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Governmental Quality and Welfare Reform

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Abstract

In the last decade, caseloads in AFDC/TANF have shifted dramatically up, then down. Existing studies fail to explain the changes well. Also, they do not reveal the policies behind the changes, nor the important role of governmental quality in shaping welfare reform. In this study, I use cross-sectional models based on states, measure welfare reform policies directly using program data, and relate these policies to background features of states' politics and government. Results show that grant levels, work and child support requirements, and sanctions are important explainers of caseload change, together with some demographic factors and unemployment. These policies in turn are tied to states' political opinion, political culture, and institutional capacity. Moralistic states seem the most capable of transforming welfare as the public wants.

Governmental Quality and Welfare Reform

INTRODUCTION

The national caseload of AFDC (Aid to Families with Dependent Children, since 1996 Temporary Assistance for Needy Families, or TANF) rose 34 percent between 1989 and 1994, then fell 56 percent through June 2000 (data from U.S. Administration for Children and Families). These are the sharpest changes in the history of the program. The fall predates the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the federal law that recast AFDC as TANF, but PRWORA seems to have accelerated it.

Research into the causes of the changes is inadequate for several reasons. In part, it is simply unsuccessful. Some studies admit that, despite impressive statistical apparatus, they cannot explain the recent changes well (Blank, 1997; Wallace and Blank, 1999). In part, results are implausible. Some studies attribute the recent caseload fall mostly to improved economic conditions (Congressional Budget Office, 1993; Ziliak et al., 1997), but journalistic accounts give most of the credit to new state and local demands that welfare recipients work in return for aid (DeParle, 1997). It is not self-evident that low unemployment should explain falling dependency, because the rolls were largely immune to periods of tight labor markets from the 1960s through the 1980s.

Closely related to the decline of welfare is the fact that work levels among poor parents have risen sharply. In 1993, only 43 percent of poor female heads of family reported that they worked at all, but in 1999, 60 percent did so (U.S. Bureau of the Census, 1994–2000). Economists tend to give much of the credit to the Earned Income Tax Credit (EITC), a subsidy for the working poor that has risen recently (Meyer and Rosenbaum, 1998). But when officials in Wisconsin—the urban state with the largest caseload fall—were asked the reasons for welfare decline, they never mentioned EITC. They credited the fall mostly to welfare reform, and secondarily to the economy and improved child support enforcement (Mead, 1999, pp. 601–604).

Some studies credit the economy, welfare reform, and other factors more evenly (Bishop, 1998; Council of Economic Advisers, 1997, 1999; Ellwood, 1999), but these studies cannot specify exactly how government produced its effect. One reason for this is that several of the studies use time series or panel data, where the need to specify explainers over time sharply limits the explainers that can be included. Few studies investigate how the demographics of caseloads affect change. Especially, all measure "welfare reform" using dummies that indicate whether states had "waivers" of normal federal welfare rules to run welfare reform experiments. These variables capture only crudely the pressures to work, avoid welfare, and pay child support stemming from "welfare reform." Inability to measure policy forces is probably the main reason the literature gives more emphasis to economic causes than seems reasonable based on field observation.

The research pays even less attention to the important role of governmental quality in shaping welfare reform. Welfare used to be a system that largely supported single-parent families while expecting little of them other than maintaining their eligibility. The main goal of reform is changing that system so that it still supports needy families but also expects that the parents work as a condition of aid. Doing this is difficult. Welfare adults have to receive income while simultaneously being inducted into work programs. That requires that they receive child care and other services, and also that their participation be monitored and enforced.

It is not an accident that most of the states that led in developing work-based welfare—California, Michigan, Minnesota, Oregon, and Wisconsin, for example—have strong traditions of good government. Apparently, their legislators were able to agree on new welfare policies, and their bureaucracies had the talent and the resources to implement them. It is also apparent that some other states have had difficulties with the political or administrative dimensions of reform (Norris and Thompson, 1995). There is some research on state implementation of recent work policies (Nathan and Gais, 1999), but there is little that connects specific reform policies to caseload change, and none that discusses the role of governmental quality in any detail.

APPROACH

In this paper, I try to make these connections, at least in a preliminary way.[1] I measure work and child support enforcement pressures directly using program data, mostly from the *Green Book* and the U.S. Administration for Children and Families. I seek to combine these variables with other policy terms and measures of the demographics of the caseloads and the labor market to construct more satisfying accounts of caseload change. I also seek to relate caseload change and its policy causes to background variables expressing governmental quality.

To measure all these things, the analysis has to be based on states, and it must be cross-sectional, abandoning the longitudinal dimension of most of the other studies. At most, change over time is incorporated into the dependent terms and some of the explainers.[2] By analyzing differences across the states I cannot, strictly speaking, account for the overall trend in the national caseload at all. Rather, I show how state *variations* in caseload change are related to certain features of state policy and government. The payoff, however, is that I can reveal considerably more detail about the policies and the institutional attributes that are probably driving change.

