

**A PROFILE OF THE AFDC CASELOAD IN WISCONSIN:  
IMPLICATIONS FOR A WORK-BASED  
WELFARE REFORM STRATEGY**

Interim Report

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September 29, 1995

This research was supported through a contract between the Wisconsin Council on Children and Families and the Institute for Research on Poverty, as part of the project "Market Place Analysis, Matching Skills and Opportunities: Welfare to Work," funded by the Annie E. Casey and Mott foundations. Opinions expressed are those of the authors and not necessarily those of the sponsoring institutions. The authors thank Hwanjoon Kim for exceptional research assistance, Rebecca Marek for construction of the CRN data, and Don Chontos for construction of the QC data. Anne Arnesen, Nan Brien, Andrew Bush, Tom Corbett, Laura Dresser, Mary Eamon, Karl Kronebusch, Michael Wiseman and especially Stacey Olikier provided helpful comments. Mary Ann Cook, Carol Schmitt, Lisa Omen, Anita Ostergard, Cherri MacDonald, Rose Spees and the JOBS case managers at the Dane County Jobs Center generously shared their expertise. We also thank David Edie, of the Wisconsin Office of Child Care, and George Hagenauer, of Community Coordinated Child Care, who provided data on child care costs. Many people assisted in the production of this report, including Dawn Duren, Elizabeth Evanson, and Jessica Thomasson.

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## Executive Summary

In this report we examine the characteristics of Wisconsin recipients of Aid to Families with Dependent Children. We focus on recipients' educational attainment, which is an important determinant of job prospects, and on their child care responsibilities, which is an important element in mothers' ability to work. In this interim report we limit our analysis to AFDC-Regular cases, the largest AFDC component, covering about 80 percent of current cases.

With data from the National Integrated Quality Control System we first trace changes in the Wisconsin AFDC caseload from 1983 through 1993. The total caseload has declined remarkably in Wisconsin during this period of substantial growth in the number of recipients nationwide. Over these years we find that growing proportions of the Wisconsin caseload have low levels of education, larger families, and younger children: recipients with less than a high school education increased from 35 to 42 percent of the total; the percentage of families with more than one child grew from 50 percent to 57 percent; and the proportion with a preschool child increased from 62 to 72 percent. These trends suggest that the caseload is increasingly composed of individuals who face barriers to full-time work.

Using data from the state's Computerized Reporting Network, we examine current caseload characteristics, estimated child care costs, the length of time women continue to receive AFDC, and differences across regions. In the state as a whole we find that, in view of the age and number of their children, many recipients have substantial child care responsibilities: 40 percent face estimated market child care costs that would equal more than half their earnings if they worked full time at \$6 an hour (the minimum wage is \$4.25). About 40 percent of recipients lack a high school degree. Although many women receive AFDC for only a short period, almost a third of recipients who were on AFDC in January of 1990 received benefits continuously through December 1993. In looking at geographical differences among recipients in Milwaukee County, other urban counties, and rural counties, we find that Milwaukee County recipients account for about half the state caseload, are less educated, have larger families, and tend to remain on AFDC for longer periods than recipients in other areas.

We use data from the 1990 Census to examine the extent of work among all Wisconsin mothers. We find that about one-third of them are working full time, full year, the level required of AFDC recipients in the Wisconsin welfare reform proposal. Mothers with low levels of education and with young children are less likely to work. For example, only 7 percent of mothers with less than a high school degree and a child under 2 worked full time, full year.



## Table of Contents

I.	Introduction .....	1
	Assessing Job Prospects .....	2
	Education and Other Characteristics .....	2
	Child Care Responsibilities and the Costs of Market Child Care .....	4
	Aid to Families with Dependent Children: Overview .....	7
II.	Data Sources .....	7
III.	How Has the Caseload Changed over Time? .....	9
	Characteristics of Mothers .....	13
	Characteristics of Families .....	20
	Distribution of Cases by Mother's Education and Child Care Responsibilities .....	22
	Summary of QC Data on Trends over Time .....	29
IV.	The Current Caseload .....	29
	Description of AFDC Cases .....	30
	Distribution of Cases by Mother's Education and Child Care Responsibilities .....	34
	The Relationship between Location, Education, Child Care and Time Spent on AFDC ...	36
V.	The Labor Force Participation and Wages of Women in Wisconsin .....	47
VI.	The Costs of Child Care Relative to Wages .....	52
VII.	A Note on the Limits of Quantitative Analysis .....	55
VIII.	Conclusions .....	56
	Appendix 1. Changes in AFDC since 1983 and Other Changes during This Period .....	59
	Appendix Figures and Tables .....	62
	References .....	65



## List of Tables and Figures

Figure 1: Trends in the Wisconsin AFDC Caseload: Types of Cases .....	10
Figure 2: Trends in the Distribution of the Wisconsin AFDC Caseload: Types of Cases .....	12
Figure 3: Trends in the Wisconsin AFDC Caseload: Mother's Race .....	14
Figure 4: Trends in the Wisconsin AFDC Caseload: Reason for Deprivation of Youngest Child .....	15
Figure 5: Trends in the Wisconsin AFDC Caseload: Mother's Age .....	17
Figure 6: Trends in the Wisconsin AFDC Caseload: Mother's Education .....	18
Figure 7: Trends in Earnings of Wisconsin AFDC Recipients .....	19
Figure 8: Trends in the Wisconsin AFDC Caseload: SSI and Food Stamp Use .....	21
Figure 9: Trends in the Wisconsin AFDC Caseload: Number of Children .....	23
Figure 10: Trends in the Wisconsin AFDC Caseload: Age of Youngest Child .....	24
Figure 11: Trends in the Wisconsin AFDC Caseload: Annual Child Care Costs faced by Full-time Workers .....	25
Figure 12: Trends in the Wisconsin AFDC Caseload: Level of Child Care Costs Faced by Full-time Workers .....	26
Table 1: Distribution of AFDC Cases in Wisconsin, by Mother's Education, Child's Age, and Child Care Costs .....	28
Table 2: Characteristics of the AFDC-Regular Caseload in Wisconsin, December 1993 .....	31
Table 3: Distribution of AFDC Cases in Wisconsin, by Mother's Education and Age of Youngest Child, December 1993 .....	35
Table 4: Distribution of AFDC Cases in Wisconsin, by Mother's Education and Estimated Cost of Market Child Care, December 1993 .....	37
Table 5: Months on AFDC Until First Exit, among AFDC-Regular Cases Active in January 1990 .....	39
Table 6: Total Months on AFDC between January 1990 and December 1993 among AFDC-Regular Cases Active in January 1990 .....	41
Table 7: Months on AFDC until First Exit among AFDC-Regular Cases Beginning a New Spell in 1990 .....	44
Table 8: Total Months on AFDC through December 1993 among AFDC-Regular Cases Beginning a New Spell in 1990 .....	46
Table 9: Intensity of Work Effort among Wisconsin Women Aged 20–40, 1990 .....	49
Table 10: Median Wage, by Education among All Working Women in Wisconsin Aged 20–40 in 1990 .....	51
Table 11: Estimated Child Care Costs of the AFDC-Regular Recipients as a Percentage of Earnings .....	54
Appendix Figure 1: Trends in the Wisconsin AFDC Caseload: Mother's Education, including Cases with Missing Information .....	62
Appendix Table 1: Return Rates of Cases Exiting AFDC within 12 months .....	63





## **I. Introduction**

Aid to Families with Dependent Children (AFDC), the program that provides cash assistance primarily to poor, single-parent families with children, has never been popular, and proposals for reform have had a long history (Hecklo, 1994). Many of these proposals have encouraged welfare recipients to find jobs or required them to seek employment. In 1993 the Wisconsin legislature went a step further, requiring that the state's Department of Health and Social Services develop a plan to eliminate AFDC and replace it with a work-based program. In August 1995, Governor Tommy G. Thompson announced the administration's proposal, titled "Wisconsin Works" (or "W-2"). In presenting the program, Thompson (1995, p. 2) stated:

W-2 means the end of the automatic welfare check. We believe that everyone is capable of some level of work, and W-2 will help participants move directly into work at the earliest possible time. This comprehensive replacement for welfare will demand more of participants, but in the long run it will provide independence and a future.

In this context, it is critical to understand the job prospects of Wisconsin AFDC recipients. This report presents a profile of AFDC recipients in Wisconsin, delineates how these characteristics have changed over the years since 1983 and discusses the implications of these characteristics for the work prospects of current recipients.

Our analysis builds on previous research examining the work-readiness of the national AFDC caseload (see, for example, Burtless, 1995; Nightingale & Haveman, 1995; Zill et al., 1991). The trends in AFDC reciprocity in Wisconsin are distinctive, as the Wisconsin caseload declined during a period in which almost every other state experienced increases (Bush, 1994; Mead, 1995; Wiseman, 1995). One explanation for this unusual trend in Wisconsin is that a strong economy has enabled recipients who were the most prepared for the labor force to exit welfare. If so, those remaining on welfare may be the least prepared for the work force, since in some areas of Wisconsin there are labor shortages, and even "good" jobs for low-skilled workers are not filled.

With this in mind, we examine changes in the characteristics of AFDC recipients in Wisconsin over time to see if those most able to work have indeed left the caseload. Our analysis of trends in the AFDC caseload concerns the period 1983–1993 and relies principally on data from the National Integrated Quality Control System (QC) database of the U.S. Department of Health and Human Services. We consider characteristics of the current caseload in greater detail with data from Wisconsin's Computerized Reporting Network (CRN) administrative database. The CRN data allow us to look separately at program participants by region within the state, and allow us to better measure the length of time of AFDC receipt.

In the body of the report we provide information on several characteristics of recipients, paying particular attention to educational attainment and child care responsibilities. We do this because we believe educational level is among the best indicators of one's job prospects, and child care costs are among the most important indicators of potential barriers a recipient may face when trying to move to full-time work. In this section we discuss the reasons for focusing on these two characteristics and our method of measuring them, and we provide an overview of the AFDC program. The body of the report follows. Section II describes data sources; Section III analyzes changes in the caseload over time; Section IV provides a more detailed examination of the current caseload; Section V offers information on the work effort and wages of Wisconsin women; and Section VI compares the potential wages of AFDC recipients with child care costs. We close with a discussion of the limitations of our analysis and implications of these findings for Wisconsin's welfare reform efforts.

## **Assessing Job Prospects**

Education and Other Characteristics. In the analysis that follows we focus on educational level as an indicator of a mother's prospects for self-supporting employment in the private sector. Education has an important impact both on the probability of employment and on wages. Job

prospects for workers with only a high school degree have deteriorated, and potential employees with less than a high school degree are in an even worse position (Acs & Danziger, 1993; Burtless, 1995; Murphy & Welch, 1993). Clearly, job prospects depend on the state of the labor market as well as a multitude of individual characteristics of the potential employee. Nonetheless, we believe education is an important indicator of job prospects, and certainly the best indicator available in the QC and CRN data used here.

While there are concerns about the reliability of information on educational level contained in many administrative datasets,<sup>1</sup> we believe that the Wisconsin data are sufficiently accurate to provide usable information on the work prospects of recipients.<sup>2</sup> In the analysis that follows we group recipients by years of education, distinguishing primarily between those who have finished high school and those who have not.

Although we report recipients' marital status and race, we do not focus on these characteristics in our discussion of work prospects. Marital status may be an important indicator of the reason a family has entered the welfare system, but it has limited implications for a mother's current job prospects.<sup>3</sup> While job prospects vary systematically by race, analyzing the impact of discrimination is beyond the scope of this report. Another characteristic that would be of interest is

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<sup>1</sup>Data on education are available for 80 to 90 percent of the cases in the Wisconsin QC file, but in the national QC file, 60 percent of the cases lacked information on educational level in 1986. While the percentage without information declined somewhat over time, by 1992 the educational level of 47 percent of the cases in the national file was still unknown.

<sup>2</sup>Educational level is available for about 95 percent of cases in the CRN and 80 to 90 percent of cases in the Wisconsin QC file. Unlike much of the financial and family structure information contained in these datasets, educational level is self-reported by recipients and is not subject to verification by caseworkers. Because benefits generally do not depend on educational level, there is limited reason for caseworkers to verify or to update this information. From our discussions with caseworkers familiar with the CRN, we do not suspect that data on educational level at initial application time are systematically misreported or misrecorded. However, information on education is unlikely to be updated and thus may not reflect additional education acquired, for example, as part of AFDC JOBS training.

<sup>3</sup>Previous marital status may have an important impact on access to child support and other resources (such as informal child care), which may have implications for the feasibility of self-sustaining work.

whether a recipient had some type of physical or mental disability, since some recent national research suggests that about one-fifth of the national caseload reports having some "functional limitation" (Acs & Loprest, 1995). We do not focus on disability here, because of the very limited information available in the datasets we use.<sup>4</sup>

Child Care Responsibilities and the Costs of Market Child Care. Child care responsibilities are consistently cited by researchers and caseworkers as a primary barrier to labor force participation among AFDC recipients (Maynard, 1995; Oliker, 1995). We therefore focus on child care responsibilities in addition to educational level to assess work readiness.

A frequently used indicator of child care responsibilities is the age of the youngest child in the family. Pre-school-age children, especially infants, require intensive adult supervision. Furthermore, many rules governing AFDC and participation in JOBS<sup>5</sup> have been based on age of the youngest child. Changes in exemptions based on the presence of young children have been an important part of efforts to increase participation in JOBS programs and will likely be part of W-2 as well. In the analysis that follows we use age of the youngest child as one indicator of child care responsibilities faced by AFDC recipients.

While the age of the youngest child is one indicator of child care responsibilities, it is incomplete in that it does not incorporate information on the number of children in the family. Even though younger children generally require more care, a mother with one infant may not have more responsibilities than a mother with two or three toddlers. The resources required to care for

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<sup>4</sup>While we do know the number of people who are exempt from participating in the JOBS program because they have a disability, caseworkers have informed us that this is not a good indicator of disability, since any individual with a young child would probably be coded exempt because of the young child, even if he or she also had a disability.

In addition, we do not consider disability status because one of the impetuses of the Americans with Disabilities Act was a belief that people with disabilities should be able to work if they desire, which suggests that the degree of work-readiness is an appropriate inquiry for people with disabilities as well as people without them. Finally, people with severe disabilities should be eligible for the SSI program, and, if they receive SSI benefits, would be ineligible for AFDC.

<sup>5</sup>The Family Support Act of 1988 required states to implement the Job Opportunities and Basic Skills Training program (JOBS) for a portion of AFDC recipients.

different numbers and ages of children will vary from family to family and are difficult to assess. However, one method for measuring total child care responsibilities is the cost of market child care (the cost of care on the open market, as opposed to care provided by the mother herself or by kin). As discussed below, we use the estimated cost of full-time market child care as a measure of total child care responsibilities.

The cost of full-time market child care is not a precise measure of the actual costs a mother will typically face should she work full time. Actual costs will depend on a large number of factors and are difficult to estimate. State subsidies could have a substantial impact, but their availability and structure have yet to be determined.<sup>6</sup> Some families have access to nonmarket informal care. Mandatory work requirements might decrease the availability of such care, however. (For example, an AFDC mother who would have used her sister to provide informal care may have to turn to formal care if the sister also receives AFDC and is therefore required to work full time.) Furthermore, there is evidence that reliance on care from family members may reduce a mother's ability to work consistently.<sup>7</sup> Finally, while market child care rates provide one estimate of costs, they do not reflect availability. Mothers may face particular difficulties in acquiring adequate child care for sick children or for children with behavioral problems or other special needs.<sup>8</sup> Child care may be difficult to find for mothers who work late or irregular shifts or who face mandatory

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<sup>6</sup>The W-2 proposal states that "child care will be made available to all eligible families with low income and with low assets who need it to work" and that very low income families will pay "only a nominal percentage" of the cost of care (Thompson, p. 13). However, details of the subsidy rates and conditions are not yet available.

<sup>7</sup>For example, in her interviews with AFDC recipients Olicker (1995) found that those who "received resources **from** kin also contributed resources **to** kin... Commitments to kin sometimes became obstacles to work" (1995; pp. 179–80). Furthermore, "...although a low-wage employment market encourages single mothers to rely on kin networks, low-wage jobs do not allow the women to substitute money for the help they owe members of their domestic networks" (1995; p 189).

<sup>8</sup>These issues were cited by JOBS caseworkers we interviewed. Many low-wage jobs provide limited sick leave, and many child care settings will not accept even mildly sick children, leaving parents with sick children in a difficult position. Many child care providers also refuse children with behavioral or other problems.

overtime—situations that are not uncommon in the low-wage, entry-level jobs likely to be available to current recipients (Oliker, 1995).

