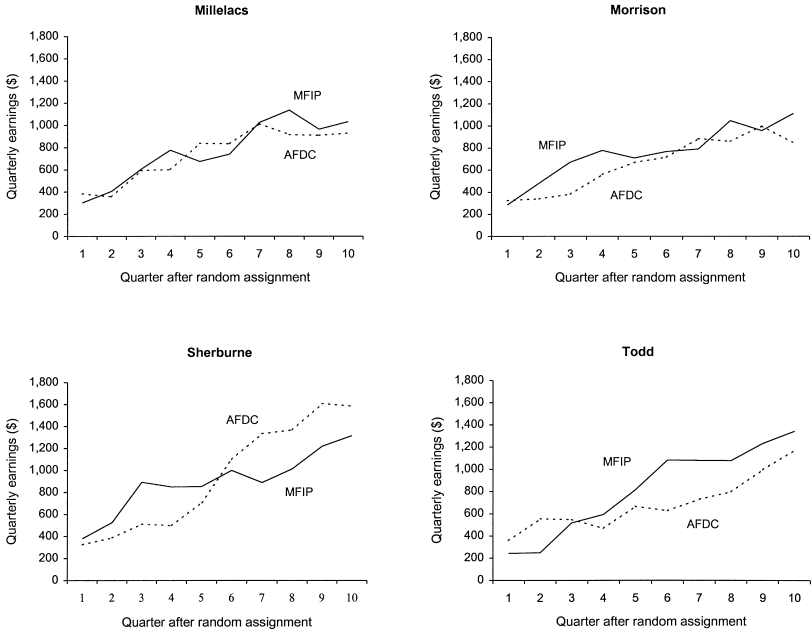
Outcome	Urban counties			Rural counties		
	MFIP	AFDC	Impact (difference)	MFIP	AFDC	Impact (difference)
For most recent or current job (%)						
Worked since random assignment	85.2	73.7	11.6***	86.7	82.2	4.5
Part-time (less than 30 hr.)	22.3	18.1	4.2	28.4	24.4	4.0
Full-time (more than 30 hr.)	62.8	54.8	8.0**	58.3	57.8	0.5
Wage rate						
Less than \$5	5.3	6.6	-1.4	7.5	7.1	0.4
\$5 to \$6.99	22.2	17.5	4.7	32.6	33.6	-1.0
\$7 to \$8.99	32.8	25.9	6.9**	31.2	24.5	6.7
\$9 or above	23.5	21.5	2.0	13.0	14.9	-1.9
Health benefits	42.2	33.6	8.6**	31.2	34.3	-3.1
No health benefits	42.4	39.7	2.7	53.9	46.8	7.1
Household composition						
Size of household	3.7	3.7	0.0	3.9	3.8	0.1
Living with related adults (%)	10.7	13.3	-2.7	7.8	7.7	0.2
Living with unrelated adults (%)	5.5	7.4	-1.9	17.4	21.7	-4.4

Marital status (%)						
Currently married	8.6	5.8	2.8	23.4	15.6	7.9
Divorced/separated	27.1	29.0	-2.0	28.3	32.8	-4.6
Never married	47.3	49.3	-2.0	26.0	27.7	-1.7
Currently cohabiting	15.3	14.8	0.6	20.2	22.8	-2.6
Currently married or living with partner	23.9	20.8	3.2	43.6	38.4	5.3
Household sources of income (%)						
Respondent earnings	54.6	52.8	1.8	72.2	60.8	11.4*
Other household earnings	24.3	28.8	-4.5	46.9	46.0	0.9
Child support	14.5	19.3	-4.8*	32.4	31.9	0.4
Public assistance	65.1	59.7	5.4	51.0	51.9	-0.8
Other	19.1	19.1	-0.1	16.5	21.5	-4.9
Sample size (total = 976)	372	352		116	136	

NOTE: The sample includes members randomly assigned from April 1, 1994, to March 31, 1996, excluding the small percentage who were receiving or applying only for food stamps at random assignment. A two-tailed *t*-test is applied to regression-adjusted impact estimates. Statistical significance levels are indicated as *** = 1 percent; ** = 5 percent; * = 10 percent.