There is every reason to think that work requirements are a major force driving the caseload down. But, in part because it ignores program data, the existing literature makes little use of what we have learned about welfare work programs. Evaluations show that the programs generally do reduce reliance on welfare by clients exposed to them. Although results vary, the programs producing the largest effects generally enforce participation stringently and emphasize work in available jobs rather than education and training that postponed work (Gueron and Pauly, 1991; Hamilton and Friedlander, 1989; Riccio, Friedlander, and Freedman, 1994; Freedman et al., 2000). Such programs move more clients into work and also deter employable people from seeking aid. It is also likely that states with strong enforcement of child support will have less dependency. The more families receive child support, the more single-parent families can live on this income rather than go on welfare.[3] Governmental quality will probably have some influence, but what it might be is less clear, as I discuss below.

Combining these more detailed policy expectations with the findings of the existing studies, I hypothesized that caseload growth will be smaller, or caseload fall greater, in states that have the following features compared with the average state:

- low or falling welfare benefit levels, as these features reduce eligibility for aid;
- high or rising participation levels in welfare work programs;
- high or rising assignment of clients in such programs to job search or actual work, rather than education or training;
- high or improving enforcement of child support;
- high levels of governmental quality;
- caseload demographics tending to reduce dependency—less unwed pregnancy or greater employability;
- favorable economic conditions, particularly low unemployment.

With their limited policy measures and time dimension, the existing studies can easily estimate all their explainers. Using program data but a cross-sectional structure, I have many more possible measures of many of the causal dimensions, but fewer observations. There are several possible measures of welfare reform activity—participation rates of clients in work programs, assignment to specific program activities, sanctions—and also child support enforcement. I have even more measures of governmental quality. These were features of state politics and institutions drawn from the state politics literature (see Tables 3 and 4). I also have several measures of caseload demographics, and of economic conditions, not only unemployment rates.[4] Guidance from past research is sufficient to say that all the above dimensions should matter, but not enough to prefer one measure to another. And with N, at best, of 51, I cannot estimate all possible terms, nor would it be valid to do so given that many tap similar attributes.

In the models below, I simply attempt a range of measures for each of the seven dimensions hypothesized above, and include in the final models those that are significant.[5] Due to this indeterminacy among measures, the results below are more exploratory than many of the existing studies. However, that

again is due to the fact that my approach makes more measures available. This is acceptable, however, because my point is not to confirm a specific model but to show the general value of a more policy-oriented and governmental approach to caseload change.

I seek to explain two dependent terms: percentage change in a state's AFDC/TANF caseload (measured in persons) over 1989–1994 and over 1994–1998. State caseloads generally rose in the first period and fell in the second. I do not model the change over the entire period, 1989–1998, because such a variable would net out much of the change up and down and leave little to explain.

CASELOAD CHANGE 1989–1994

I first constructed the model for 1989–1994 shown in Table 1 (Mead, 2000a).

The expectations listed above are generally confirmed, and more policy detail is visible than in other studies. Looking first at the policy variables, a state had more caseload increase in this period if its AFDC benefits were higher, presumably because more low-income families could qualify for aid. Caseloads also rose more if a state had to add coverage for two-parent families, which was required by the Family Support Act of 1988.

These expansive forces, however, were countered by enforcement pressures. The federally mandated welfare work structure in this period was the Job Opportunities and Basic Skills Training Program (JOBS). The first year for which JOBS data were reported was 1991. As hypothesized, both the level and nature of program activity mattered. States which had more of their welfare adults active in JOBS in 1991, and which increased the share of JOBS clients assigned to job search over 1991–1994, had less caseload increase. A state also had less rise if it collected child support in a higher percentage of AFDC cases. The governmental quality term that mattered in this period had to do with "reinventing government." States that implemented such administrative reforms more fully (e.g., performance measurement, decentralized decision making, a focus on consumer satisfaction), as measured by Brudney, Hebert, and Wright (1999), also had less caseload rise.

TABLE 1
Reduced-Form Model of Percentage Change in AFDC Caseload (in Persons) in U.S. States, 1989–1994

	Coeff.	S.E.	Signif.
Policy			
Maximum AFDC grant (family of 3) in January 1989 (dollars)	.060	.019	.003
State added Unemployed Parent coverage after fiscal 1989	12.3	5.61	.034
Percentage of welfare adults active in JOBS, fiscal1991	-.633	.209	.004
Change in percentage of JOBS participants in job search, fiscal 1991–1994	-1.18	.258	.000
Percentage of AFDC cases getting child support, fiscal 1989	-.706	.299	.023
Government			
Score for implementing reinvention of government (0–4)	-1.53	.870	.086
Environment			
Percentage change in population, 1989–1994	1.38	.503	.009
Percentage of state population on AFDC in 1989	-7.49	2.32	.003
Average AFDC case size, fiscal 1989 (persons)	-56.4	20.0	.007
Change in unemployment rate, 1989–1994	6.07	2.05	.005
Constant	237.6	57.9	.000
N	50		
R^2	.81		
Adjusted R^2	.76		

Note: The District of Columbia is omitted due to missing data. A statistical appendix giving description and sources of variables and statistical tests on this and other models is available from the author.