Despite these limitations, estimated market child care costs provide a measure of child care responsibilities that reflect both the age and number of children. For our estimates we use the average of the Maximum Child Day Care Reimbursement Rates for Certified Family Day Care, calculated by the Wisconsin Office of Child Care, for 1995. Weekly rates are \$100.83 for children under age 2 (about \$2.50/hour), and \$89.83 for children aged 2–5 (\$2.25/hour). For children aged 6–12, we combine the cost of after-school care with full-time care during the summer, then average it over a year to total \$39.71 per week.<sup>9</sup> For children 12 and over, we follow current standards and assume no child care is used. This procedure provides one estimate of the cost of market child care if AFDC recipients were to work full time.<sup>10</sup>

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<sup>9</sup>For children under 2 and 2–5 these are the population-weighted state average of the Maximum County Child Care Reimbursement Rates for 1995, as calculated by the Wisconsin Office of Child Care. For children aged 6–12 we assumed two hours of after-school child care for nine months a year (at the population-weighted state average hourly maximum of \$2.30) and full-time care for three summer months a year (at the same weekly rate as children 2–5). In estimating the cost of three months of full-time care we used the weekly rate for younger children because it was less than the full-time equivalent at the hourly rate for school-age children, and no weekly rate is available for school-age children. While estimates of child care costs averaged over the year are the most useful for our calculations, it is important to note that for school-aged children child care costs vary dramatically with the school schedule. In particular, full-time care during the summer may be prohibitively expensive and difficult to find.

Total family expenditures are simply the sum of the estimated expenditure for each child; there are no discounts for multiple children.

<sup>10</sup>We used the least expensive of three sets of rates determined by the state. For example, for children under 2, the average Certified Family Day Care rate is \$100.83, the average Licensed Family Day Care rate is \$106.60, and the average Licensed Group Day Care rate is \$120.68. Thus, by using the Certified Family Day Care rates we are underestimating the cost of market child care. Because it is the only rate available for most counties, we use the Maximum Child Care Reimbursement rate, which is set at the 75th percentile of child care costs. Using data from the County Child Care Rate and Enrollment Survey Reports for Dane County we estimate that for Licensed Group Day Care there is very little difference between the mean cost of care and the 75th percentile. For Family Day Care (available figures combine Licensed and Certified care) the 75th percentile is 10–20 percent higher than the mean. Data for Jefferson County suggest that there is even less difference between the mean and the 75th percentile. Nonetheless, by using the Maximum Reimbursement rate we are overestimating the mean cost of market child care.

In addition to providing an estimate of child care costs, the estimates provide one measure of overall child care responsibilities. For example, while some recipients will find non-market child care, this measure may give us an indication of how difficult it is to find nonmarket care and how much the recipient is indebted to the family member or friend who provides it. Mothers with higher estimated market child care costs are those with younger, or a greater number of, children. They are thus the mothers for whom child care responsibilities are likely to be a particularly important barrier to work.

### **Aid to Families with Dependent Children: Overview**

Both the state and the federal governments play a role in the AFDC program: the federal government sets basic program parameters and pays a portion of the costs; the state administers the program, sets the basic benefit levels, and determines the specific types of programs it will offer (within the broad federal policies). To try a new program variant that is not allowed under the federal guidelines, states must request a waiver of the federal requirements.

Wisconsin has four types of AFDC programs, all of which are for children "deprived of parental support":

1. AFDC-Regular, the largest and best known program, for children who live with one parent and are deprived of the other parent's support owing to death, divorce, separation, or nonmarriage, or who live with two parents and the primary earner is incapacitated. (We separate the latter cases into an "AFDC-Incapacitated" category.)
2. AFDC-Unemployed Parent (UP), a program for children who live with two parents and are deprived of the primary earner's support because he/she is unemployed. The AFDC-UP program was available in Wisconsin and about half the states during the period of our study, although by the end of the period all states were required to offer a version of the AFDC-UP program.
3. AFDC-pregnancy only, a program for low-income pregnant women who have no other children but who are in their third trimester. This program is also optional for the states, but was available in Wisconsin throughout this period.
4. AFDC-non-legally responsible relative (NLRR), a program for children who live with a relative and not with a natural parent.

In this interim report we focus on the AFDC-Regular program; the final report will include information on other case types as well.

## **II. Data Sources**

For our analysis in Section III of trends in the AFDC caseload over time, we use data from the National Integrated Quality Control System (QC) database of the U.S. Department of Health and Human Services. The QC data are taken from a sample of case records in each state, drawn randomly from each month's caseload. Its two purposes are to enable determination of whether the amount a particular family receives has been calculated correctly and to provide characteristics of the caseload. In Wisconsin, the QC data are taken from cases in the state's Computerized Reporting Network (CRN) administrative database and verified for accuracy. We used cases from 1983, the first year data were available, through 1993, the most current data available. (No data were available for 1988; the final report should incorporate data from this year.) The QC file does not provide information on the location of each case within the state, so in those data we are unable to separate Milwaukee County (or any county) from others. For each year data are available on 1800–2400 cases in Wisconsin.

When possible, we compare trends in Wisconsin with trends in the national QC data, based on reports released by the federal government (U.S. Department of Health and Human Services, 1995; U.S. House of Representatives, 1994). Note, however, that the data are not always directly comparable, because the national data are usually reported for all case types, whereas we focus on the AFDC-Regular program.

For our analysis in Section IV of the current caseload in Wisconsin, we use data from the CRN. In January 1994, selected counties in Wisconsin began switching to a new computerized data system, Client Assistance for Reemployment and Economic Support (CARES), and counties did not complete the transition until early 1995. Because CARES is not yet fully accessible, we use



data from the CRN, available through December 1993, to analyze the AFDC caseload in Wisconsin. We report results for the state as a whole and separately for Milwaukee County, other urban counties, and rural counties. Our analysis is based on a random sample of one in ten of the AFDC-Regular cases headed by women and active at any time between January 1990 and December 1993.<sup>11</sup> AFDC-Regular cases constitute about 80 percent of the total caseload in this period. When we refer below to the "AFDC caseload," we are referring to this sample.

Although we sample only AFDC-Regular cases, once a case is included in our sample we follow it if it switches to or from another AFDC program: e.g., if an AFDC-Regular case becomes an AFDC-UP case, we continue to follow the case and do not consider the change as an exit from AFDC. The final report will include an analysis of other types of cases (particularly AFDC-UP) and will also compare the characteristics of 1990–1993 cases with those of cases active in 1984–1987.

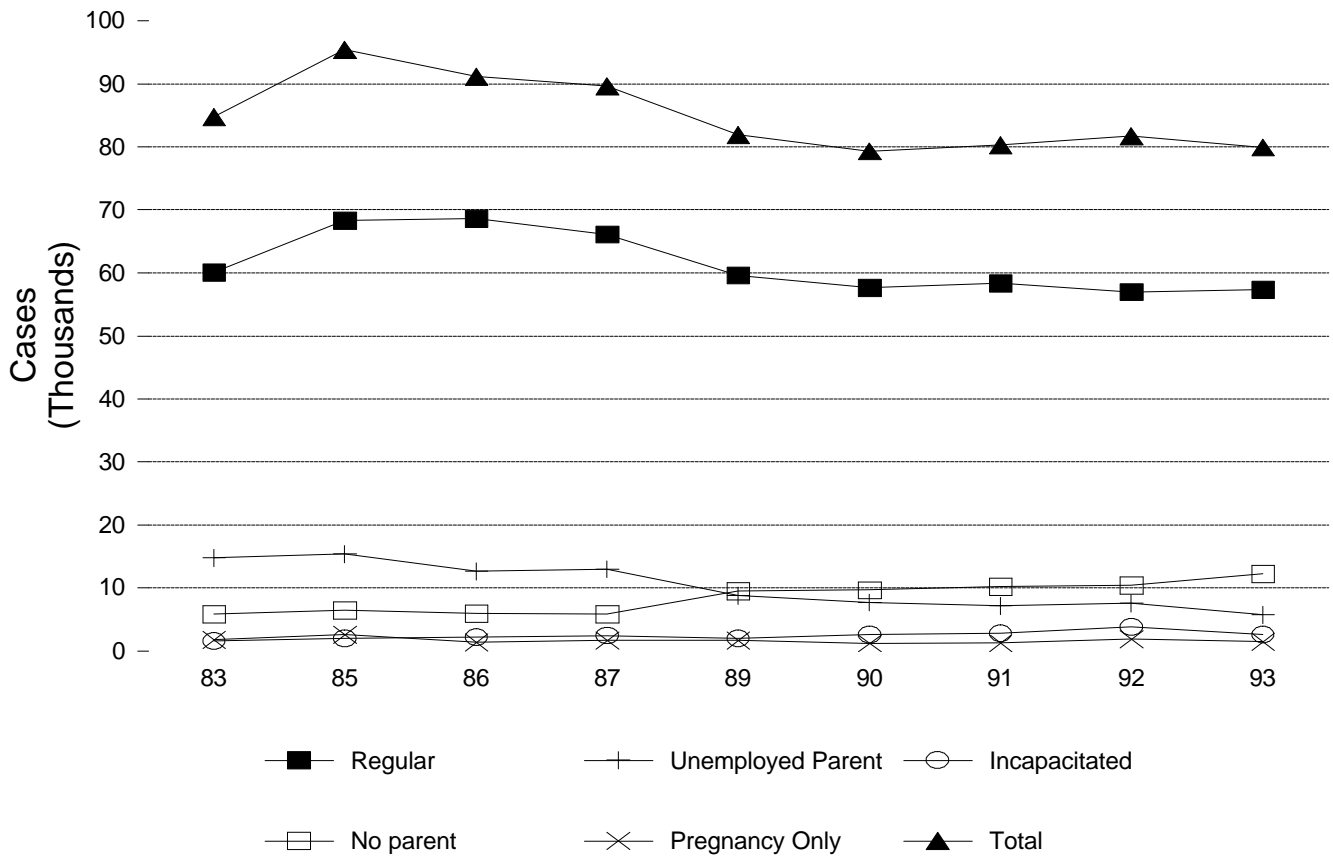
In Section V we draw on data from the 5 percent Public Use Microdata Sample (PUMS) of the 1990 U.S. Census to consider patterns of work and earnings in Wisconsin. We include all women in Wisconsin aged 20–40 and consider their degree of labor force participation and median wages.

### **III. How Has the Caseload Changed over Time?**

We first examine aggregate caseload trends, shown in Figure 1. The total, in the top line, indicates an increase of more than 10,000 cases from 1983 to 1985, followed by a decline through 1989 and little change from 1989 to 1993, resulting in fewer cases in 1993 than in 1983. This trend contrasts sharply with the rest of the country, where total caseloads changed only slightly between 1983 and 1989 but increased substantially after that year: the total

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<sup>11</sup>For consistency with the QC sample we exclude cases receiving AFDC-Regular in which there is an incapacitated parent.



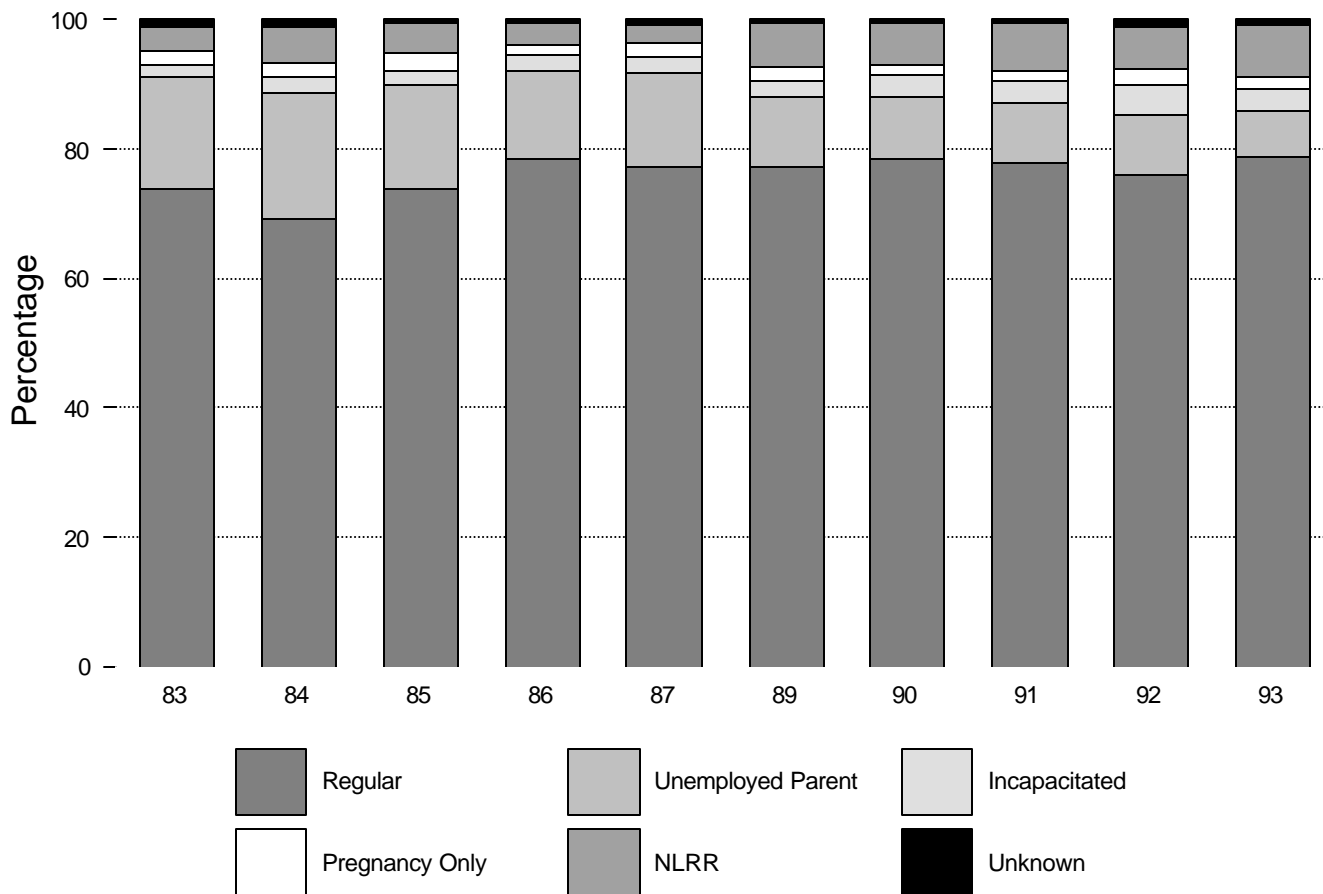
**FIGURE 1. TRENDS IN THE WISCONSIN AFDC CASELOAD: TYPES OF CASES**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: All cases receiving AFDC. 1984 and 1988 data not available.

number of families receiving benefits rose from 3.7 million in 1983 to 3.8 million by 1989, and reached 5.0 million in 1993.

Figure 1 also shows the trends in various types of cases, with cases grouped by the reason the child is deprived of parental support. Most cases are AFDC-Regular. AFDC-UP recipients were the second largest group in every year except 1993, when there were more non-legally responsible relative (NLRR) cases. The decline in AFDC-UP cases may reflect the effectiveness of the JOBS program (Mead, 1995), the decline in AFDC benefits or improvements in the Wisconsin economy (see Appendix 1 for a listing of changes in the AFDC program, trends in the Wisconsin economy, and other changes during this period). The two remaining categories (incapacitated parents and pregnancy-only cases) include very few cases.

Figure 2 focuses on the composition of the caseload by case type. It shows (as did Figure 1) that the vast majority of cases are AFDC-Regular (70 to 80 percent each year, with some increase over time). The AFDC-UP program accounted for 17 percent of the cases in 1983, declining to 7 percent in 1993. The AFDC-Incapacitated category is fairly small, about 3 percent of cases. The other programs are also small; only the AFDC-NLRR is ever more than 5 percent of the caseload.

This report is limited to AFDC-Regular (nonincapacitated) cases; our final report will also include information on AFDC-UP. In the figures and table that follow in this section, we have imposed two further limitations. We first eliminated cases in which we could not identify the household head or in which the head did not receive benefits. (The maximum number of cases thus eliminated was 134 in 1993.) We then eliminated cases in which the recipient was the father, rather than the mother (from 2.8 to 3.9 percent of the remaining cases), because the sample of father-headed cases is too small to analyze separately.