SOURCE: MDRC calculations using data from Minnesota's unemployment insurance (UI) earnings records and public assistance benefit records and the 36-month survey.

Figure 10.2 Quarterly Earnings for Long-Term Recipients in Rural Counties



SOURCE: MDRC calculations using data from Minnesota’s unemployment insurance (UI) earnings records.

DISCUSSION

There are a number of possible reasons why the effects of MFIP differed in rural and urban counties. First, the recipients themselves may differ in ways that are related to how they are affected by the program. As previously discussed, urban and rural recipients differ across a range of demographic characteristics and thus may have been affected by the program differently. It is easy to imagine, for example, that MFIP might have smaller effects on recipients who had recent work experience, given that many would probably have worked in the absence

of the program. If rural recipients, on average, were more employable than their urban counterparts, MFIP might have smaller effects in rural areas. Further statistical analysis showed that, for the three rural counties (excluding Sherburne County), marital status, prior work experience, and child care problems explain much of the difference in MFIP's effects in rural and urban counties.

It is easy to understand why the program's effects might differ by prior employment status, given that employment effects are likely to be smaller among those who would have worked anyway. But why would its effects vary by prior marital status? One hypothesis is that rural recipients who are more likely to have been previously married may also be more likely to receive child support income. This, in turn, may allow them to rely less on their own earnings. For example, previously married, rural welfare recipients may be more likely than their urban counterparts to cut back on work both because they have the safety net of MFIP's additional benefits and because they receive child support income. Table 10.4 offers some support for this hypothesis. Rural recipients in both the MFIP and control groups are nearly twice as likely to receive child support income in the month prior to the survey compared with urban recipients.

An alternative hypothesis is that prior marital status is a good predictor of the likelihood of remarriage or cohabitation during the follow-up period, which, in turn, may affect individual work effort. Although not shown, the survey data revealed that previously married women were more likely than never-married women to be formally married by the end of the third year, but they were not more likely to be cohabiting (either formally married or living with a partner), with the exception of Sherburne County. In addition, recipients in rural areas were more likely to be married or coupled than urban recipients, regardless of their prior marital status.

Another possible reason for the different effects is that MFIP may have affected other aspects of family life differently in urban and rural areas, which, in turn, led to different effects on employment and earnings. The survey data allowed us to estimate program effects on a range of other outcomes, such as household composition and marital status. MFIP's effects on these selected outcomes for both regions are shown in Table 10.4. In general, the impact was similar in urban and

rural counties. For example, MFIP generally had no effect on household composition or sources of household income for recipients in both urban and rural counties, except that rural recipients were more likely to report some earnings in the month prior to the survey. This finding is somewhat inconsistent with employment effects (shown in Figure 10.1) found from administrative records data. However, although MFIP's effects on marital status were not significant for urban and rural recipients, a larger proportion of rural recipients were married at 36 months compared with urban recipients.

MFIP might have had different effects on women who cohabited or married after random assignment given that they would have less of a need to work. (Note that MFIP's participation mandates require that only one parent work or participate in services, and either parent can fill this requirement.) In fact, for two-parent families, MFIP did not affect the likelihood that at least one parent was employed, but it did decrease the likelihood that both parents worked; in other words, at least one parent cut back his or her work effort (Miller et al. 2000). Furthermore, results from the Negative Income Tax experiments and, more recently, from research on the Earned Income Tax Credit show that married women reduced their labor supply more, relative to single women, in response to extra financial benefits (Munnell 1986; Eissa and Hoynes 1998). Nonexperimental analysis does suggest that MFIP had larger employment effects for women who were not married or cohabiting at the time of the survey compared with those who were.

Finally, the differences in program effects across the two areas may arise from differences in the local environments. It is not always clear how the local economy might affect a program's impact, but perhaps jobs were more readily available to recipients in urban counties, or perhaps the types of jobs available in rural and urban areas differed. Further analysis provided some evidence that the local economy alone cannot explain the differences in MFIP's effects. If the local economy were the primary explanation, then we would expect that most subgroups of the population in rural counties would be equally affected by MFIP. Instead, we found that MFIP had very different effects on different groups of individuals in rural counties, the most striking being those defined by prior marital status.