The significant demographic influences were those affecting the demand for aid rather than the employability of the caseload. A state had more caseload increase if its population rose, but less if it had more of its population already on AFDC in 1989; the potential for a further rise was then limited. Welfare growth was also lower in states that had more welfare cases in 1989. This term is a proxy for unwed pregnancy. States that had larger welfare cases typically had older welfare mothers, hence less unwed pregnancy among young mothers and thus less welfare increase in the ensuing years.[6] Other studies agree that rising unwed pregnancy helped drive the welfare boom (Blank, 1997, pp. 13–21; Congressional Budget Office, 1993). The racial makeup of the caseload affects employability more, but did not matter here. That is probably because demographics change slowly while the caseload rise of 1989–1994 was sudden.[7] Finally, as in other studies, caseload increase was larger if unemployment rose. Overall, the model is extremely strong, accounting for over three-quarters of the variation in caseload change across the states.

CASELOAD CHANGE 1994–1998

I attempted to replicate this model for 1994–1998, when caseloads were falling, using the same variables, or their closest equivalents, in the new period. I tested terms for both the level of JOBS activity and work search assignments in 1994 as well as change in these terms from 1994 to 1996, the last year of JOBS data. The replication succeeded only in part. Although grant levels and child support enforcement had much the same influence as before, some JOBS terms were now positive or nonsignificant. Implementing reinvention policies and all three demographic controls were also nonsignificant.

Most interesting, unemployment variables were still significant—but now with a negative sign. Higher unemployment was now associated with *lower* rather than higher welfare rolls—the reverse of expectations. The likeliest reason is that unemployment had become endogenous. Welfare decline had begun to influence it, rather than the other way around. Lower welfare rolls meant more welfare recipients looking for work, producing a higher measured unemployment rate. This is the first evidence I

have seen suggesting that the drive to enforce work in welfare may have a displacement effect on labor markets. I tried to instrument unemployment using other labor market terms (employment levels, labor force participation rates), so as to identify it net of backflow from the dependent term, but in vain. I therefore simply dropped these terms.

The determinants of caseload change were clearly different than in the earlier period. However, I was able to replace the nonsignificant or invalid terms with others that sustained most of my hypotheses, if not all of them. The result was a model shown in Table 2. The grant level, change in JOBS activity, and child support terms resemble those in Table 1, confirming the idea that both benefits and enforcement pressures are key determinants of dependency.[8] But job search is replaced by the positive influence of assignment to higher education and the strong negative force of sanctions. States that told more clients to go to college had less caseload fall than others. This accords with the evaluations, mentioned above, showing that work programs oriented toward education and training achieve smaller caseload reductions, at least in the short term, than those that stress work in available jobs.

Even more clearly, states that terminated recipients for noncooperation had more decline than those that did not. Sanctions were not measurable in the earlier period. Relative to a reference category of states where the sanction only partially reduced the grant, states with a full-family sanction (where the case is closed completely) realized sizable caseload reductions. That was particularly true for states where the sanction was imposed immediately rather than delayed.

Two government quality terms are now significant. A state's legislative effectiveness (Citizens Conference on State Legislatures [CCSL], 1971) *restricted* caseload fall, perhaps the reverse of expectations.[9] The reason may be that welfare reform has generally been led by governors and welfare executives (Gais, 2000, pp. 174–178). Stronger legislatures may indicate weaker governors.[10] The other governmental variable is a dummy for whether a state is individualistic in political culture (Elazar, 1984). It too is positive. According to Elazar, such states are more willing to tolerate individual preferences—here dependency—than states that are moralistic or traditionalistic.[11]

TABLE 2
Reduced-Form Regression Model of Percentage Change in AFDC Caseload (in Persons) in U.S. States, 1994–1998

	Coeff.	S.E.	Signif.
Policy			
Maximum AFDC grant (family of 3) in January 1994 (dollars)	.027	.014	.057
Change in percentage of welfare adults active in JOBS, fiscal 1994–1996	-.838	.294	.007
Percentage of JOBS clients assigned postsecondary education, fiscal 1994	.369	.149	.017
State has delayed full-family sanction	-9.87	3.33	.005
State has immediate full-family sanction	-15.9	4.07	.000
Percentage of AFDC cases getting child support, fiscal 1994	-.357	.132	.010
Government			
State's rank in legislative effectiveness (CCSL)	.269	.115	.024
State is individualistic (Elazar)	5.38	3.17	.098
Environment			
Average AFDC case size, fiscal 1994 (persons)	-30.4	13.1	.026
Constant	38.1	35.8	.293
N	49		
R^2	.68		
Adjusted R^2	.61		

Note: Alaska and the District of Columbia are omitted due to missing data. Legislative effectiveness term is reversed so that higher values mean better rather than worse.

The only environmental explainer that is now significant is the same case size term as in 1989. A strenuous search for other demographic factors failed.[12] This is not surprising. The fall in caseloads, even more than the rise, was too sudden to be explained by social conditions, which change more slowly. Despite the weakness of contextual terms, the model still accounts for two-thirds of the variation.