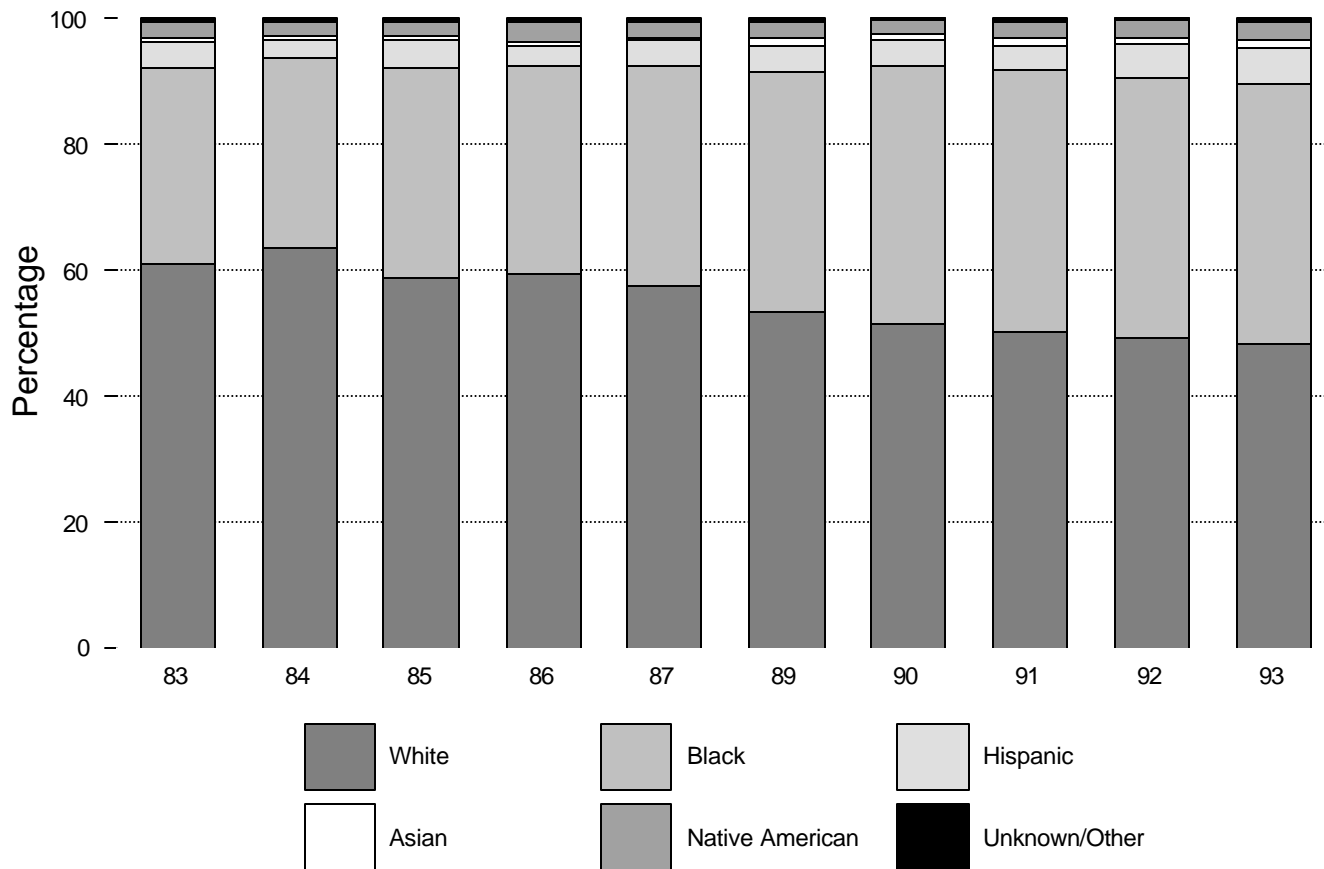
**FIGURE 2. TRENDS IN THE DISTRIBUTION OF THE WISCONSIN AFDC CASELOAD: TYPES OF CASES**

Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: All cases receiving AFDC. 1988 data not available.

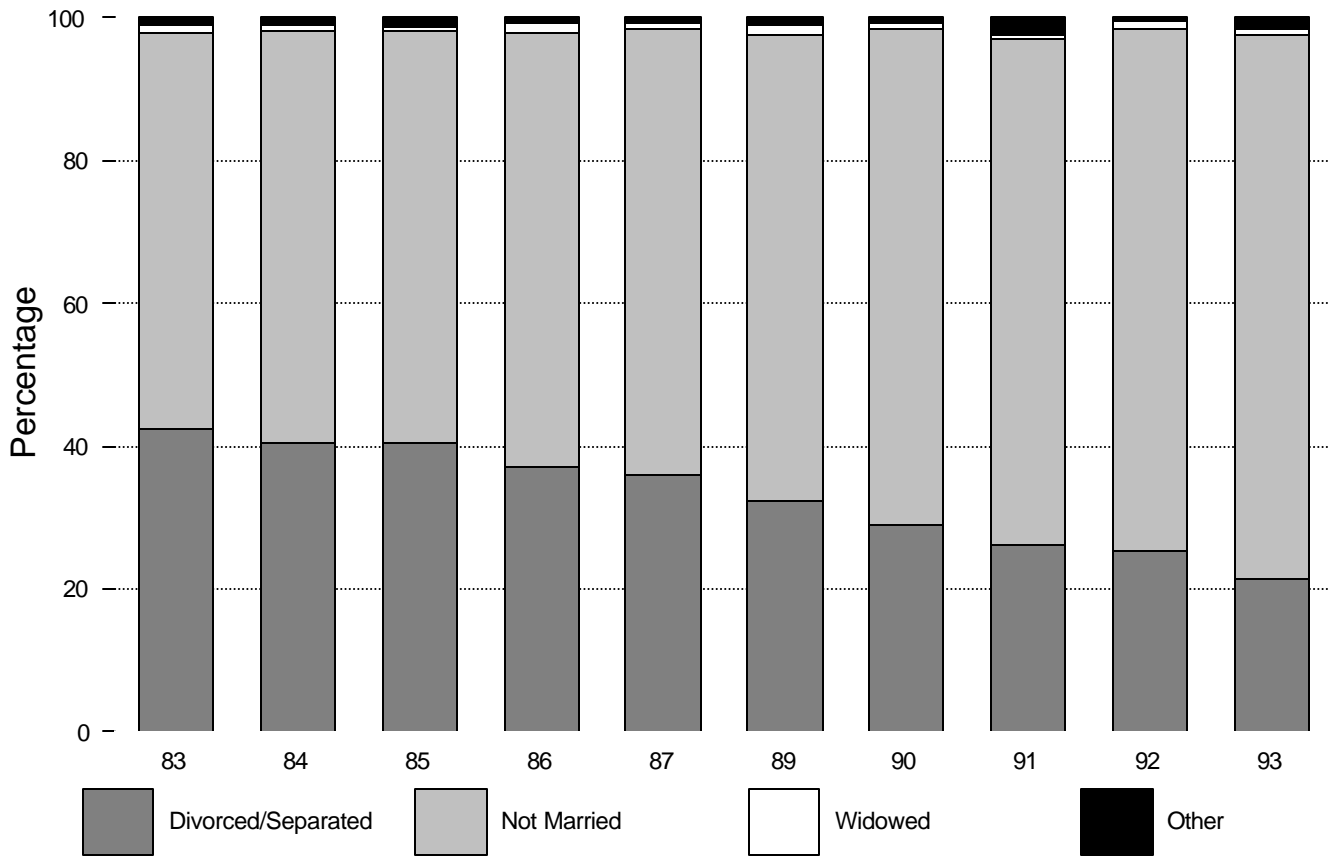
## Characteristics of Mothers

Figure 3 shows that whereas the largest group of Wisconsin recipients continues to be non-Hispanic white women, the caseload is increasingly composed of non-Hispanic black women. The proportion that is non-Hispanic white declined from 61 percent to 49 percent over this period, and the proportion non-Hispanic black increased from 31 percent to 41 percent. The remainder of the caseload is headed by Hispanics (from 3 percent to 6 percent over this period), Native Americans (between 2 percent and 3 percent) and Asians (about 1 percent). Wisconsin has fewer people of color than other states, the overall population being 94 percent white in 1980 and 92 percent white in 1990, compared to national totals of 83 percent in 1980 and 80 percent in 1990. It is therefore not surprising that the proportion of the Wisconsin caseload who are non-Hispanic whites averages at least ten percentage points above the national figures. The trend over time in Wisconsin also differs from the national trend. The national proportion headed by non-Hispanic whites showed only a small decline, from 42 percent to 38 percent during this period, but in marked contrast with Wisconsin, the proportion of non-Hispanic blacks in the national caseload declined even more steeply, from 44 percent to 37 percent. Hispanics, in contrast, increased from 12 percent of the national caseload to 18.5 percent.

Figure 4 shows a dramatic change in the reason children are eligible for AFDC among families headed by women. The proportion of cases in which the youngest child was eligible because her/his parents were divorced or separated fell from 43 percent to 22 percent, while the proportion eligible because her/his parents had not been married increased from 56 percent to 76 percent. The national data show a similar trend: eligibility due to divorce/separation declined from 46 percent of the caseload in 1983 to 28 percent in 1993, and eligibility due to



**FIGURE 3. TRENDS IN THE WISCONSIN AFDC CASELOAD: MOTHER'S RACE**  
 Source: Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the caseload could be identified. 1988 data not available.



**FIGURE 4. TRENDS IN THE WISCONSIN AFDC CASELOAD: REASONS FOR DEPRIVATION OF YOUNGEST CHILD**  
 Source: Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.

nonmarriage increased from 52 percent to 64 percent.<sup>12</sup> While the Wisconsin and national trends are similar, the levels differ: Wisconsin has a higher proportion of cases eligible because the child's parents were not married (76 percent to 64 percent).

Figure 5 shows stability in the age distribution of mothers on AFDC in Wisconsin. There is a slight trend toward young mothers in the last half of this period: the percentage under age 25 increased from 31 percent in 1989 to 37 percent in 1993. The national data show great stability, with 32 percent of mothers under age 25 in both 1983 and 1993.

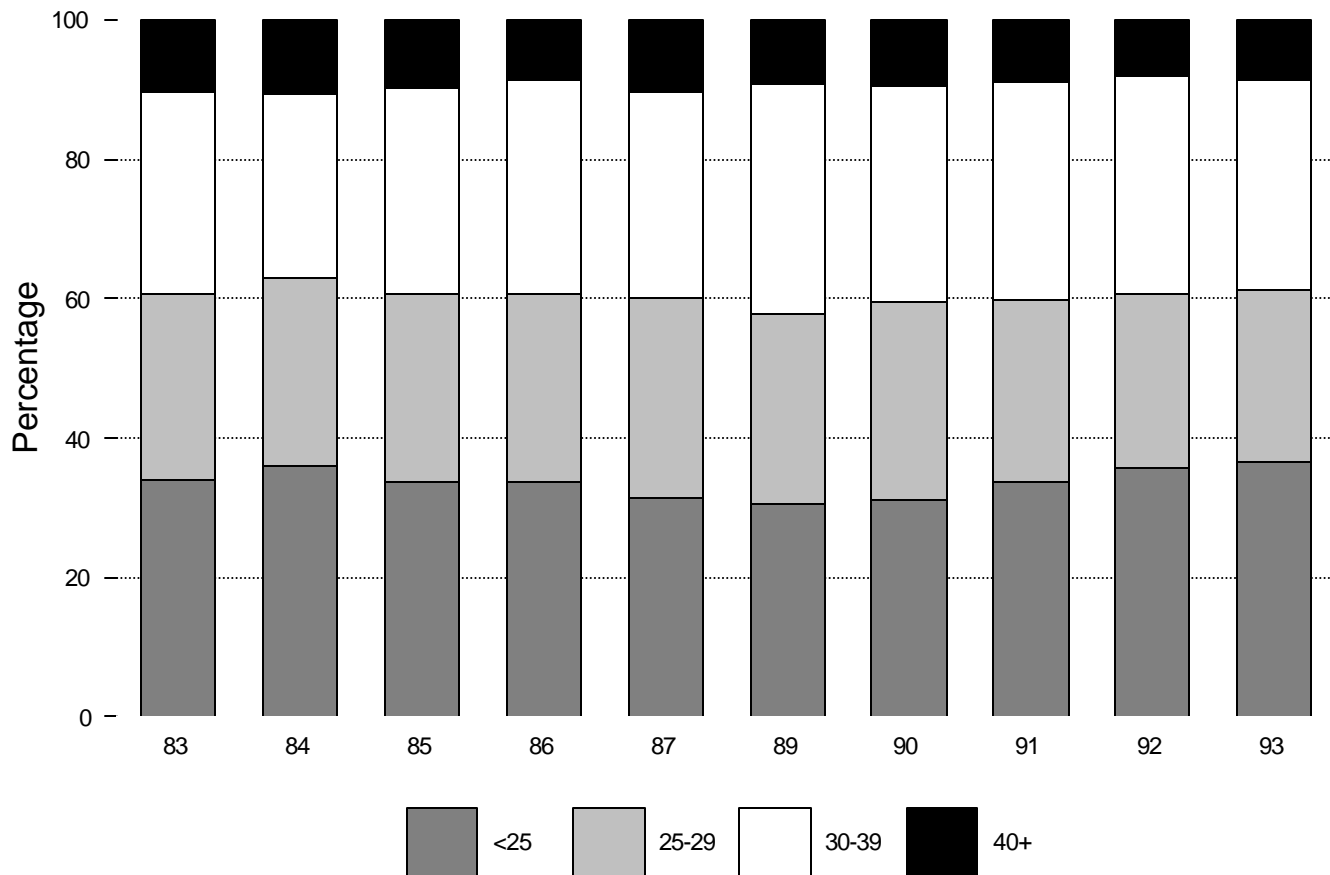
The QC data did not contain information on education until 1986, and even in the years following, 10 percent or more of the Wisconsin cases lack information on the mother's educational level. Among the cases in which the mother's education could be determined, about 40 percent of the caseload have not graduated from high school nor received a GED, as shown in Figure 6. (Appendix Figure 1 includes those with missing information as a separate category.) In Wisconsin 15–20 percent of the recipients had more than a high school education in the 1986–1993 period. A trend toward lower education may be occurring, as the percentage with less than a high school education increased from 35 percent to 42 percent over these years. National data, which have substantially more missing information, indicate that among cases with information, mother's education is generally lower than in Wisconsin: 10–14 percent have more than a high school education and about 45 percent have less.

Figure 7 shows that between 12 percent and 20 percent of the mothers worked while receiving AFDC during the month they were sampled. This percentage increased from 1983 to 1989, then declined. The second line shows average monthly earnings among earners,

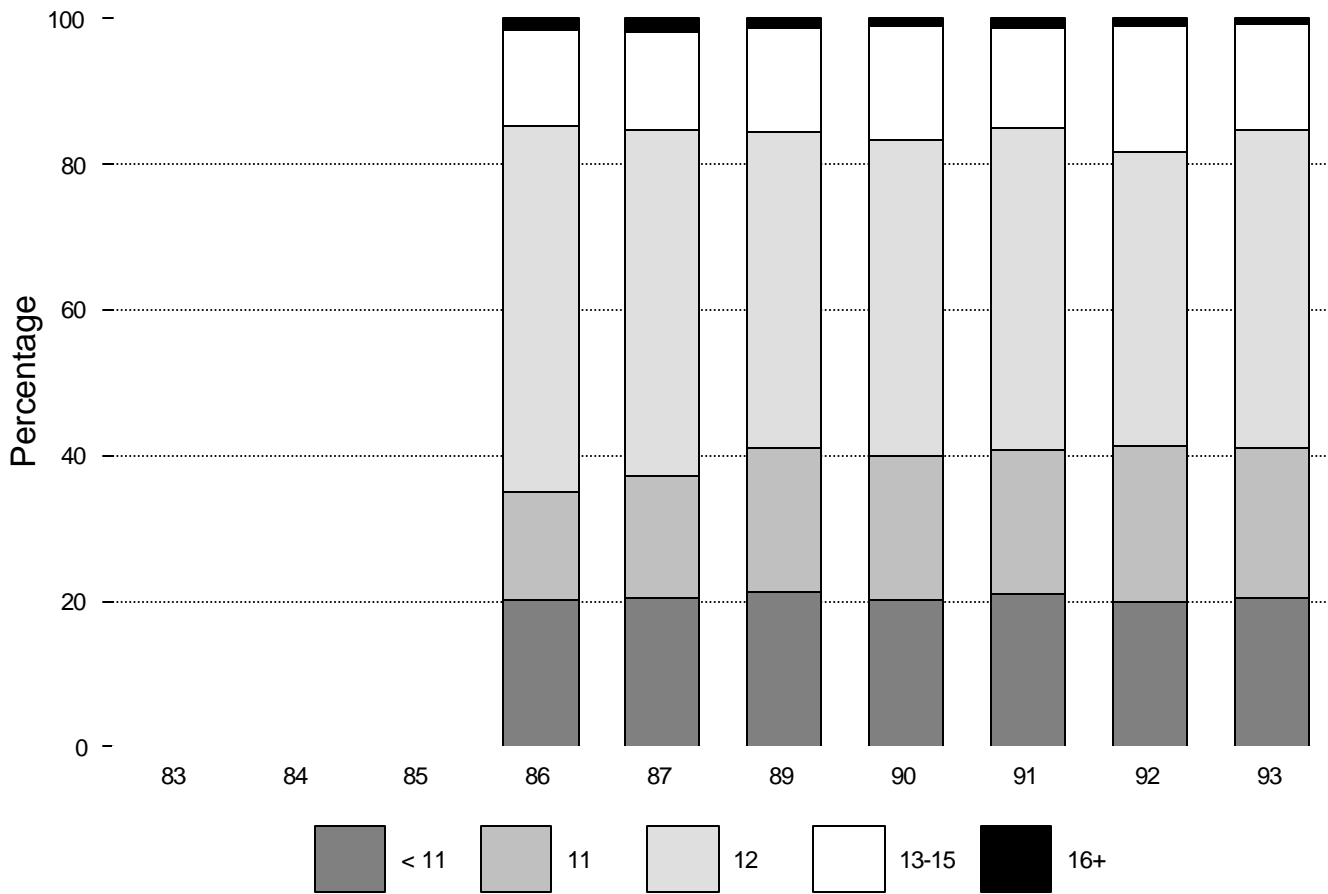
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<sup>12</sup>The mother's current marital status need not match the "reason for eligibility." For example, consider a child born nonmaritally whose mother later marries, then divorces. The mother's current marital status is "divorced," but the reason for eligibility is "parents not married."