CONCLUSION

Unlike patterns in urban areas, caseload declines in rural areas have not corresponded with increases in employment or reductions in poverty. Furthermore, the effects of the 1996 welfare reform legislation in rural versus urban regions are not well understood. Our study sought to inform the gap in this research about the role of regional differences in welfare policy. In contrast to the large and lasting effects on employment and earnings in urban counties, the Minnesota Family Investment Program's effects on employment faded considerably in the rural counties by the second year. Moreover, the program's effects became negative in the second year in one of the rural counties.

We raised several hypotheses to explain this pattern of impacts. Some of them were able to be tested with these data and some were not. One hypothesis was that rural recipients differ from their urban counterparts. The evaluation data show that rural recipient families differ from their urban counterparts both in terms of demographic characteristics and in their work experience and attitudes or perceptions about welfare and work. In particular, compared with urban recipients, more of the rural recipients are white, had been previously married, and appeared better prepared to enter the workforce. Moreover, rural recipients were more likely to report a sense of stigma associated with receiving welfare.

We find that differences in observable characteristics, particularly prior marital status and work experience, can explain much of MFIP's different effects in three of the rural counties. However, these factors explain little of the difference in the one remaining rural county. The different effects in this county may be due to the local economy, or other aspects particular to that county, or to unobservable differences in characteristics between its recipients and other recipients. The findings in this chapter provide evidence that regional differences play an important role in mediating the effects of welfare and antipoverty policies on the employment behavior of welfare recipients, and lend support to recent efforts to consider regional differences when formulating these policies. The current statewide version of MFIP is one example of such an effort, as counties, rather than the state, are allowed to de-

termine the length of welfare receipt prior to imposing participation requirements.

Notes

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1. STRIDE was operated with funding from the Job Opportunities and Basic Skills Training (JOBS) program, which was established by the Family Support Act of 1988 and designed to move people from welfare to work through education, training, and work experience.
2. The FGA program was designed to allow certain types of families to receive cash assistance who did not qualify for AFDC. In particular, some two-parent families who did not qualify for AFDC due to the stringent work history requirements or the 100 hour per month restriction on working in the AFDC-UP program could reapply and qualify for the FGA program. Benefit levels for families that qualified for the FGA program were the same as in AFDC.
3. Throughout this paper, the terms “welfare” and “public assistance” are used to present the range of benefits that are provided in either the MFIP or AFDC systems, including MFIP, AFDC, FGA, and Food Stamps.
4. The three urban counties included Hennepin (Minneapolis), Anoka, and Dakota. The four rural counties included Mille Lacs, Morrison, Sherburne, and Todd.
5. In urban counties, single-parent families could also be randomly assigned to The MFIP Incentives Only group. These families were not required to participate in employment related services. In Hennepin County (Minneapolis) only, some families were also randomly assigned to a fourth group, an AFDC/No Services group. This group continued to receive assistance under the AFDC system but was not eligible to receive STRIDE services, to allow an evaluation of the STRIDE program compared to providing no employment and training services.
6. A small proportion of the AFDC group received cash assistance from the FGA program instead of AFDC.
7. The survey sample is representative of the full administrative records sample. Non-response analyses also indicate that random assignment worked; baseline characteristics of experimental group members are similar to the characteristics of control group members (see Miller et al. 2000).
8. The sample sizes do not reflect the composition of the caseload in the seven counties, because only a fraction of the caseload in the three urban counties was in-

cluded in the evaluation. In the rural counties, in contrast, the entire caseload was randomly assigned to either the MFIP or AFDC research groups.

9. Over 95 percent of the sample is female.
10. All impacts are tested for statistical significance. Only those impacts that are statistically significant using a two-tailed *t*-test at the 10 percent level are deemed program impacts. Significance tests are based on the fact that some estimated impacts, or differences between the groups, may arise solely by chance or random variation. Impacts that are statistically significant can be thought of, with a reasonable degree of confidence, as representing a true difference between the groups, rather than a difference arising by chance.

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