GOVERNMENTAL QUALITY

These reduced-form specifications demonstrate that some government quality factors can significantly affect caseloads even in direct competition with other explainers. That is, governmental features account for an important dimension of caseload change, regardless of what we assume the causal structure to be. It is plausible, however, that government impacts welfare mainly through the policy variables.[13] To model this, I produced structural versions of the above models by withdrawing the governmental quality variables. A few other terms then became nonsignificant, and they too were dropped.[14] (The remaining policy terms are those shown atop Tables 5–8.)

When models are assembled partially on an exploratory basis, as was done here, results can easily reflect the idiosyncrasies of a particular run of data. The shift to the more frugal structural models offsets this. The remaining terms were robust to changes in specification. Their coefficients changed little from those shown above, and the models remained potent. The conclusion still is that welfare reform joined with environmental forces in shaping recent caseload change. Indeed, policy probably explains more of the recent variation in dependency across states, if not the overall national trend, than either the demographics of welfare or the labor market.[15]

I then ran correlations between the remaining policy terms from these models and the governmental quality variables, on the premise that the latter operate as background influences on policy. Table 3 lists measures of political opinion, meaning views about public issues, and political culture, which concerns a state's style of politics. The best-known of these terms are the measures of state opinion developed by Erikson, Wright, and McIver (1993) and Berry et al. (1998) and the indicators of

TABLE 3
Good Government Explainers: Political Variables

Variable Name	Variable Label	Expected Tie to Caseload Change
Political Opinion		
partisan	State partisanship (Erikson, Wright, and McIver, 1993)	+
ideology	State ideology (Erikson, Wright, and McIver, 1993)	+
policlib	Policy liberalism (Erikson, Wright, and McIver, 1993)	+
govid	Government ideology (Berry et al., 1998)	+
dgovid	Change in government ideology (Berry et al., 1998)	+
citid	Citizen ideology (Berry et al., 1998)	+
dcitid	Change in citizen ideology (Berry et al., 1998)	+
Political Culture		
diverse	Diversity index (Sullivan, 1973)	+
econdev	Economic development rank (CCSL, 1971)	+
elazarm	State is moralistic (Elazar, 1972)	–
moral1	Moralism index (Johnson, 1976)	–
moral2	Moralism index (Morgan and Watson, 1991)	–
civic	Civic culture score (Rice and Sumberg, 1997)	–
elazari	State is individualistic (Elazar, 1984)	+
indiv1	Individualism index (Johnson, 1976)	+
indiv2	Individualism index (Morgan and Watson, 1991)	+
elazart	State is traditionalistic (Elazar, 1984)	–
trad1	Traditionalism index (Johnson, 1976)	–
trad2	Traditionalism index (Morgan and Watson, 1991)	–
sharkan	Political culture score (Sharkansky, 1969)	?
south	State in South	–
deep	State in deep South	–

Note: For the 1989–1994 period, govid and citid are measured in 1989, and dgovid and dcitid measures change over 1989–1994. For the 1994–1998 period, govid and citid are measured in 1994; dgovid measures changes over 1994–1996, and dcitid measures change over 1994–1997, the last years available. For ease of presentation, variables expressed as ranks are reversed so that higher values mean better rather than worse. This also reverses their expected association with caseload change. South includes AL, AR, DE, DC, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, and WV. Deep South includes AL, AR, FL, GA, LA, MS, NC, SC, and VA.

state political culture deriving from Daniel Elazar (1972) and his later interpreters. Table 4 lists indicators of institutional quality, meaning the general modernization of government, and administrative quality, meaning the organization and resources of the bureaucracy. Most of these terms come from Barrett and Greene (1999), Bowman and Kearney (1988), and Brudney, Hebert, and Wright (1999).

This inquiry is more exploratory than the analyses above. Fewer expectations from past research suggest how these variables might affect welfare reform. It is merely apparent that states with traditions of good government are leading change. On the right-hand side of the tables, I indicate the links that I anticipate with caseload change. Generally, I expect the political opinion variables to associate positively; the scales of these terms run in a liberal direction, so higher levels on these scales should mean higher acceptance of dependency. I expect the modernization and administrative quality terms to associate negatively, because capable government—in the sense of running programs tightly and efficiently—appears to be one of the forces restraining dependency.

The political culture variables are more complicated. Given the recent leadership of moralistic states in welfare reform, this type of culture—insistent on pursuing a public interest—must be seen as opposed to dependency. For these states, nonworking welfare affronts the public interest. Traditionalistic states, mainly in the South, should also oppose welfare, but in the name of inherited values.[16] The individualistic culture probably promotes dependency, as this mindset accepts various claimant groups getting what they can out of government. The positive finding in Table 2 supports this. But note that these expectations apply only to the overall effect on caseload change. Ties between state culture and specific welfare policies may be different.