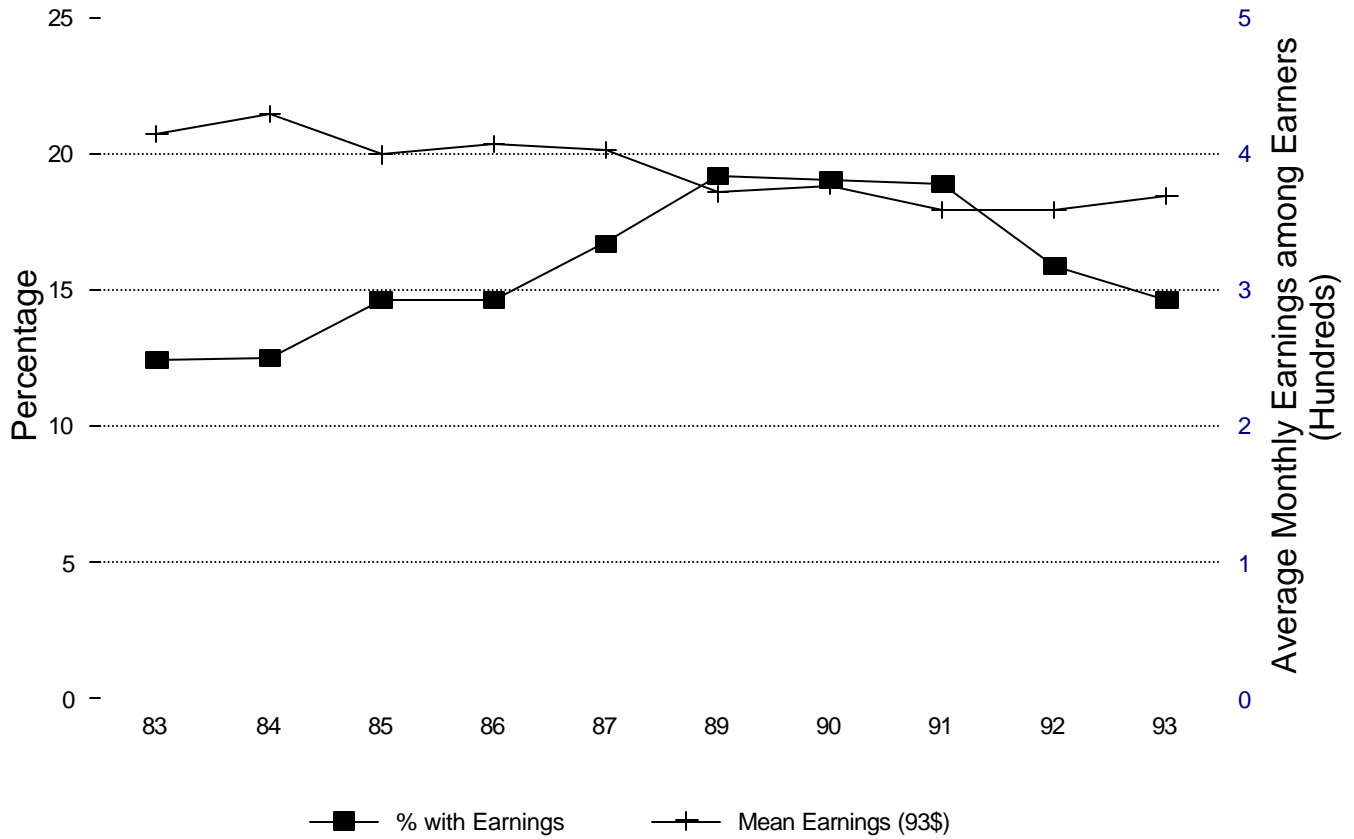




**FIGURE 5. TRENDS IN THE WISCONSIN AFDC CASELOAD: MOTHER'S AGE**  
 Source: Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.



**FIGURE 6. TRENDS IN THE WISCONSIN AFDC CASELOAD: MOTHER'S EDUCATION**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1983-85 and 1988 data not available.



**FIGURE 7. TRENDS IN EARNINGS OF WISCONSIN AFDC RECIPIENTS**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.

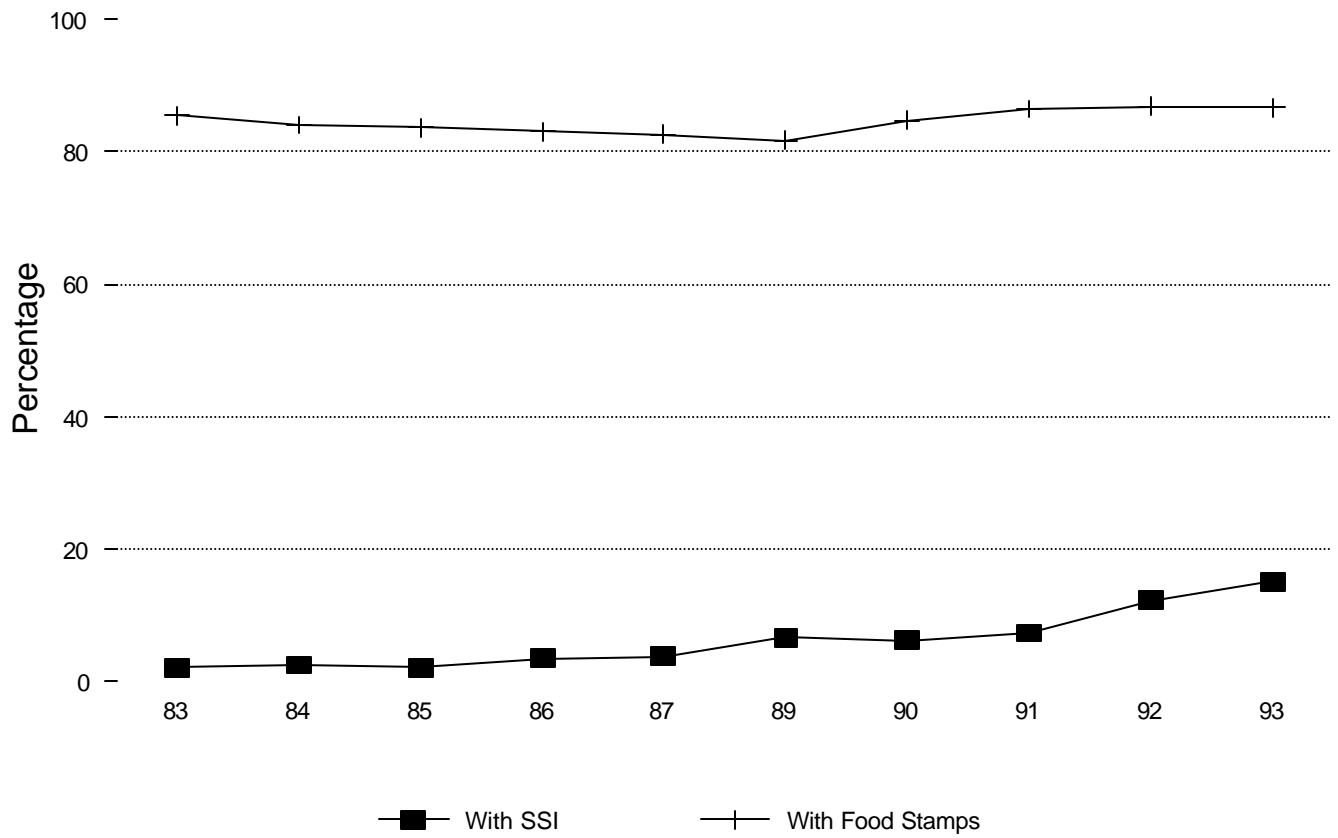
adjusted for inflation. By 1993, these average earnings were about \$370/month. Only a small change occurred over the period, a decrease of about \$50/month. The percentage with earnings in Wisconsin is substantially higher than in the nation: while the data are not exactly comparable because the national figures include all types of AFDC (whereas the Wisconsin figures concern AFDC-Regular cases), in the national data between 6 percent and 8 percent of the families had earnings in the month they were sampled.

### **Characteristics of Families**

Figure 8 shows the degree to which AFDC households also receive food stamps or Supplemental Security Income (SSI, the federal-state program for poor elderly and disabled individuals).<sup>13</sup> During this period, between 80 percent and 90 percent of AFDC households also included food stamp recipients. The percentage declined slightly between 1983 and 1989, then increased slightly, perhaps because AFDC benefits declined during the latter period. The overlap with the SSI program shows a different pattern. The proportion of households receiving SSI began increasing in 1989 and has increased at a rapid rate since 1991, although it is still relatively small. This is consistent with an increase in SSI reciprocity among the whole population, particularly among young children (Kochhar and Scott, 1995).

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<sup>13</sup>The Food Stamp program and the AFDC program differ in eligibility requirements, although these data (and other data) show that the vast majority of AFDC recipients also receive food stamps. The SSI and AFDC programs also have different eligibility requirements, and no one person can receive both benefits. That is, if a single mother with children has a disability and qualifies for SSI, she will receive an SSI check but will not be part of the AFDC grant, although she could receive an AFDC check for her children. Similarly, if a child is disabled, she or he would not be a part of the AFDC grant even if the rest of the family received AFDC. Thus to look at the overlap between programs, we must look at the whole household, so this figure uses the entire sample, rather than just AFDC mothers receiving the AFDC-Regular program.



**FIGURE 8. TRENDS IN THE WISCONSIN AFDC CASELOAD: SSI AND FOOD STAMP USE**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.

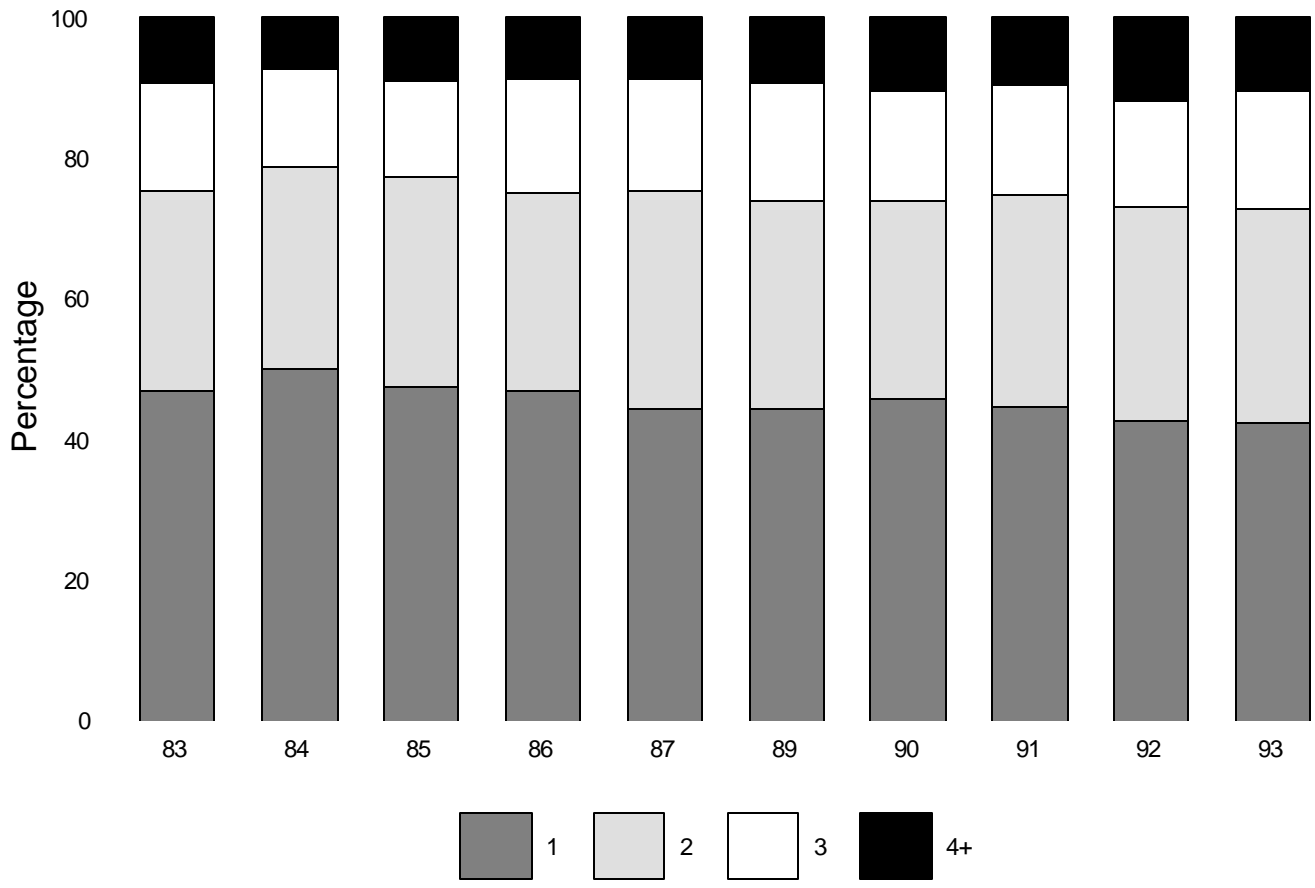
Figure 9 focuses on the number of children in each AFDC family. The proportion of the caseload with one child, while still the largest category, declined somewhat, from 50 percent in 1984 to 43 percent in 1993. The percentage with four or more children increased somewhat, from 7 percent in 1984 to 12 percent in 1992. The national data show remarkable stability on this characteristic: the percentage of cases with one child stayed at 43 percent over this period, and the percentage with more than two children increased only from 25 percent to 26 percent.

Figure 10 shows that the caseload is increasingly composed of families with young children. The proportion with a child under age 2 increased from 24 percent to 36 percent during this period, and the percentage with a preschooler increased from 62 percent to 72 percent. Wisconsin cases have a higher proportion of young children than the rest of the nation: in 1993, 72 percent of Wisconsin cases had a preschooler, compared to the national figure of 63 percent. (The national time trend is not available.)

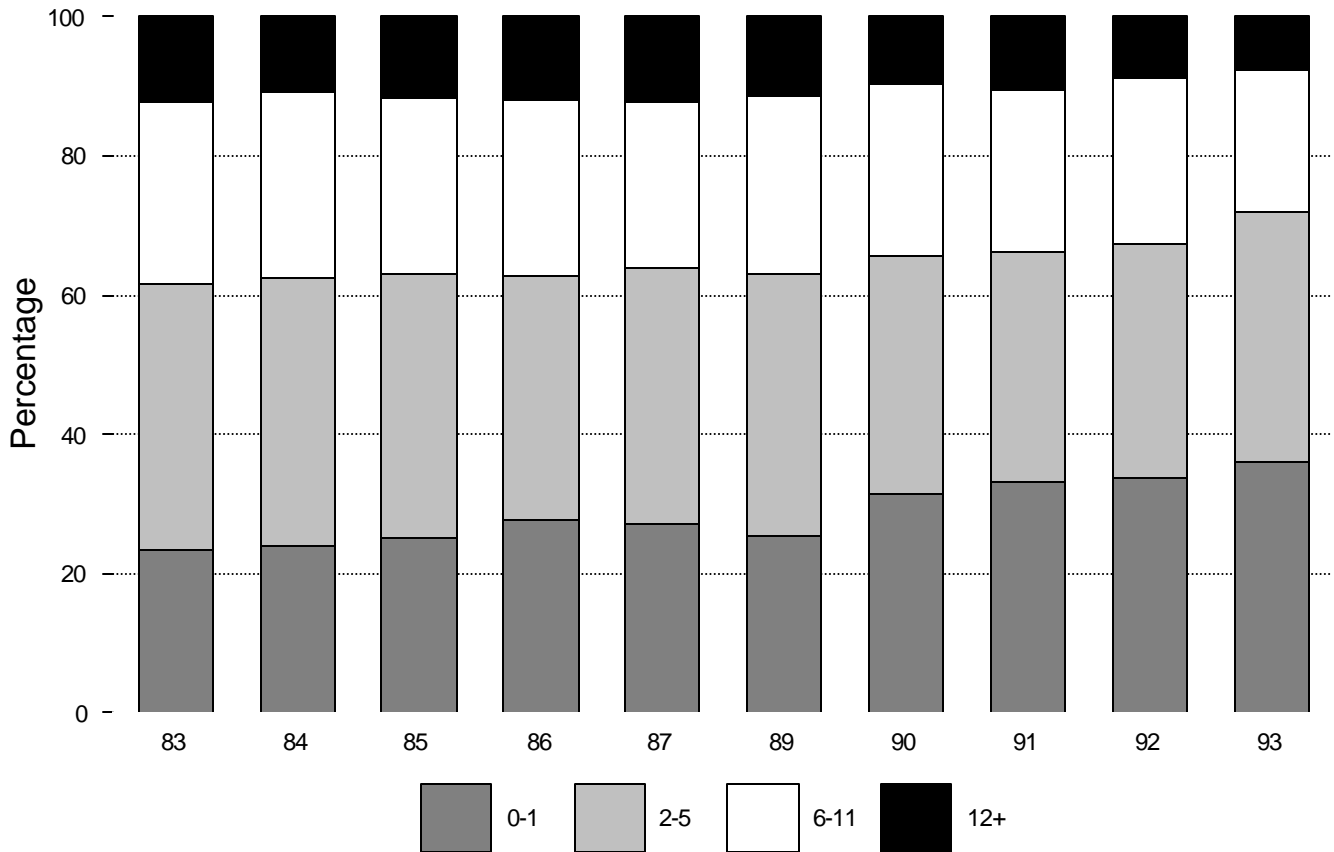
Figure 11 shows the average annual market child care costs that we estimate AFDC recipients would face if they were to work full time, full year. It shows gradual increases over this period, from \$5333 in 1983 (1995 dollars) to \$6476 by 1993. Figure 12 provides the distribution of these costs. It shows that an increasing proportion of the caseload would incur high costs: the proportion with estimated costs of \$4500 and less declined from 36 percent to 26 percent during this period, and the percentage with costs over \$6000 increased from 33 percent to 41 percent. Comparable national figures are not available.