The analysis is also exploratory in the sense that we seek associations without necessarily specifying a causal structure. Welfare policy might be linked to some aspect of political or institutional background, not because one directly causes the other but because both features reflect the general politics, culture, or development of a state. I did not attempt to draw path diagrams linking certain government quality terms only with certain policy terms; theoretical guidance is insufficient to do this. Rather, I show all the associations. Although I am interested mainly in the associations with the policy

TABLE 4
Good Government Explainers: Institutional Variables

Variable Name	Variable Label	Expected Tie to Caseload Change
Modernization		
walker	Innovation score (Walker, 1969)	–
grayave	Overall average innovation rank (Gray, 1973)	–
graywel	Average welfare innovation rank (Gray, 1973)	–
grumm	Legislative professionalism score (Grumm, 1970)	–
legeffec	Legislative effectiveness rank (CCSL, 1971)	–
poldevel	Political development rank (CCSL, 1971)	–
account	Government accountability score (Bowman and Kearney, 1988)	–
represnt	Representation score (Bowman and Kearney, 1988)	–
Administrative quality		
exec	Executive centralization score (Bowman and Kearney, 1988)	–
avgrade	Overall public management grade (Barrett and Greene, 1999)	–
managav	Average of five public management grades (Barrett and Greene, 1999)	–
results	Managing for results grade (Barrett and Greene, 1999)	–
human	Human resources management grade (Barrett and Greene, 1999)	–
infotech	Information technology grade (Barrett and Greene, 1999)	–
reinvent	Reinvention of government score (Brudney, Hebert, and Wright, 1999)	–
reinvimp	Reinvention implementation score (Brudney, Hebert, and Wright, 1999)	–
statemps	Number of state government employees per 10,000 population (Morgan, Morgan, and Quitno, 1994)	–
locemps	Number of local government employees per 10,000 population (Morgan, Morgan, and Quitno, 1994)	–
staff	Staff/spending score (Bowman and Kearney, 1988)	–

Note: For ease of presentation, variables expressed as ranks are reversed so that higher values mean better rather than worse. This also reverses their expected association with caseload change. The variable avgrade is the overall grade given to the states by Barrett and Greene (1999); managav is the average of their five grades in five areas of public management.

terms from the structural models, I also show them for the dependent term (percentage of caseload change), if a direct causal tie was assumed. I report correlation coefficients for associations that are significant at .10, otherwise only the signs.

Tables 5 and 6 show the correlations for the 1989–1994 structural model. Looking at the dependent term first, we find remarkably few ties to any of the good government explainers. This confirms that the sharp jump in the caseload in this period was not a political act. No one willed it. The increase was driven largely by higher unwed pregnancy in the 1980s and higher unemployment in the 1990s, and it hit states of all politics and traditions. The rise varied across states according to the variables specified in Table 1, but only a handful escaped it entirely.[17]

Turning to the policy terms, however, we see a very different picture. By most of the measures, higher AFDC grants are clearly linked to more liberal state politics.[18] They are also linked positively to moralistic or individualistic political cultures and negatively to traditionalism (which largely means the South). Grants are also tied positively to all the modernization measures and to a few of the administrative terms. In short, generous welfare is a feature of liberal and well-developed states. Turning next to adding Unemployment Parent coverage, the correlates here should be seen not as causes of that policy decision (it was mandated under the Family Support Act) but rather of a preceding refusal to offer two-parent benefits. The associations are opposite to those just seen for benefits. Just as liberal and developed states tend to be more generous with welfare benefits, so more conservative and traditional ones tend to deny broad coverage.

The percentage of welfare adults active in JOBS shows a different pattern. In influencing this policy, political liberalism and moralistic political culture no longer cut in the same direction. Enforcing work is a conservative measure but nevertheless favored by states that are moralistic or civic. And although there are few significant ties to the institutional variables, most of the signs are positive. This confirms the predilection for well-run work programs that we see in states such as Oregon and Wisconsin. There are few significant findings for change in the percentage of JOBS clients assigned to

TABLE 5
Correlations of Good Government Variables with the Dependent Term and Policy Explainers from Structural Model for 1989–1994: Political Variables

Variable Name	% Δ in AFDC 1989–94	AFDC Grant 1989	State Added UP	% Adults Active in JOBS 1991	Δ in % of JOBS in Job Search
Political Opinion					
partisan	–	-.36	+	-.29	+
ideology	+	.59	-.64	–	–
policlib	–	.78	-.71	+	+
govid	–	.35	-.35	–	+
dgovid	.24	-.31	+	–	–
citid	–	.53	-.54	+	+
dcitid	+	–	–	-.36	+
Political Culture					
diverse	+	.69	-.44	+	–
econdev	+	.49	-.44	–	–
elazarm	–	.38	–	+	+
moral1	–	.36	–	.34	+
moral2	–	.24	–	.37	+
civic	–	.67	-.45	.29	–
elazari	+	.30	-.38	+	+
indiv1	+	.58	-.46	+	+
indiv2	+	.55	-.53	–	–
elazart	+	-.68	.51	–	–
trad1	+	-.67	.42	–	–
trad2	+	-.65	.47	-.25	+
sharkan	+	-.77	.38	-.31	–
south	–	-.62	.31	–	–
deep	–	-.50	.32	–	–

Note: Correlations shown are significant at p = .10 or better. For other values, only signs are shown.