### **Distribution of Cases by Mother's Education and Child Care Responsibilities**

To organize the discussion that follows, we divide the caseload into 8–10 categories according to education and two alternative measures of child care responsibilities. As mentioned above, we focus on education and child care responsibilities because, in the

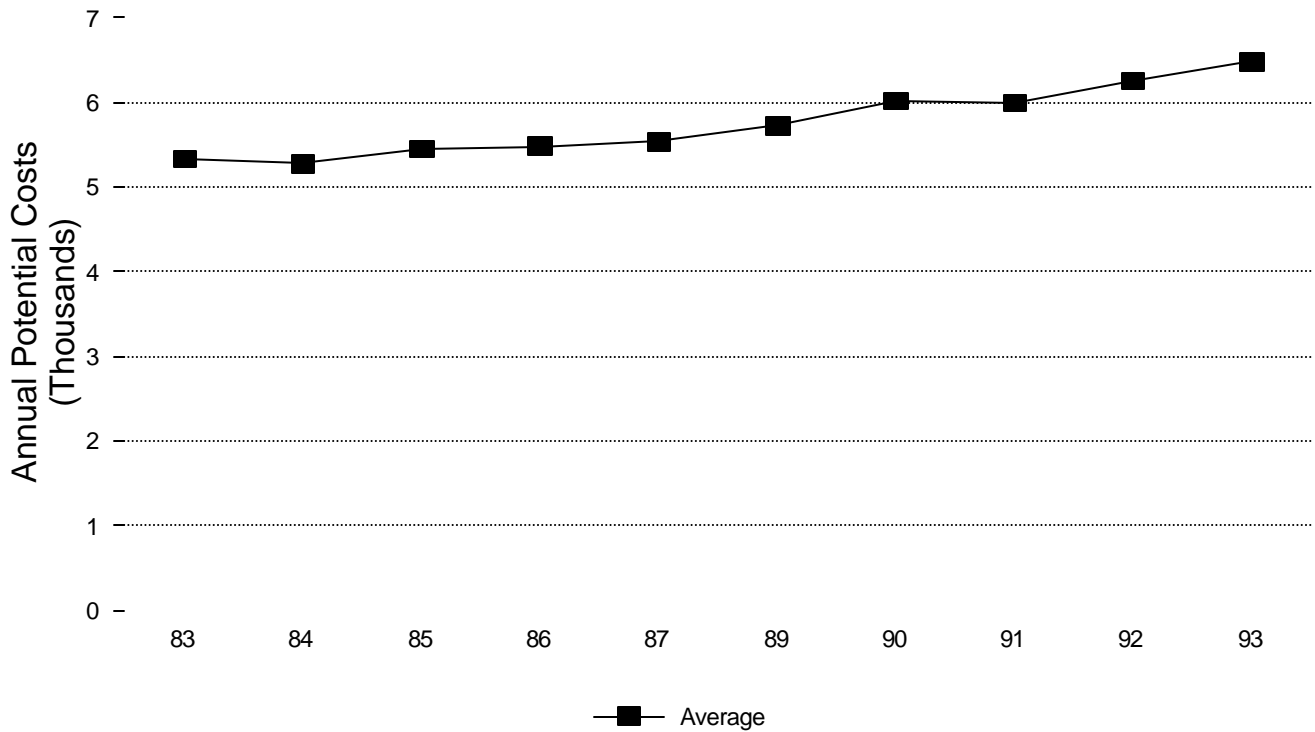


**FIGURE 9. TRENDS IN THE WISCONSIN AFDC CASELOAD: NUMBER OF CHILDREN**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.

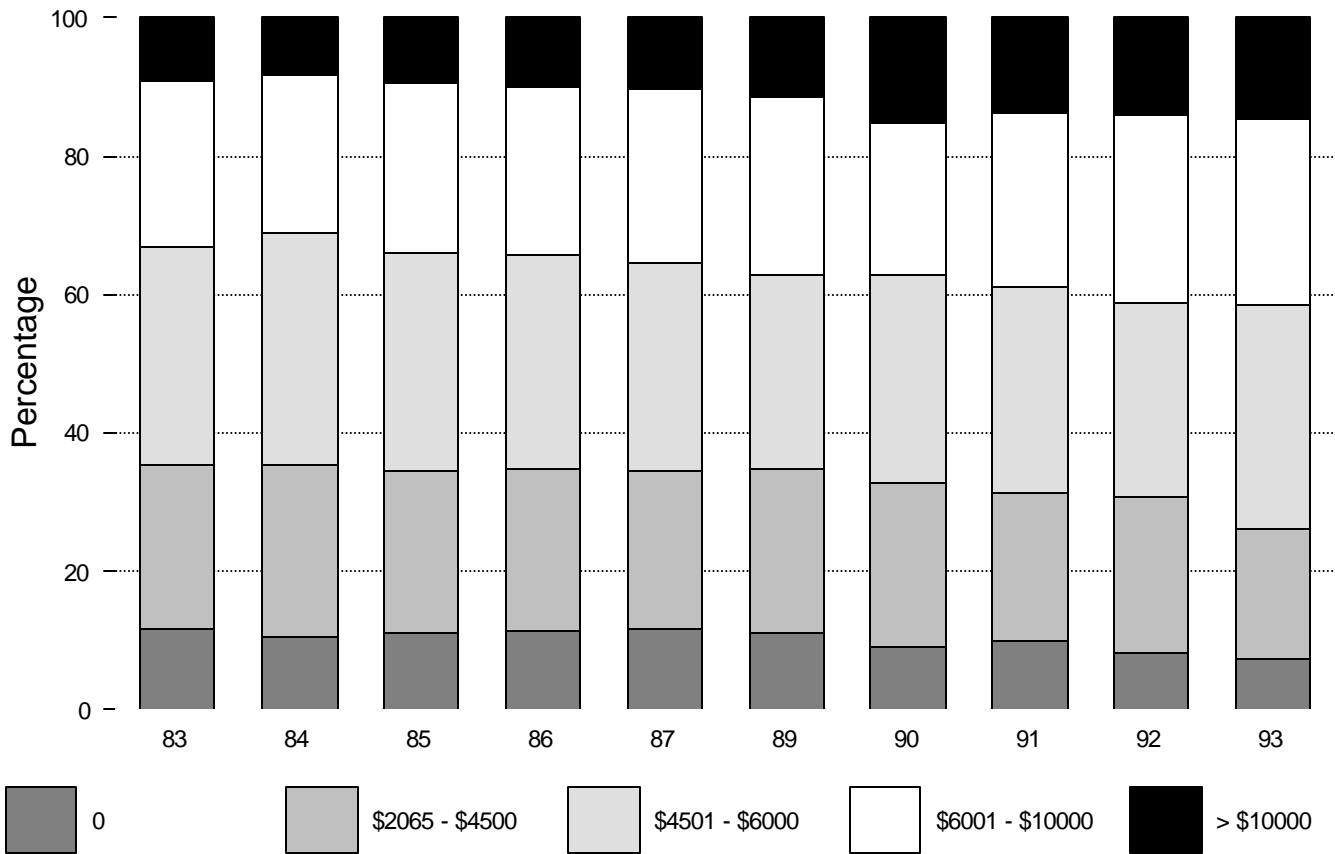


**FIGURE 10. TRENDS IN THE WISCONSIN AFDC CASELOAD: AGE OF YOUNGEST CHILD**  
**Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.**





**FIGURE 11. TRENDS IN THE WISCONSIN AFDC CASELOAD: ANNUAL CHILD CARE COSTS FACED BY FULL-TIME WORKERS**  
**Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.**



**FIGURE 12. TRENDS IN THE WISCONSIN AFDC CASELOAD: LEVEL OF CHILDCARE COSTS FACED BY FULL-TIME WORKERS**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1988 data not available.

information available in the QC, these characteristics are most important to consider in evaluating job prospects.

The first two rows of Table 1 show groups that we exclude from the main portion of the table. We first exclude about one-half of 1 percent of cases in which the mother is less than age 18, because in most welfare reform proposals high school completion, rather than paid work, is considered to be the preferred option for these women. We also exclude the 10–18 percent of the caseload in which educational level is unknown.

The next panel shows the distribution of the remaining caseload by education (with and without a high school degree) and age of the youngest child (less than 2, 2–5, 6–11, 12 or older). Looking at the next four rows, we see that 35–40 percent of the caseload has less than a high school degree. As we have seen in Figure 6, this group grew slowly between 1986 and 1993. Within this group, the most common category during the early period was women with children aged 2–5; in the later period this category was women with a child aged 0–1. The next four rows show women with at least a high school degree or GED. Again the largest category is women whose youngest child is aged 2–5, and, as above, the percentage of the caseload with very young children (aged 0–1) is growing. In both education categories, the proportion of the caseload whose youngest child is age 12 or more is shrinking somewhat, and reaches its lowest rate in 1993. No comparable data are available for the nation as a whole.

The final panel shows the distribution of the caseload by education and the estimated annual market child care expenditures if the mother were to work full time, full year, using the same estimation procedure we used in Figures 11 and 12. It also shows that an increasing share of the caseload has higher estimated market child care costs within both educational categories. The largest category is women with at least a high school education and with estimated market child care expenditures of \$4500 to \$6000.

**TABLE 1****Distribution of AFDC Cases in Wisconsin, by  
Mother's Education, Child's Age, and Child Care Costs**

		1986	1987	1989	1990	1991	1992	1993
		<b>Percentage of the Caseload</b>						
<b>Mother's Age &lt; 18</b>		0.5	0.2	0.4	0.4	0.5	0.8	0.6
<b>Unknown Education</b>		18.0	13.1	16.1	14.8	10.5	10.0	11.4
		<b>Percentage of Remaining Caseload</b>						
<b>Mother's Education</b>	<b>Child's Age</b>							
<12	0-1	11.0	10.3	11.4	13.0	14.3	15.0	14.9
<12	2-5	11.0	13.3	14.0	12.7	13.4	13.7	13.6
<12	6-11	8.4	8.4	10.8	9.8	9.4	8.6	8.8
<12	12+	4.5	5.3	4.7	4.5	3.7	3.9	3.6
Total <12		34.9	37.3	40.9	40.0	40.8	41.2	40.9
12+	0-1	15.7	16.7	13.4	18.9	18.5	18.7	20.8
12+	2-5	24.4	23.4	23.9	21.2	20.8	20.3	22.6
12+	6-11	17.8	15.7	15.3	15.0	13.6	15.2	11.8
12+	12+	7.2	6.9	6.5	5.0	6.3	4.5	3.9
Total 12+		65.1	62.7	59.1	60.1	59.2	58.7	59.1
<b>Total</b>		100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Mother's Education</b>	<b>Child Care Costs</b>							
<12	> \$10,000	5.2	4.8	5.5	7.5	7.4	7.3	7.6
<12	\$6,000-10,000	8.9	9.6	10.2	8.4	11.3	13.0	10.4
<12	\$4,500-6,000	9.0	9.8	10.3	10.1	10.2	9.3	11.3
<12	\$2,065-4,500	7.4	7.7	10.3	9.4	8.2	7.8	7.9
<12	\$0	4.5	5.4	4.7	4.5	3.7	3.9	3.6
Total <12		35.0	37.3	41.0	39.9	40.8	41.3	40.8
12+	> \$10,000	4.1	4.4	5.0	6.6	6.4	6.6	6.2
12+	\$6,000-10,000	14.4	16.1	15.5	13.5	13.7	14.5	16.8
12+	\$4,500-6,000	23.1	20.2	17.7	20.8	19.9	18.7	21.4
12+	\$2,065-4,500	16.3	15.1	14.4	14.2	12.9	14.3	10.9
12+	\$0	7.2	6.9	6.5	5.0	6.2	4.5	3.9
Total 12+		65.1	62.7	59.1	60.1	59.1	58.6	59.2
<b>Total</b>		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: U.S. Department of Health and Human Services, National Integrated Quality Control System

Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified.

Note: 1983-1985 and 1988 data not available. See text for explanation of child care cost estimates.

See text for explanation of child care cost estimates.

## **Summary of QC Data on Trends over Time**

On several dimensions, the Wisconsin caseload has changed very little over the 11-year period. While there are small trends toward younger mothers, less educated mothers, and larger families, there is a great deal of stability in the composition of the caseload in terms of these characteristics.

Larger changes have taken place in other characteristics. Groups that are growing larger include non-Hispanic black women, women who have never been married, and women with young children. Note that trends toward lower education, larger families, and younger children are all trends toward a caseload for whom full-time employment would be more difficult.

While we cannot make direct comparisons between trends in Wisconsin and in the rest of the country, the data that we have suggest several differences. The composition of the caseload in terms of the mother's race differs: Wisconsin has fewer women of color among recipients, but the percentage of the caseload that is black is increasing in Wisconsin while decreasing nationally. Although AFDC mothers in Wisconsin have historically had higher education levels than AFDC mothers elsewhere, the Wisconsin numbers have become more similar to the national numbers over this time period. Finally, a substantially higher percentage of AFDC mothers in Wisconsin are working while they receive AFDC.

## **IV. The Current Caseload**

As discussed in Section II, the Wisconsin CRN data permit finer analysis of characteristics of AFDC participants. CRN data allow us to look separately at participants in Milwaukee County,

other urban counties, and rural counties.<sup>14</sup> There are important differences in the characteristics and patterns of participation in these locations.

Our total sample includes cases active in AFDC-Regular at any time between January 1990 and December 1993 (see Section II for details). The analysis that follows is based on three different portions of this sample. For Tables 2, 3, and 4, which describe the characteristics of the caseload, we consider all cases that were active in December 1993, the most recent CRN data available. In analyzing the length of time on AFDC we show the results for two alternative samples: Tables 5 and 6 include all cases active in January 1990; Tables 7 and 8 include only those cases that began a new spell of AFDC between March and December of 1990.<sup>15</sup> As we shall see, this final sample includes substantially fewer long-term AFDC users than are observed in the cross-section.<sup>16</sup>

### **Description of AFDC Cases**

Table 2 shows the distribution of the December 1993 AFDC caseload by mother's age, mother's education, number of children, age of youngest child, mother's marital status, and mother's race. In each case the distribution is shown for the total caseload and separately for Milwaukee County, other urban counties, and rural counties. The total sample size is 5895,

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<sup>14</sup>Counties are classified as "urban" according to the U.S. Census Bureau's definition of a Metropolitan Statistical Area (MSA) . The three categories are mutually exclusive and exhaustive. That is, all MSAs other than Milwaukee are included in "other urban counties" and all counties not included in "other urban counties" are included in "rural counties". In addition to Milwaukee County, urban counties include Brown, Calumet, Chippewa, Dane, Douglas, Eau Claire, Kenosha, La Crosse, Marathon, Outagamie, Ozaukee, Pierce, Racine, Rock, St. Croix, Sheboygan, Washington, Waukesha, and Winnebago.

<sup>15</sup>We consider a case to be beginning a new spell if no benefits were received for at least two consecutive months prior to receipt. Because our data begin in January 1990, we cannot observe a case "beginning" until March.

<sup>16</sup>For details see the discussion of Tables 7 and 8, and footnote 28.

**TABLE 2****Characteristics of the AFDC-Regular Caseload in Wisconsin,  
December 1993**

	<b>Total</b>	<b>Milwaukee County</b>	<b>Other Urban Counties</b>	<b>Rural Counties</b>
<b>Total (N)</b>	5895	3014	1874	1007
<b>Mother's age</b>				
<18	0.5	0.6	0.3	0.3
18~24	34.0	32.1	37.4	33.4
25~29	23.8	24.2	24.5	21.4
30~39	32.8	34.2	29.7	34.7
40+	8.9	8.9	8.2	10.3
<b>Mother's education</b>				
<11	21.7	25.6	16.6	19.4
11	20.1	24.1	17.3	13.0
12	38.9	33.4	43.3	47.1
12+	15.1	11.4	19.4	18.4
not reported	4.3	5.5	3.4	2.2
<b>Number of children</b>				
1	38.6	33.5	43.5	44.9
2	30.3	30.2	30.8	30.0
3+	31.0	36.3	25.7	25.1
<b>Age of youngest child</b>				
<1	17.1	15.8	18.8	17.6
1	16.3	15.9	16.7	16.9
2	12.8	12.6	12.8	13.2
3~5	22.0	21.4	24.8	19.0
6~11	20.7	21.5	18.9	21.5
12+	11.1	12.8	8.0	11.8
<b>Mother's marital status</b>				
Married	3.1	2.3	3.1	5.7
Never married	60.3	70.6	55.1	39.3
Divorced/separated	35.5	26.3	40.3	54.1
Other	1.0	0.8	1.4	0.9
<b>Mother's race</b>				
White	43.9	16.6	65.4	85.5
Black	40.7	66.1	20.9	1.4
Other	11.6	12.4	10.6	11.0
Not reported	3.8	4.9	3.0	2.1

Source: Authors' calculations from a 10% CRN sample of all AFDC - Regular cases headed by a woman in December 1993.  
AFDC-Regular cases headed by a woman in December 1993.

indicating a total of about 58,950 AFDC-Regular cases headed by women (because we have a 10 percent sample). A little more than half of the cases are located in Milwaukee County. Since changes in the caseload over time were discussed in the previous section, we focus here on the results for 1993.<sup>17</sup>

The first panel of Table 2 shows that while over half of AFDC case heads are 30 years old or younger, at a given point in time less than 1 percent are under 18. About 7 percent are teenagers (under age 20, figure not shown). The age distribution is similar across the three geographic categories.<sup>18</sup>

The educational attainment of mothers is shown in the next panel. As discussed earlier, educational level is reported when a person first applies for AFDC, and is not consistently updated. In addition, no information on educational attainment is available for about 5 percent of the cases. Despite these limitations, educational level is one of the best indicators of job prospects available in the CRN. Over half of case heads have a high school degree or more. About 40 percent have less than 12 years of education, including over a fifth of the total caseload that has completed the 10th grade or less. There are differences in educational level across the three geographic categories. Milwaukee County recipients have lower levels of education—only 45 percent of the case heads report at least a high school degree, and about one in four have a tenth grade education or less. In the other counties over 60 percent have at least a high school degree.<sup>19</sup>

The third panel shows the number of children in the AFDC unit. Thirty-nine percent of cases include one child, 30 percent include two, and the remaining 31 percent of cases include three or more children. Milwaukee cases have larger families. Only 34 percent of Milwaukee

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<sup>17</sup>Results for the January 1990 caseload, the earliest period we have available, are qualitatively similar.

<sup>18</sup>While the distributions are similar, the results of a chi-squared test indicate a statistically significant difference in the distribution of mother's age by region ( $p < .05$ ).

<sup>19</sup>The results of a chi-squared test indicate a statistically significant difference in the distribution of mother's education by location ( $p < .01$ ).



cases have one child, compared to 43–45 percent in the other counties, and 36 percent have three or more children, compared with 25–26 percent in the other counties.<sup>20</sup>

The number and age of children are important in estimating the child care responsibilities of the mother and the likely cost of market child care. The fourth panel of Table 2 shows that 17 percent of mothers have a child under 1, and 46 percent have at least one child aged 2 years or less. In fewer than one-third of all cases are all children at least 6 years old—old enough to attend school. Relatively little systematic variation appears across geographic areas, although Milwaukee County cases are somewhat less likely to have very young children, and other urban counties are somewhat less likely to have school-aged children.<sup>21</sup>

The fifth panel of Table 2 shows the marital status of case heads in our sample, which is restricted to AFDC-Regular families headed by women (the sample does not include AFDC-UP cases). In the total sample, 60 percent of case heads have never married, 36 percent are divorced or separated, and 3 percent are currently married. Very substantial variation occurs in marital status by location. The proportion of never-married case heads ranges from a high of 71 percent in Milwaukee to a low of 39 percent in rural counties.<sup>22</sup>

The final panel of Table 2 shows the distribution of cases by race. About 44 percent of all case heads are white, 41 percent are black, and 12 percent are of other race/ethnicity. Information on race is not available in about 4 percent of cases. Again, substantial variation by location is evident—only 17 percent of Milwaukee County case heads are white, while 65 percent of case heads in other urban counties and 86 percent in rural counties are white.

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<sup>20</sup>The results of a chi-squared test indicate a statistically significant difference in the distribution of number of children by location ( $p < .01$ ).

<sup>21</sup>The results of a chi-squared test indicate a statistically significant difference in the distribution of children's age by location ( $p < .01$ ).

<sup>22</sup>The results of a chi-squared test indicate a statistically significant difference in the distribution of marital status by location ( $p < .01$ ).

## **Distribution of Cases by Mother's Education and Child Care Responsibilities**

As we did in Section III, we divide the caseload into 10–12 categories according to their education and two alternative measures of child care responsibilities. As discussed in the introductory section, we focus on education and child care responsibilities because of their importance in assessing job prospects and because the information is available in the CRN.

Table 3 shows the distribution of the caseload by education and age of youngest child. From these eight categories we exclude about one half of 1 percent of cases where the mother is under 18, since most welfare reform proposals consider high school completion, rather than paid work, to be the preferred option in these cases. We also exclude about 4 percent of the cases for whom we have no recorded information on educational level. About 43 percent of case heads have less than a high school education, a number that is substantially higher in Milwaukee (52 percent) than other counties (33–35 percent). In the group lacking a high school education, about a third has at least one child under 2, a third has a youngest child aged 2–5, and a third has only school-aged children. Among the 57 percent of women with at least a high school degree, the distribution by age of youngest child is similar.

Information on the number of children in a family is also needed to assess child care responsibilities. One way to measure total child care responsibilities is to consider the cost of market child care. In this section we use the same estimates for child care expenses used in

**TABLE 3**

**Distribution of AFDC Cases in Wisconsin, by Mother's Education and Age of Youngest Child, December 1993**

Mother's Education	Age of Youngest Child	Total	Milwaukee County	Other Urban Counties	Rural Counties
Total <12		43.3	52.3	34.9	32.9
<12	<2	14.6	16.5	12.6	13.0
<12	2~5	14.7	17.5	13.3	9.4
<12	6~11	8.9	11.2	6.3	7.1
<12	12+	5.1	7.2	2.7	3.4
Total 12+		56.7	47.7	65.1	67.1
12+	<2	18.6	14.9	23.2	20.7
12+	2~5	20.5	16.9	24.5	23.4
12+	6~11	11.9	10.5	12.5	14.7
12+	12+	5.7	5.4	4.9	8.4
<b>Total</b>		<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Mother's age<18		0.5	0.6	0.3	0.3
Education not reported		4.2	5.4	3.4	2.2
Total (N)		5,895	3,014	1,874	1,007

Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in December 1993.

Section III and described in Section I. The results of this strategy are shown in Table 4. As in Table 3, we exclude mothers under 18 years of age or with no recorded information on educational level. Cases with no children under 12 have no estimated market child care costs. Overall, about 11 percent of cases fit into this category—about half among mothers with less than a high school degree, and half among mothers with at least a high school degree. Nineteen percent of cases face market child care costs between \$2,065 (the annual cost for one child aged 6–11) and \$4,500. This group, within which somewhat more than half the mothers have at least a high school education, faces a mean child care cost of \$2,731. About 27 percent of all cases have market child care costs between \$4,500 and \$6,000, and another 27 percent have costs between \$6,000 and \$10,000. The remaining cases—about 16 percent—face estimated market child care costs of over \$10,000 per year (mean: \$14,303). This table suggests that only 6 percent of cases have at least a high school degree and no child care responsibilities—one relatively crude estimate of the percentage of the caseload that is most ready to work.

### **The Relationship between Location, Education, Child Care, and Time Spent on AFDC**

We have discussed the distribution of cases by location, mother's education, and child care responsibilities. We are interested in these characteristics because of their implications for the prospect of finding self-supporting employment and leaving AFDC. In this section we consider the relationship between case characteristics and the time spent on AFDC.

For cases receiving AFDC in January 1990, we calculate the proportion that exit within 12 months (i.e. by January 1991), in 13–24 months, in 25–36 months, in 37–47 months, and the proportion that does not leave AFDC in the 48 months we observe (i.e. by December

**TABLE 4**

**Distribution of AFDC Cases in Wisconsin, by Mother's Education and Estimated Cost of Market Child Care, December 1993**

<b>Mother's Education</b>	<b>Child Care Costs</b>	<b>% of Total</b>	<b>Milwaukee County</b>	<b>Other Urban Counties</b>	<b>Rural Counties</b>
<b>Total &lt;12</b>		<b>43.3</b>	<b>52.3</b>	<b>34.9</b>	<b>32.9</b>
<12	0	5.1	7.2	2.7	3.4
<12	~4,500	7.8	9.6	5.8	6.5
<12	~6,000	9.8	9.6	10.4	9.0
<12	~10,000	12.1	14.6	9.9	9.0
<12		8.6	11.3	6.2	5.1
<b>Total 12+</b>		<b>56.7</b>	<b>47.7</b>	<b>65.1</b>	<b>67.1</b>
12+	0	5.7	5.4	4.9	8.4
12+	~4,500	10.8	9.3	11.7	13.5
12+	~6,000	17.6	12.2	24.1	20.9
12+	~10,000	15.1	13.3	17.0	16.7
12+	> 10,000	7.5	7.5	7.4	7.6
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Mother's age<18		0.5	0.6	0.4	0.3
Education not reported		4.2	5.4	3.7	1.9
Total (N)		5,895	3,014	1,692	1,189
Total N - rows 16, 17		5,619	2,833	1,623	1,163

Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in December 1993.

See text for explanation of child care cost estimates.

1993).<sup>23</sup> We consider a case to have left AFDC if no payment is received for at least two consecutive months.<sup>24</sup> We exclude from this analysis cases in which the youngest child will turn 18 before December 1993, since in the absence of another birth these cases will become ineligible for AFDC.

Table 5 shows the distribution of exits. There is substantial diversity in observed spell length. Overall, almost a third of cases exit within a year (after we first observed them in January 1990) while a similar proportion never exits during the 48 months we observe. There is substantial variation in these patterns by region. Cases in Milwaukee are substantially more likely never to exit (45 percent) compared to cases in other urban counties (21 percent) or rural counties (16 percent). Correspondingly, Milwaukee cases are less likely to exit within 12 months (22 percent) compared to cases in other urban counties (38 percent) or rural counties (43 percent).

Exit patterns also vary by education. As would be expected if greater education facilitates exiting through work, mothers with at least a high school degree were more likely to leave within a year (37 percent, compared to 25 percent of mothers with less than high school) and less likely to continue to receive AFDC throughout the 48 months we observe (24 percent compared to 41 percent).

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<sup>23</sup>Because our data only include Wisconsin AFDC benefits, our estimates may understate the length of spell and total months of receipts for recipients who move to or from another state.

<sup>24</sup>The results are virtually identical if we define an exit as at least three consecutive months without benefits. In particular, for the total caseload the proportion within each category never varies by more than four-tenths of a percentage point when comparing the results of the two definitions. In contrast, defining a single month without benefits as an exit has a substantial impact. For example, for the total caseload the proportion exiting within 12 months increases by three to seven percentage points for each category if we define a single month without benefits as an exit. Because these one-month "exits" may represent administrative delays in benefit payments or data errors, we do not include them.

**TABLE 5****Months on AFDC until First Exit, among  
AFDC-Regular Cases Active in January 1990**

	Months				
	1~12	13~24	25~36	37~47	48+
<b>Total</b>	31.30%	15.41%	12.05%	9.34%	31.89%
<b>Location</b>					
Milwaukee county	22.3	11.7	11.0	9.5	45.4
Other urban counties	37.5	18.2	13.0	9.8	21.4
Rural counties	43.0	19.9	13.0	8.1	16.0
<b>Mother's education</b>					
<12	24.6	13.6	11.5	9.4	41.0
12+	36.8	17.1	12.7	9.1	24.3
<b>Age of youngest child</b>					
<2	28.6	15.3	11.0	9.0	36.1
2~5	30.1	15.5	13.6	9.5	31.2
6~11	34.5	15.6	11.5	8.5	29.9
12+	39.1	16.0	12.7	11.6	20.7
<b>Child care costs</b>					
0	39.1	16.0	12.7	11.6	20.7
~4,500	34.7	15.9	11.8	8.2	29.4
~6,000	34.1	16.3	12.3	9.5	27.7
~10,000	28.1	15.6	12.1	9.4	34.9
> 10,000	22.8	13.0	12.1	8.7	43.5

Source: Authors' calculations from a 10% CRN sample of all

AFDC-Regular cases headed by a woman in January 1990.

Each case is followed from January 1990 through December 1993.

See text for definition of exit and explanation of child care cost estimates.

If the presence of young children makes it more difficult to leave AFDC, we would expect families with younger children to have the longest spells. The data shown in the fourth panel of Table 5 are consistent with this pattern. The proportion exiting within one year increases with the age of the youngest child—from 29 percent for cases with children under 2, to 39 percent for cases in which the youngest child is at least 12.<sup>25</sup> The proportion never exiting in the 48 months observed declines with the age of the youngest child, from 36 percent for those with children under 2 to 21 percent for those with children 12 and older. The pattern is less consistent for the other spell length categories, but, overall, the presence of young children is associated with longer spells.<sup>26</sup>

One reason that having younger children may make it more difficult to leave AFDC is that child care costs are higher for such children. The final panel of Table 5 shows the distribution of exits by estimated market child care costs. The patterns are consistent with those discussed above: the proportion exiting within one year falls as child care costs rise, while the proportion remaining on AFDC for the full 48 months generally increases with child care costs (though the increase is not consistent across all cost categories).

Because families may cycle on and off AFDC, exiting only to return in a short period of time, spell length is a limited measure of AFDC use. Table 6 shows an alternative: the total number of months of AFDC receipt in the 48 months between January 1990 and December 1993. The sample is the same as that in Table 5, and includes cases active in January 1990. In the total sample, 32 percent of cases received benefits for the full 48 months. For cases that

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<sup>25</sup>As discussed above, we exclude from this analysis cases in which the youngest child will turn 18 before December 1993, since in the absence of another birth these cases will become ineligible and must leave AFDC. Thus, the category "12+" includes children 12–14.

<sup>26</sup>Note that this analysis is based on the age of the youngest child at a given point in time (January 1990). Some cases may have had another child during this period.



**TABLE 6****Total Months on AFDC between January 1990 and December 1993  
among AFDC-Regular Cases Active in January 1990**

	<b>Months</b>				
	<b>1~12</b>	<b>13~24</b>	<b>25~36</b>	<b>37~47</b>	<b>48</b>
<b>Total</b>	18.21%	14.21%	16.17%	19.52%	31.89%
<b>Location</b>					
Milwaukee County	11.6	10.2	12.9	19.9	45.4
Other urban counties	23.0	17.2	18.3	20.1	21.4
Rural counties	26.5	19.1	20.5	17.8	16.0
<b>Mother's education</b>					
<12	12.7	11.6	14.6	20.0	41.0
12+	22.8	16.7	17.2	19.0	24.3
<b>Age of youngest child</b>					
<2	15.5	13.7	15.0	19.7	36.1
2~5	17.2	14.3	16.6	20.7	31.2
6~11	21.6	14.8	16.2	17.5	29.9
12+	25.9	16.5	17.1	19.8	20.7
<b>Child care costs</b>					
0	25.9	16.5	17.1	19.8	20.7
~4,500	21.8	15.0	16.2	17.6	29.4
~6,000	19.4	15.5	16.8	20.5	27.7
~10,000	15.4	14.0	16.0	19.8	34.9
> 10,000	12.5	10.9	13.7	19.5	43.5

Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in January 1990. Each case is followed from January 1990 through December 1993. See text for explanation of child care cost estimates.

remained active the entire 48 months, we never observe an exit. Therefore the proportion in the final column of Table 5 and the final column in Table 6 is identical.<sup>27</sup> On the other hand, whereas Table 5 shows that 31 percent exited within the first year, the figures in Table 6 show that only 18 percent received benefits for a year or less. The other 13 percent exited within the first year but returned and had at least one year of total receipt.

A closer examination of cases that exit within a year of our first observation (January 1990) reveals that more than half of these cases return to AFDC before the end of the period observed (December 1993). We calculate the proportion of cases that exited in the first year and began a new spell within 12 or 24 months of their exit, the proportion that returned after 24 months but before the end of the period observed, and the proportion that did not return in the period observed. Overall, 40 percent of cases that exited in the first 12 months returned to AFDC within the next year. An additional 14 percent received no benefits for at least a year, but returned to AFDC before December 1993 (the last month observed). Cases in Milwaukee, cases in which the mother lacked a high school degree, and cases with younger children and higher child care costs were more likely to return to AFDC. (See Appendix Table 1 for details.)

The remaining panels of Table 6 show the distribution of total months of program participation by location, mother's education, age of youngest child, and estimated child care costs. Again comparing Tables 5 and 6, the proportion of cases active for less than a year over the four years observed is smaller than the proportion exiting within a year. However, the trends across groups are similar to those in Table 5: Milwaukee cases, cases in which the mother lacked a high

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<sup>27</sup>The proportion with 48 months of receipt would be slightly lower if a single month without benefits, which will not show as an exit in Table 4, reduced the total months of receipt. However, the calculations shown in Table 5 do not reduce total months if the case is inactive for a single month because, as discussed above, many of these single-month exits may be due to administrative delays or data error. Overall, if we reduce the total months by one for a single month of inactivity, the only substantial change is a movement of about 4 percent of the cases from the "48-months" category to the "37–47 months" category.

school degree, in which there is a young child, or in which there are high child care costs, are less likely to participate for less than 12 or for 13–24 months.

Tables 5 and 6 show the exit rates and total months of AFDC use for all cases active in January 1990. Because longer-term cases are more likely to be observed at a given point in time,<sup>28</sup> the proportion of long-term cases is greater for this sample than for a sample of new cases. Tables 7 and 8 present the exit rates and total months of AFDC use for all cases that began a *new* spell of AFDC use in 1990.