TABLE 6
Correlations of Good Government Variables with the Dependent Term and Policy Explainers from Structural Model for 1989–1994: Institutional Variables

Variable Name	% Δ in AFDC 1989–94	AFDC Grant 1989	State Added UP	% Adults Active in JOBS 1991	Δ in % of JOBS in Job Search
Modernization					
walker	–	.69	-.46	+	+
grayave	+	.66	-.51	–	+
graywel	–	.53	-.38	+	+
grumm	–	.27	-.41	–	+
legeffec	–	.46	–	+	+
poldevel	–	.68	-.53	+	+
account	–	.40	–	+	–
represnt	.36	.44	–	+	-.26
Administrative Quality					
exec	+	.30	–	+	+
avgrade	-.24	–	–	+	–
managav	-.24	–	-.24	+	–
results	–	–	-.25	–	–
human	–	–	–	–	–
infotech	–	–	–	+	+
reinvent	+	.26	-.26	+	–
reinvimp	–	–	–	+	-.29
statemps	+	+	+	+	.24
locemps	-.24	–	+	.27	–
staff	–	.26	-.25	-.25	–

Note: Correlations shown are significant at p = .10 or better. For other values, only signs are shown.

job search, but the pattern of signs does suggest a link to moralism and institutional development. Building up work programs appears to be the policy of states that want to restrain welfare, not by cutting aid but by promoting good behavior.

Tables 7 and 8 show the results for 1994–1998. Far more associations appear between caseload change and governmental antecedents than in the earlier period. The decline of welfare since 1994 definitely is a political act, or is affected by politics. The fall is least in the more liberal and individualistic states, and greatest in traditionalistic areas including the South. For moralistic states the influence is less clear. Grant levels show much the same associations as in the earlier results.

Although few significant associations appear with change in the percentage of adults active in JOBS, the pattern of signs again suggests that this is a conservative policy that, nevertheless, is favored by moralistic states rather than states of the other cultures. There is also some association with modernization and administrative quality. These linkages are less clear for the percentage of JOBS clients assigned to higher education. The reason may be that enrolling recipients in JOBS yet assigning them to college is politically ambiguous; it enforces activity aimed at self-reliance, but in a form that postpones an actual obligation to work.

As policies, the two sanction variables differ only by degree, but politically they emerge as virtual opposites. In the context of 1994–1998, when welfare politics everywhere was turning conservative, enforcing only a delayed full-family sanction was a liberal policy. It was also favored by individualistic states and—to judge from the signs—moralistic ones, but not by traditionalistic states. Strong sanctions—an immediate full-family sanction—on the other hand was a conservative policy that was opposed in individualistic and, probably, moralistic areas but supported by traditionalistic states and the South. The signs in Table 8 suggest that moderate sanctions may be linked positively to modernization and negatively to administrative quality, whereas with strong sanctions the associations lean the other way.

The child support variable returns, more strongly, to the pattern seen with the level of JOBS activity in the 1989–1994 results. Getting child support paid on more child support cases is clearly a

TABLE 7
Correlations of Good Government Variables with the Dependent Term and Policy Explainers from Structural Model for 1994–1998: Political Variables

Variable Name	% Δ in AFDC 1994–8	AFDC Grant 1994	Δ in % of Adults Active in JOBS	% JOBS Assigned Higher Ed 1994	Moderate Sanctions	Strong Sanctions	% of AFDC w/ Child Support
Political Opinion							
partisan	+	-.36	–	–	–	–	-.53
ideology	.47	.59	+	+	+	-.38	-.28
policlib	.39	.75	+	–	+	-.36	–
govid	.29	+	–	–	–	–	–
dgovid	+	+	–	+	+	–	–
citid	.40	.48	–	+	+	-.41	–
dcitid	+	+	–	+	+	–	+
Political Culture							
diverse	.48	.70	–	+	.28	-.49	–
econdev	.35	.46	+	–	+	–	–
elazarm	–	.32	+	+	+	–	.55
moral1	–	.38	+	–	+	–	.42
moral2	–	.25	+	–	+	–	.43
civic	+	.64	+	+	+	–	.34
elazari	.38	.33	–	–	+	–	–
indiv1	.42	.60	–	+	.37	-.50	–
indiv2	.41	.52	–	+	.31	-.39	–
elazart	-.28	-.65	–	–	–	.34	-.36
trad1	-.28	-.70	–	–	-.30	.47	–
trad2	-.32	-.63	–	–	-.29	.45	–
sharkan	–	-.78	–	–	–	.34	-.43
south	-.24	-.63	–	-.24	–	.31	-.29
deep	-.27	-.49	–	–	–	.41	+

Note: Correlations shown are significant at p = .10 or better. For other values, only signs are shown.

TABLE 8
Correlations of Good Government Variables with the Dependent Term and Policy Explainers from Structural Model for 1994–1998: Institutional Variables

Variable Name	% Δ in AFDC 1994–8	AFDC Grant 1994	Δ in % of Adults Active in JOBS	% JOBS Assigned Higher Ed 1994	Moderate Sanctions	Strong Sanctions	% of AFDC w/ Child Support
Modernization							
walker	.33	.67	–	–	+	-.34	–
grayave	+	.65	+	+	+	-.33	+
graywel	+	.50	+	+	+	–	+
grumm	.30	+	–	-.25	+	–	-.32
legeffec	.30	.45	+	+	+	–	–
poldevel	.26	.66	+	–	+	-.35	+
account	+	.38	+	–	–	–	+
represnt	+	.43	–	.29	+	-.24	+
Administrative Quality							
exec	+	.31	+	+	+	+	+
avgrade	–	–	+	–	–	+	+
managav	–	–	+	–	–	+	+
results	+	–	+	–	–	–	–
human	-.31	-.25	+	+	–	+	+
infotech	–	–	.28	–	–	+	+
reinvent	+	+	+	–	+	–	–
reinvimp	–	–	.34	-.28	–	+	–
statemps	+	.34	–	.27	–	–	+
locemps	-.30	–	+	–	–	.27	.27
staff	+	+	–	-.27	–	–	-.33

Note: Correlations shown are significant at p = .10 or better. For other values, only signs are shown.

conservative policy. But it is favored by the moralistic states and not in the South. The reason may only be that the South has other, more direct ways of controlling welfare—low benefits and tough sanctions. Child support also shows some positive association with most of the institutional terms.

DISCUSSION

The results largely sustain our hypotheses. All seven of the hypothesized dimensions are important for explaining differences in caseload change among the states between 1989 and 1998. The principal surprises were the inversion of the economic terms in 1994–1998, leading to their omission, and the weakness of demographic factors other than case size in both periods.

My findings are not inconsistent with the earlier studies, but they reveal much more about the specific policies that are probably driving change, and they suggest some important ties to state politics and government. Due to multiple measures and incomplete theoretical guidance, there is some indeterminacy to the results. One could construct different models using these sources that might be just as persuasive. Whatever the lineup, however, the same dimensions of causation would tend to emerge. There is no denying the importance of enforcement policies and governmental performance, in some form, and these are the main points here.

Policy, government, and environmental factors are all important in both periods, but there are some changes of emphasis. Policy becomes more important, and context less so, in 1994–1998 compared to 1989–1994. Enforcement pressures become the dominant force behind caseload fall, with low unemployment secondary. Although unemployment did improve between 1994 and 1998, nationwide the rate fell only 1.2 points. Other studies agree that recent caseload decline goes well beyond what good economic conditions could explain (Council of Economic Advisers, 1999; Ellwood, 1999; Wallace and Blank, 1999).

Among the policy forces, benefit levels and the pressures to work and support families stemming from JOBS and child support enforcement are important in both periods. The main change is that

sanctions become much more important in 1994–1998. Sanctions were not measurable earlier, but it is clear from other information that states began to stress sanctioning only in the past several years (U.S. General Accounting Office, 1997, 2000). It is also clear that more of the change in caseload trajectory is due to enforcement pressures than to benefits. States on average raised their benefits $20 in nominal terms between 1989 and 1994. But in the first year after the passage of PRWORA in 1996, few changed their benefits at all (Gallagher et al., 1998, pp. 34–38).

There also is variation among the states. They chose, as it were, different policies from the menus listed in Tables 1 and 2. Three styles of welfare reform emerge from the governmental quality analysis, and they correspond to Elazar's prescient three cultures. Moralistic states tried to combine generosity with increased demands that recipients function in return for aid. They continued to pay high benefits, but they also toughened work and child support enforcement. The goal was not so much to reduce caseloads as to *use* the welfare system to change the lifestyle of the poor.

At the other extreme, traditionalistic states, mostly in the South, controlled dependency simply by keeping people off welfare, whether by paying low benefits, so that few families could qualify for aid, or by tough sanction policies. Individualistic states were more ambivalent. Their tradition was to pay welfare to satisfy a constituency, but they also faced impatience at growing rolls from the rest of the community. So they temporized, relying mainly on moderate sanctions to trim welfare. It is no accident that many of the urban states that reduced their rolls the least after 1994—for example, Illinois, New Jersey, and New York—fall into Elazar's individualistic category.

To say that successful welfare reform is associated with good government, one must be willing to say which of these paths is preferable. We tend to identify the moralistic states with "good government," but does that hold for welfare reform? Is it best to reform welfare with a public purpose, simply cut it, or proceed incrementally by compromise? My own preference is for the first, and national polls make very clear that most Americans feel the same. What most voters want out of welfare reform is a requirement that adult recipients work and obey other civilities, yet still to aid families in clear need (Gilens, 1999). That is what the moralistic states are trying to do.

To achieve this, however, requires excellence from government. Politicians must focus on solving welfare's problems rather than on partisan maneuvering, and administrators must be able to craft and implement complex reform programs. To date, only a minority of states, most of them moralistic in outlook, appear to have been equal to this task. The exemplars are well-known—Oregon, Michigan, parts of California, and above all Wisconsin, where legislators and administrators have carried out a revolution in welfare. In the Badger State, virtually all aid is now conditioned on adult recipients having to work, leading to the near extinction of traditional welfare. Yet at the same time unprecedented health and child care benefits have been extended to the entire low-income population (Mead, 2000b). To achieve a similar outcome, other states face more than policy problems. They must improve the overall quality of their government.