Total months until first exit from AFDC for all cases that entered AFDC in 1990 are shown in Table 7. Most new cases (57 percent) exited within 12 months. Less than one in five received benefits for three years or more. These figures contrast with those in Table 5, which show that among all those receiving benefits in January 1990, less than a third (31 percent)

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<sup>28</sup>The importance of this distinction for understanding the dynamics of welfare use was discussed by Bane and Ellwood (1983). Because long-term users have a higher probability of being on AFDC at a given point in time, samples of recipients taken at one point in time will overstate the proportion of long-term users among all users. This phenomenon is sometimes referred to as the "hospital bed problem," and may be clarified with an example. Consider a hospital with 53 beds. In 52 of the beds are patients that remain in the hospital for a full year. The remaining bed is occupied by a series of patients that each remain for only one week. Thus, over the course of the year the final bed is occupied by 52 different one-week patients. If we were to count the number of short-term and long-term patients present on a given day we would find 52 long-term patients and a single short-term patient. We would conclude that the vast majority of patients are long-term. On the other hand, if we were to count the number of short-term and long-term patients who pass through the hospital in a given year, we would find 52 long-term patients and 52 short-term patients. We would then conclude that an equal number of short-term and long-term patients use the hospital.

In the case of the tables presented here, Tables 5 and 6 are based on a sample of participants receiving AFDC at a point in time—January 1990—and thus include a greater proportion of long-term recipients. Tables 7 and 8 are based on a sample of new entrants—participants who entered the system between March and December of 1990—and thus include a smaller proportion of long-term recipients.

**TABLE 7****Months on AFDC until First Exit among  
AFDC-Regular Cases Beginning a New Spell in 1990**

	Months			
	1~12	13~24	25~35	36+
<b>Total</b>	57.2%	15.1%	8.8%	18.9%
<b>Location</b>				
Milwaukee County	46.6	14.9	9.0	29.4
Other urban counties	58.1	15.3	9.9	16.8
Rural counties	68.6	15.0	6.9	9.5
<b>Mother's education</b>				
<12	55.5	13.9	7.1	23.5
12+	58.1	16.1	9.9	15.9
<b>Age of youngest child</b>				
<2	49.0	16.5	9.2	25.3
2~5	55.7	16.4	9.7	18.2
6~11	64.1	11.9	7.4	16.6
12+	70.6	13.7	8.1	7.6
<b>Child care costs</b>				
0	70.6	13.7	8.1	7.6
~4,500	64.8	12.0	7.2	16.0
~6,000	50.6	17.5	10.8	21.1
~10,000	55.5	15.7	8.5	20.3
> 10,000	51.4	13.7	7.1	27.9

Source: Authors' calculations from a 10% sample of AFDC-Regular cases headed by a woman, which began a new spell of AFDC use between March 1990 and December 1990. Each spell through December 1993.

See text for definitions of exits and beginning of spells and for explanation of child care cost estimates.

exited within 12 months and over 40 percent (adding the last two columns) received benefits for three years or more.

The figures in Table 7 show that cases in Milwaukee County and cases with younger children and with higher child care costs are substantially less likely to exit quickly. For example, more than 70 percent of those whose youngest child is over age 12 exit within a year, compared to less than 50 percent of those with very young children. While those who lack a high school degree are less likely to exit quickly, the difference is not large. The patterns in Tables 5 and 7 are generally similar.

Table 8 shows the total months on AFDC for all cases that entered AFDC in 1990. Overall, 37 percent of new cases received benefits for a total of 12 months or less between the month they entered in 1990 and the final month observed, December 1993. The remaining cases are almost evenly spread, 20–22 percent receiving benefits for a total of 13–24 months, 25–35 months, or at least 36 months.

The figures in Table 6 and Table 8 are not directly comparable. In Table 6 we observe AFDC use for 48 months (January 1990-December 1993) among all cases. Cases in Table 8 are observed for 36 to 46 months, depending on the month in 1990 in which they first receive benefits.<sup>29</sup> Nonetheless, we can see that new cases typically have fewer months of total AFDC receipt, even after adjusting for the shorter period we observe in Table 8. Furthermore, the patterns in Table 8 are similar to those in Table 6 in that Milwaukee County cases, cases in

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<sup>29</sup>Similarly, the final columns in Tables 7 and 8 are not identical (while the final columns in Tables 5 and 6 are) because we may observe exits (in Table 7) for some cases that receive more than 36 months of benefits. If we observe a case for more than 38 months it is possible for us to observe an exit before 36 months, and then observe a return, so that total months on is greater than 36.

**TABLE 8****Total months on AFDC through December 1993 among AFDC-Regular Cases Beginning a New Spell in 1990**

	Months			
	1~12	13~24	25~35	36+
<b>Total</b>	37.0%	20.4%	20.7%	21.9%
<b>Location</b>				
Milwaukee County	29.9	16.9	20.6	32.7
Other urban counties	37.9	21.7	20.7	19.8
Rural counties	44.1	22.7	21.0	12.2
<b>Mother's education</b>				
<12	31.4	22.0	21.1	25.5
12+	40.8	19.4	20.4	19.3
<b>Age of youngest child</b>				
<2	31.0	20.5	19.9	28.6
2~5	35.7	19.7	22.4	22.2
6~11	40.8	21.1	19.9	18.2
12+	50.2	20.4	19.9	9.5
<b>Child care costs</b>				
0	50.2	20.4	19.9	9.5
~4,500	40.9	21.2	20.1	17.7
~6,000	31.6	21.4	22.3	24.7
~10,000	37.1	19.7	19.9	23.4
> 10,000	31.1	16.4	19.7	32.8

Source: Authors' calculations from a 10% sample of AFDC-Regular cases headed by a woman, which began a new spell of AFDC use between March 1990 and December 1990. Each spell through December 1993.

See text for definition of beginning of spell and for explanation of child care cost estimates.

which the mother does not hold a high school degree, and cases with younger children and higher child care costs are generally likely to receive AFDC for a greater proportion of months.

In summary, the data presented here suggest that time spent on AFDC varies substantially by mother's education and estimated child care costs. Women with less than a high school degree, with young children, or with high child care costs have longer spells and more months of total AFDC use. Cases in Milwaukee County also have longer spells, though some of this difference is due to the larger proportion of Milwaukee cases with low education or high child care costs. While almost a third of all cases we observe in January of 1990 exit within a year, most of these cases return to AFDC within the next two years. Overall, about half of the cases active in January 1990 received AFDC benefits for at least three of the four years we observed. However, as we discussed, the sample of cases active in January 1990 contains substantially more long-term AFDC users than does the sample of new cases. Among cases that began a new spell of AFDC use in 1990, 57 percent exited within a year, and 37 percent received AFDC benefits for a year or less of the three or more years we observed.

## **V. The Labor Force Participation and Wages of Women in Wisconsin**

In this section we review data on work and wages among women in the Public Use Microdata Sample (PUMS) of the U.S. Census for Wisconsin. We calculate the proportion of women aged 20–40 who work in the paid labor force and the intensity of that work effort. We focus in particular on the proportion working full time, full year, since this is the intensity of work effort which would be required of current AFDC recipients under some proposals.<sup>30</sup>

Table 9 shows the intensity of work by education and age of youngest child for all Wisconsin women aged 20–40. The first row demonstrates that almost three quarters of women

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<sup>30</sup>Full-time, full-year work is defined here as an average of at least 35 hours a week for at least 48 weeks a year.

work in the paid labor force, and 41 percent work full time, full year.<sup>31</sup> The next two rows show that women who do not live with a child are much more likely to work full time, full year than women who live with a child (53 percent and 34 percent, respectively). The remainder of the table focuses only on women living with at least one child.

The next panel shows that there is little difference between the regions in the likelihood of working full time, full year, although mothers in Milwaukee are somewhat less likely to work.<sup>32</sup>

Women with low education are substantially less likely to work than those with a high school degree or more: of those with less than a high school degree, 60 percent are not working, compared to 26 to 31 percent of those with higher educational levels. Women with young children are also much less likely to work full time, full year, as are women facing high child care costs. The next panel shows that those with both low education and a young child are substantially less likely to work than other groups. For example, less than a quarter of women with less than an high school degree and a child under 2 worked at any time during the year, and only 7 percent worked full time, full year. More educated mothers were more likely to work. But even among those with a high school degree or more, 44 percent with a child under 2 did not work at any point during the year, and only 27 percent worked full time, full year.

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<sup>31</sup>We also examined the intensity of work effort for two alternate samples, and the results are quite similar. If we remove women attending school, the percentage working full time, full year rises from 41 percent to 43 percent, and the percentage not working declines from 26 percent to 25 percent. If we delete those for whom public welfare provided more than half their total income, the percentage working full time, full year increases from 41 percent to 42 percent, and the percentage not working declines from 26 percent to 25 percent.

<sup>32</sup>In Tables 9 and 10, about 20 percent of the cases cannot be assigned to a region. We have included these cases in the total, but not in the Milwaukee, other urban, or rural figures.



**TABLE 9**

**Intensity of Work Effort among Wisconsin Women Aged 20-40, 1990**

	Working Full Time Full Year	Working Full Time Part Year	Working Part Time Full Year	Working Part Time Part Year	Not Working	Total (N)
<b>Total</b>	40.83	10.43	13.35	9.26	26.14	39162
<b>No child Mother</b>	52.69 34.18	11.60 9.78	10.58 14.90	7.47 10.26	17.66 30.89	14064 25098
<b>Mothers Only:</b>						
Location						
Milwaukee county	32.54	8.88	12.71	7.73	38.14	2769
Other Urban counties	34.44	8.83	16.62	10.98	29.13	9524
Rural counties	35.10	10.56	14.41	10.13	29.79	8985
Mother's education						
<12	18.04	7.17	7.17	7.69	59.94	1912
12	37.35	8.75	13.83	9.10	30.97	11671
12<	33.65	11.25	17.26	11.85	25.97	11515
Age of youngest child						
<2	25.33	11.85	10.18	10.60	42.04	5866
2-5	30.66	8.80	16.30	10.42	33.82	8367
6-11	39.43	9.17	16.93	10.72	23.74	7425
12+	46.51	9.94	15.15	8.26	20.15	3440
Child care cost						
0	46.51	9.94	15.15	8.26	20.15	3440
~4,500	40.47	9.11	16.87	10.47	23.08	6916
~6,000	36.60	12.52	11.43	9.65	29.79	4568
~10,000	27.31	9.48	15.72	11.52	35.97	7572
10,000<	16.91	7.38	13.03	9.72	52.96	2602
Mother's education and age of youngest child						
<12 <2	7.02	7.02	3.83	5.53	76.60	470
<12 2-5	13.85	8.11	6.76	8.78	62.50	592
<12 6-11	23.77	7.13	9.51	7.31	52.29	547
<12 12+	33.00	5.61	8.91	9.57	42.90	303
12 <2	27.47	11.35	7.84	9.16	44.19	2512
12 2-5	33.78	7.68	14.64	9.24	34.66	3777
12 6-11	42.39	7.80	16.63	9.60	23.58	3668
12 12+	48.89	9.33	14.82	7.64	19.31	1714
12< <2	26.46	13.07	13.25	12.69	34.54	2884
12< 2-5	30.19	9.95	19.28	11.78	28.79	3998
12< 6-11	38.72	11.09	18.54	12.59	19.07	3210
12< 12+	46.52	11.60	16.87	8.71	16.30	1423
Mother's education and child care cost						
<12 0	33.00	5.61	8.91	9.57	42.90	303
<12 ~4,500	24.69	6.94	9.39	6.73	52.24	490
<12 ~6,000	11.72	8.06	5.86	9.52	64.84	273
<12 ~10,000	12.82	8.54	7.38	7.57	63.69	515
<12 10,000<	7.85	6.04	3.02	6.04	77.04	331
12 0	48.89	9.33	14.82	7.64	19.31	1714
12 ~4,500	43.38	7.67	16.48	9.22	23.25	3428
12 ~6,000	39.52	11.58	9.89	8.67	30.34	1961
12 ~10,000	30.76	8.45	13.67	10.18	36.95	3410
12 10,000<	18.13	7.17	11.66	8.46	54.58	1158
12< 0	46.52	11.60	16.87	8.71	16.30	1423
12< ~4,500	39.73	11.11	18.55	12.51	18.11	2998
12< ~6,000	37.06	13.84	13.37	10.50	25.24	2334
12< ~10,000	26.13	10.58	18.81	13.33	31.15	3647
12< 10,000<	18.33	8.00	17.43	12.13	44.12	1113

Source: Authors' calculations from the 1990 PUMS  
See text for explanation of child care cost estimates.

Overall, these figures suggest that while most women work, it is far from typical for women with pre-school-age children to work full time, full year. The bottom panel tells a similar story: women with both low education and higher child care responsibilities are least likely to work. Only 8 percent of those without a high school degree and estimated child care costs over \$10,000 work full time, full year.

We also calculated the intensity of women's market work effort separately for Milwaukee, other urban counties, and rural counties. (Tables available from the authors.) The overall patterns are similar in each location: most women work, though not full time, full year; women are substantially less likely to work if they have young children; and more educated women are more likely to work than those without a high school degree. One of the few differences between locations is that women in Milwaukee who lack a high school degree are less likely to work than those in other locations.

In addition to using the PUMS data to consider the work patterns of Wisconsin women, we use them to calculate the median wages of women who work. Economic theory would suggest that, all else being equal, women with higher potential wages would be more likely to be in the labor market. Moreover, empirical evidence (Burtless, 1995) suggests that AFDC recipients generally have lower marketable skills than women who are working, even after controlling for other characteristics observable in the PUMS, such as education. Thus, these calculations are likely to overestimate the wages that would be earned by women currently on AFDC.

The first row of Table 10 shows the median hourly wage of all working women in Wisconsin by location.<sup>33</sup> The second row shows the percentage earning less than \$6 per hour.

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<sup>33</sup>These figures are based on calculations from 1990 PUMS data for wages during the 1989 calendar year. Wages have been adjusted to 1994 dollars using the CPIX-U.

**TABLE 10****Median Wage, by Education, among All Working Women in Wisconsin Aged 20-40 in 1990**

	Total	Milwaukee County	Other Urban Counties	Rural Counties
<b>All working women</b>				
Median	\$8.54	\$9.54	\$9.14	\$7.84
%< \$6	25.5	20.3	22.5	29.0
<b>Education&lt;12</b>				
Median	\$6.00	\$6.32	\$6.83	\$5.82
%< \$6	50.1	46.3	45.2	53.0
<b>Education=12</b>				
Median	\$7.66	\$8.56	\$8.04	\$7.35
%< \$6	30.0	24.1	27.5	32.6
<b>Education&gt;12</b>				
Median	\$9.58	\$10.45	\$9.96	\$8.81
%< \$6	20.2	16.5	18.0	23.2

Source: Authors' calculations from the 1990 PUMS.

We compare wages to \$6 per hour because the availability of jobs at this wage is cited by some as an important prerequisite for W-2 (e.g., Hagenauer, 1995).<sup>34</sup> The median wage overall was \$8.54 an hour, but 26 percent of women earned less than \$6 an hour. Wages varied by region, the median ranging from \$9.54 an hour in Milwaukee County to \$7.84 an hour in rural counties. Similarly, the proportion earning less than \$6 an hour ranged from 20 percent in Milwaukee County to 29 percent in rural counties.

The remaining panels of Table 10 show that the median wage and the proportion earning over \$6 rises substantially with years of education. Among women without a high school degree—a category in which over 40 percent of women on AFDC fall—the median wage is \$6 an hour. Even among those with a high school degree, 30 percent earn less than \$6 an hour. These figures suggest that even among current workers, a group likely to command higher wages than those currently on AFDC, many women work for low wages.

## **VI. The Costs of Child Care Relative to Wages**

To what extent can women currently on AFDC earn enough to offset the costs associated with finding substitute care for their children? The answer to this question depends on a great number of factors, including the types of formal and informal care that are available, the costs of such care, and the extent to which they are offset by state subsidies, as well as the wages current recipients can earn in the labor market.

In Table 11 we use cases from the December 1993 CRN to examine the relationship between child care costs and earnings. We use estimated costs of market child care (see Section I

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<sup>34</sup>The W-2 proposal states “The average starting wage of AFDC recipients who go to work is currently about \$6/hour” (Thompson, 1995, p. 8). Previous research has found that it is the women with the best labor market prospects who are most likely to leave AFDC for work (Bane and Ellwood, 1994). This suggests that wages of women who have already left AFDC for work are an overestimate of the wages that could be expected for an average recipient if all recipients were required to work.

for a discussion) and two alternative wage rates: \$6 an hour and the minimum wage (\$4.25 and hour).<sup>35</sup> Table 11 shows the percentage of the caseload for which estimated child care costs would represent less than one-fourth of total earnings, one-fourth to one-half of earnings, and so forth. Looking at the first column of the first panel, the first figure shows that among 24 percent of the total caseload, child care costs would amount to less than one-fourth of total earnings at \$6 an hour. The last row of this panel shows that in 10 percent of the caseload, child care costs would amount to more than 100 percent of total earnings at \$6 an hour—in other words, market child care cost would exceed total earnings. Overall, child care costs would amount to more than half of earnings at \$6 an hour for about 40 percent of the caseload. The remaining columns of Table 11 show the relationship between child care costs and earnings by location.

The next panel illustrates the same relationship, here assuming minimum wage earnings.<sup>36</sup> At this wage 28 percent of all cases face estimated child care costs that exceed total earnings. Moreover, for more than two-thirds of the caseload, estimated market child care costs would amount to more than half of minimum-wage earnings.

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<sup>35</sup>Our estimates of earnings include hourly wage only. We do not adjust for Social Security or other taxes paid, nor do we include additional income from the Earned Income Tax Credit.

<sup>36</sup>According to the current W-2 proposal, Subsidized Trial Jobs will pay minimum wage, and Community Service Jobs will pay 75 percent of the minimum wage (Thompson, 1995, p. 7).

**TABLE 11****Estimated Child Care Costs of the AFDC-Regular Recipients  
as a Percentage of Earnings**

<b>Child Care Costs as a % of Earnings</b>	<b>% of Total Caseload</b>	<b>% in Milwaukee County</b>	<b>% in Other Urban Counties</b>	<b>% in Rural Counties</b>
<b>Earnings of \$6/Hour</b>				
0~24	23.8	25.7	19.7	25.8
25~49	34.7	29.9	41.0	37.5
50~74	17.5	18.1	17.4	16.1
75~99	13.7	13.5	14.3	13.5
100+	10.2	12.8	7.6	7.1
<b>Earnings of \$4.25/Hour</b>				
0~24	23.8	25.7	19.7	25.8
25~49	5.9	6.0	5.8	5.9
50~74	28.8	23.9	35.2	31.7
75~99	13.1	13.6	13.1	11.7
100+	28.4	30.8	26.2	24.9

*Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in December 1993.*

*See text for explanation of child care cost estimates.*

## **VII. A Note on the Limitations of Quantitative Analysis**

In this analysis we rely primarily on data collected by the state and federal governments in the course of administering the AFDC program. While these data are the best available for the current project, at least two major limitations should be noted. First, because these data were created for administrative, rather than research, purposes, much of the information we would ideally like to have is not available. Second, there are limits, even were we to have more extensive data, to the questions that can be answered using quantitative data on individual characteristics. We briefly discuss this issue here.

Quantitative studies of poverty and welfare use dominate the academic debate and have provided most of the evidence used in formulating welfare reform proposals. Given the availability of several large data sets and increasingly sophisticated statistical techniques, quantitative research has substantially increased our understanding of poverty, welfare receipt, and related issues. Yet qualitative and ethnographic research also have an important role to play. Several small-scale qualitative studies have examined the lives of poor women and their children. (See Jarrett, in press, and Cintron, 1993, for reviews.) These studies often provide the type of detailed information that is unavailable in quantitative studies. Understanding these details, and the complexity of the situations faced by poor families, is important for policy design and implementation. Qualitative analysis can also alert policymakers and researchers to potential misinterpretations of quantitative data, and can suggest areas for further analysis. A recent example is the qualitative research on incomes of welfare mothers by Kathryn Edin (Edin, 1991; Edin and Jencks, 1992). Based on in-depth interviews with 50 Chicago welfare recipients, Edin's analysis of income and expenses suggests that conventional measures would substantially understate their work effort and incomes.

This report relies almost exclusively on quantitative analysis. The limitations of resulting conclusions should be kept in mind. We have no information on a recipients' motivation to work,

access to transportation, or a host of other factors related to job prospects. Moreover, even when quantitative information is available it may miss some complexities. For example, we use information on the number and ages of children to estimate the child care costs faced by recipients. But as Stacey Oliker, who has analyzed related issues based on qualitative and ethnographic research, points out:

Work attachment forms in dynamic contexts, in which the effects of family size, for example, are mediated by characteristics of one's network of resources and by the networks of one's children. The single mother of four children who draws on care and provision from two children's fathers and from three grandmothers may be well positioned to invest in work. . . . The more isolated single mother of four children who easily pass on viruses to each other may not have a prayer of keeping a job she wants badly to keep. (Oliker, 1995, p. 190)

The data discussed here provide a sense of some of the basic characteristics of the AFDC caseload. The implications of these characteristics for the work prospects of the individuals involved depend in many cases on a multitude of factors that cannot be captured by quantitative data. In addition, while the analysis above gives an indication of the characteristics of a "typical" case, it is essential to recognize the diversity of situations that exist. A challenge of any reform effort is to respond to the abilities and constraints of a diverse group of recipients.

## **VIII. Conclusions**

Wisconsin is in the midst of considering major changes in the structure of welfare benefits, changes which focus on moving participants into the labor market. Knowledge concerning the work prospects of current recipients is therefore critical. We need to understand the skills recipients bring to the labor market and the barriers they face in finding and keeping a job. The results in this report are an initial step in this process.

Several of our findings have implications for the design and implementation of work-based welfare reform in Wisconsin. From our examination of trends in the composition of the Wisconsin AFDC caseload, we find that groups that are growing include those with low levels of education,



larger families, and families with young children. These trends suggest that for a growing portion of the caseload, finding and sustaining full-time work will be a challenge.

Consistent with many other studies of welfare reciprocity, we find significant diversity in patterns of welfare use in Wisconsin. The caseload includes short-term recipients, those who cycle on and off, and some who remain on welfare for extended periods. Policy needs to be designed with this diversity in mind.

The data discussed in this report demonstrate the considerable child care responsibilities of most AFDC recipients. A third of recipients have at least one child under 2, and two-thirds have at least one preschool child. Estimates of the costs of market child care, even though limited for reasons discussed above, confirm the importance of child care responsibilities. For example, our estimates suggest that over 40 percent of recipients face potential child care costs equal to more than half their earnings, even when they earn \$6 an hour. At the minimum wage (\$4.25/hour), 70 percent face potential child care cost equal to more than half their earnings and more than one in four face costs greater than their total earnings.

In addition to considering the potential costs of market child care—either to the state, through subsidies, or to the family—policy must reflect the extent of parents' child care responsibilities. As the Census data indicate, less than 30 percent of Wisconsin women with preschool children work full time, full year, which is the work effort anticipated by W-2. Moreover, many AFDC recipients live in areas in which parental supervision may be important for children's well-being, even at older ages.

Our results also suggest important differences between Milwaukee County, other urban counties, and rural counties in Wisconsin. Milwaukee County includes about half the state caseload. Milwaukee recipients are more likely to receive AFDC over long periods, which may reflect in part the differences in the characteristics of recipients. On average, AFDC family heads in Milwaukee are less educated and have larger families, and both are factors that reduce the

feasibility of self-sustaining work. On the other hand, they are somewhat less likely to have very young children, which may increase their work prospects. Clearly, to understand the reasons for the different patterns of AFDC use and the job prospects of recipients we need not only information on the individual characteristics of recipients, but also a better grasp of the structure of particular job opportunities and barriers to work in Milwaukee and in other regions in the state.

Wisconsin is on the forefront of a national movement to require AFDC recipients to find private-sector employment. These changes raise important questions about the job prospects and potential wages of current recipients as well as barriers to work, such as child care responsibilities. The information presented here is a starting point in answering these questions. Much remains to be done. To assess work prospects we also need a better understanding of who employers will hire, and under what conditions. These issues will be addressed in a companion report by Thomas Corbett.<sup>37</sup> Designing work-based welfare reform poses significant challenges: we hope that this report will contribute to this process.

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<sup>37</sup>The two reports are part of the project, "Market Place Analysis, Matching Skills and Opportunities: Welfare to Work." The second report, currently in progress, has been undertaken in cooperation with Wisconsin Manufacturers and Commerce and the Wisconsin Council on Children and Families.

## Appendix 1

### Changes in AFDC since 1983 and Other Changes during This Period

In this section we present information on changes in the AFDC program since 1983, dividing our discussion between federal changes and changes in Wisconsin. We then present information on trends in the Wisconsin economy and other trends in Wisconsin that may have an impact on AFDC caseload characteristics.

#### Changes in the Federal AFDC Program from 1983 to the Present

Treatment of Earnings. In 1981, the Omnibus Budget Reconciliation Act (OBRA) changed the way in which earnings were treated in calculating AFDC eligibility and benefit amounts; as a result families with moderate earnings lost eligibility or received much lower benefits. In 1984, some changes were reversed, making it somewhat easier for families with moderate earnings to receive benefits. The Family Support Act (FSA) of 1988 changed the treatment of earnings again, effective October 1989, again raising the eligibility limit for families with earnings and raising their grant levels somewhat.

Work and Training Programs. The FSA established the Job Opportunities and Basic Skills Training (JOBS) program, replacing the older Work Incentive (WIN) program. States have some latitude in determining the type of JOBS program they will provide, but each state is required to provide education services, skills training, activities that prepare participants for the labor market, job placement activities, and some types of supportive services. All AFDC recipients are required to participate, except those who fit in certain exempt categories, which include those already working full time, those who are disabled, and those who have a child under age 3 (at state option, under age 1). The older WIN program was similar in requiring states to offer a variety of work-

preparation programs, but only required participation of those whose youngest child was at least age 6.

Other Changes. 1984 federal legislation allowed AFDC families to keep up to \$50/month of child support from the noncustodial parent; before this date their grant was reduced dollar-for-dollar for any child support paid on their behalf. The FSA required all states by 1990 to offer benefits to two-parent families in which the principal earner was unemployed (UP). This did not affect Wisconsin, because a UP program was already in place.

### **Changes in the Wisconsin AFDC program**

Benefit Levels. States set their own AFDC benefit levels. In Wisconsin, benefits rose by 15 percent from 1983 to 1986, then remained the same to 1987, when Governor Thompson vetoed a change in benefit levels and lowered them by about 5 percent. Benefit levels have not changed since 1987, and thus have not kept up with inflation. The result has been a 31 percent decrease in the value of the benefit between 1987 and 1995, although increases in food stamps have offset part of this decline.

Special Programs. Wisconsin has been a leader in experimenting with welfare. Between 1987 and September 1995, at least 10 reform demonstrations have been initiated (although not all of them are statewide), and more are planned. These have been summarized and described by Wiseman (1995). Some of the more publicized programs include Learnfare, a program requiring teens to attend school (began in 1988 in Milwaukee and is now statewide), the Two-Tier AFDC Benefit Demonstration, in which recipients who have recently moved to Wisconsin receive the benefit amount they would have received in their old state (began in four counties in 1994), and Work Not Welfare, which limits AFDC benefits to two years (began in two counties in 1995).

Wisconsin began implementing the Work Experience and Job Training (WEJT) program in 1986; it became Wisconsin's JOBS program after passage of the Family Support Act. WEJT

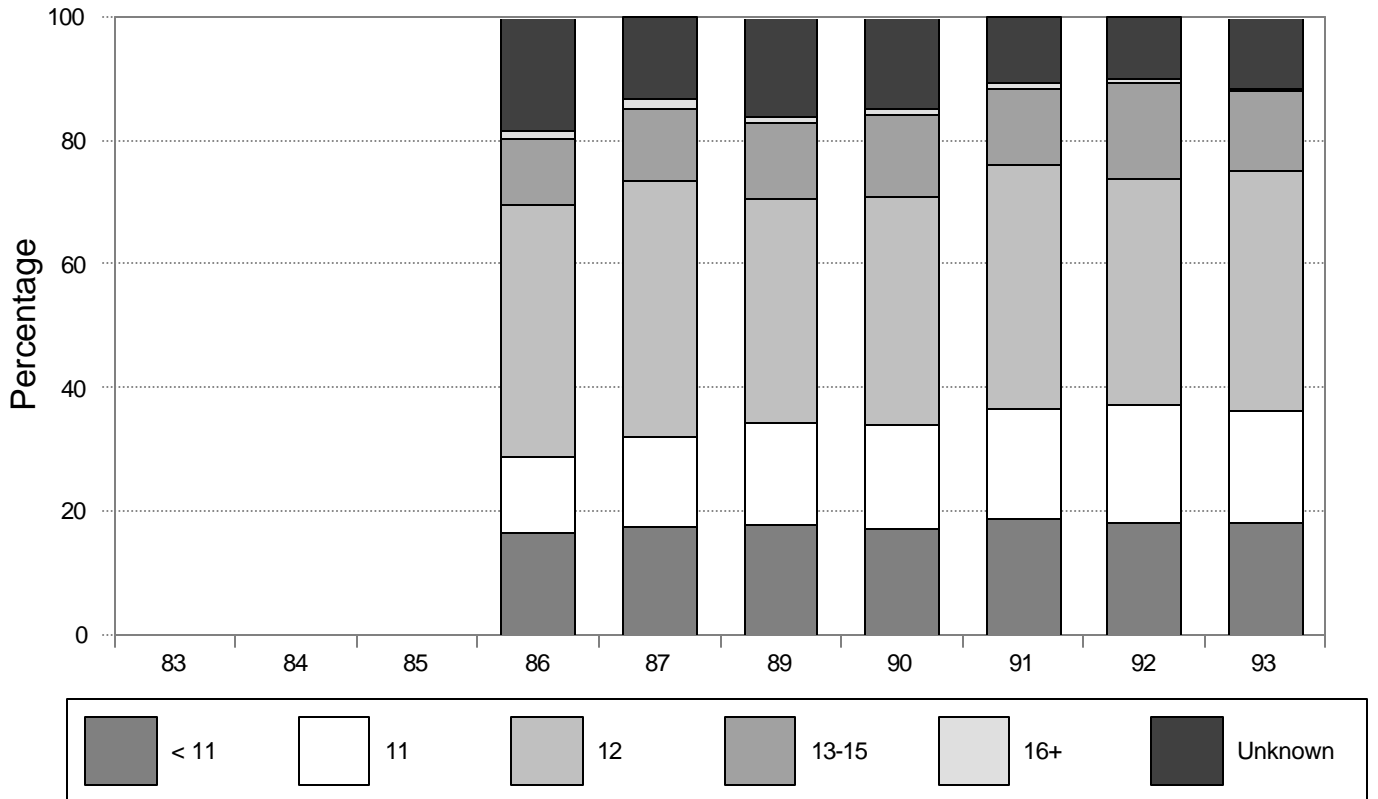
appears to affect a greater portion of the caseload than the JOBS programs in other states: Wisconsin has three times more recipients enrolled in a welfare-to-work activity than is required under JOBS (Wiseman, 1995).

### **Trends in the Wisconsin Economy**

Wisconsin suffered during the recession of the early 1980s, experiencing statewide unemployment rates about one percentage point higher than the national average during 1982 and 1983, peaking at over 10.5 percent in 1982. The economy then improved both in Wisconsin and nationally. The unemployment rate in Wisconsin was between 7 percent and 8 percent in 1984–1986, falling to nearly 6 percent in 1987. These rates were quite close to those of the nation. As the Wisconsin economy continued to improve, the state unemployment rate in 1988 was about a percentage point below that in the country as a whole, a differential that continued through 1994. Unemployment in Wisconsin rose in 1990 and 1991, but remained well below that of the rest of the country. By 1995, some areas of Wisconsin were experiencing labor shortages, and unemployment in the Madison area was the lowest of any metropolitan area of the country in mid-1995.

### **Other Trends in Wisconsin**

Nonmarital births have been increasing in Wisconsin, as they have nationally. In 1992, 26.1 percent of births in Wisconsin were nonmarital, compared to 30.1 percent nationwide. The growth rate in Wisconsin has been even higher than in the nation: between 1983 and 1992, the percentage of all births that were nonmarital increased from 15.8 percent to 26.1 percent, a 65 percent increase, in Wisconsin, compared to a 48 percent increase nationally. The 1992 divorce rate in Wisconsin of 3.7 per 1000 people is lower than the national rate of 4.8 per 1000 people, and there was little change in either the state or national rate between 1983 and 1992.



**APPENDIX FIGURE 1. TRENDS IN THE WISCONSIN AFDC CASELOAD: MOTHER'S EDUCATION, INCLUDING CASES WITH MISSING INFORMATION**  
 Source: U.S. Dept. of Health and Human Services, National Integrated Quality Control System. Sample: Single-mother families receiving AFDC-Regular, in which the casehead could be identified. 1983-1985 and 1988 data not available.

## APPENDIX TABLE 1

### Return Rates of Cases Exiting AFDC within 12 Months

	Months until Return			
	1~12	13~24	25+	Never
<b>Total</b>	39.7%	8.9%	5.2%	46.2%
<b>Location</b>				
Milwaukee County	41.2	10.2	6.7	41.8
Other urban counties	39.3	8.0	4.5	48.2
Rural counties	38.5	8.4	4.1	48.9
<b>Mother's education</b>				
<12	43.4	9.6	4.4	42.6
12+	38.1	8.1	5.3	48.5
<b>Age of youngest child</b>				
<2	42.1	8.4	6.9	42.6
2~5	42.1	8.6	2.9	46.4
6~11	38.3	8.6	5.1	48.0
12+	28.9	9.9	5.6	55.6
<b>Child care costs</b>				
0	28.9	9.9	5.6	55.6
~4,500	38.8	8.0	4.9	48.3
~6,000	42.5	7.8	4.1	45.7
~10,000	41.7	9.3	5.2	43.8
> 10,000	39.9	10.1	6.9	43.1

Source: Authors' calculations from a 10% CRN sample of all AFDC-Regular cases headed by a woman in January 1990. Cases which left AFDC within 12 months of January 1990 are included. See text for details and for explanation of child care cost estimates





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