Endnotes

[1]This research builds on Dennis Grady (1999). The data files and diagnostic tests of the regression models are available from the author.

[2]A pooled model is impossible because data are unavailable on all terms for all years. A truncated pooled model covering only some terms and years would be imaginable, but then it would be less distinct from the existing literature. It could not make visible the same range of policy influences, which is my point here. I already consider time to some extent by calculating some variables in terms of change over time. There is little reason to think that adding a longitudinal dimension would alter the findings, as the time intervals are short and variation across space clearly dominates variation over time. The fact that my findings do not contradict the more limited findings of the pooled models confirms this. Finally, because my results are strong and robust, I do not need the extra N of a pooled model to find significant effects.

[3]In Wisconsin, Mead (1999) found that counties with better child support enforcement had greater caseload decline, all else equal.

[4]Among economic measures, I tried employment levels and labor force participation rates, but in the end unemployment rates, or their change over time, proved most useful.

[5]With low N, there is also need to balance the dangers of type 1 and type 2 errors, so I used an alpha value of .10, rather than the usual .05, to determine the significance of explainers.

[6]The huge coefficient on case size shows how much caseload change would shift if case size rose by one person, but the range of this variable is only from 2.6 to 3.1. One might argue that case size term is endogenous, but I measure it in 1989, before the welfare boom begins. The alternative was to use the average number of children in female-headed families with own children under 18, from census data. But

this applies to the whole population, not to the low-income stratum most subject to welfare. It is a weaker explainer of caseload change. The two terms correlated at .43.

[7]In this and other models, explainers are positioned by preference at the beginning of the period studied. This minimizes endogeneity, or the chance that the values of terms might be swayed by the caseload fall itself. In some cases, as with unemployment here, I included a change term when the level of the variable in 1994 was nonsignificant. Change in job search is included here only because the job search level in 1991 seemed itself to be endogenous—it had a strong positive sign. To test the independence of change in job search, I instrumented it (using the percentage of AFDC adults judged mandatory for JOBS in 1991 and the percentage of a state's federal JOBS allocation spent in 1991, and changes in both terms over 1991–1994) and reestimated using two-stage least squares (2SLS). Results changed little.

[8]To be sure that the change in JOBS activity term was not endogenous, I instrumented it using the percentage of welfare adults mandatory for JOBS in 1994 and the proportion of their federal JOBS funds that states spent in 1994, and changes in both these terms over 1994–1996, then reestimated using 2SLS. The change in activity term now had a coefficient of –.491 and a significance of .482. I decided to keep the term because little else changed and because it was implausible that the fall in caseloads was driving change in JOBS activity. Since caseload fall ushers the more employable recipients off the rolls first, it should, if anything, cause a decline in JOBS activity. But the mean for the change in activity was 4.5 points, showing that most states were in fact building up JOBS, as the law required them to do. It is thus more plausible that rising activity depressed caseloads than that falling caseloads drove up activity.

[9]Here and below, I reverse variables expressed as ranks so that higher, rather than lower, is better.

[10]Here and below, I have been willing to use measures of governmental quality that are considerably out of date. One reason is simply that I know of no more recent measures. Another is that governmental features are much less volatile than welfare caseloads or even social conditions. They reflect enduring features of a state's political history and culture. Thus, associations which show up with later events, including welfare reform, are probably valid. When I have multiple measures of the same feature, the findings tend to be similar for all, and this confirms my assumption.

[11]The measure for whether a state was moralistic neared significance ($p = .115$) and was negative.

[12]The percentage of caseloads black in 1994 was significant, and positive, when added to the reported model, but that version failed diagnostic terms. The coefficient suggested that each point increase in the black share of caseloads reduced caseload fall by .131 points, a small effect.

[13]The environmental variables might also be seen as indirect, but I adopt the usual view that demographic and economic influences affect dependency mainly by shaping the eligibility of potential applicants for aid or their employability. Thus they belong in the structural model.

[14]In the model for 1989–1994, when I withdrew the reinvention of government term, one case had to be dropped to avoid heteroskedasticity. This made the variables for child support enforcement and the percentage of population on AFDC in 1989 nonsignificant, so they too were dropped. For 1994–1998, when I withdrew legislative effectiveness and individualism, I had to omit a different case to avoid heteroskedasticity, and case size was omitted as nonsignificant. The revised models are available from the author.

[15]In the model in Table 1, policy terms explain 49 percent of the variation by themselves, the environmental terms 53 percent by themselves. But in the model in Table 2, the policy terms account for 64 percent of the variation, the one environmental term only 2 percent.

[16]Since Sharkansky's version of Elazar links those two conceptions, its expected tie to caseload change is unclear. In my results it operates largely as a measure of traditionalism.

[17]The only states whose caseloads did rise in this period were Arkansas, Louisiana, Mississippi, and Wisconsin.

[18]Partisanship is inverse because many Southern states are Democratic yet conservative.

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