

Welfare Reform and New York City's Low-Income Population

Howard Chernick
Hunter College and the Graduate Center
City University of New York
E-mail: Howard.Chernick@hunter.cuny.edu

Cordelia Reimers
Hunter College and the Graduate Center
City University of New York
E-mail: creimers@hunter.cuny.edu

September 2002

This research was supported by a grant from the Institute for Research on Poverty. Preliminary results were presented at the Federal Reserve Bank of New York conference, "Welfare Reform Four Years Later: Progress and Prospects," New York City, November 17, 2000. We thank Swati Desai and our discussants at the Federal Reserve conference, Gary Burtless and Kathryn Edin, for excellent comments. We also thank Makada Henry for research assistance.

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Abstract

To evaluate the initial effects of welfare reform and changes in New York City policies and administrative procedures, we use the Current Population Survey (CPS) to compare receipt of public benefit programs, earnings, and income among vulnerable households, defined as those households with low education or single mothers in 1994–95 and 1997–99. Over this period, the CPS shows a drop in the proportion of New York City households receiving public assistance, from 11.3 percent to 7.9 percent. The proportion getting at least one benefit (public assistance, Food Stamps, Medicaid, or SSI) stayed about the same over the period, mainly because most households losing public assistance retained their Medicaid coverage.

The decline in public assistance receipt was significantly greater among Hispanic households than among blacks. Among Hispanics, the greatest rate of decline was among Puerto Ricans. The proportion of the at-risk population with earnings increased from 62 percent to 70 percent, but the proportion combining public assistance and earnings increased very little. However, among those who remained on the public assistance rolls in 1997–99, the increase was more substantial, with the proportion also receiving earnings going up from 27 to 43 percent. The proportion of at-risk households with earnings rose more for Hispanics (by 12.1 percentage points) than blacks (6.4 percentage points). Among the entire at-risk group, there were significant increases in household earnings, money income, and “comprehensive” income (including the money value of in-kind benefits) for Hispanics (38 percent, 27 percent, and 18 percent, respectively), but none for blacks or non-Hispanic whites and others.

Differences between Hispanics and blacks can be described as “gap-closing,” in that Hispanic rates of welfare receipt, earnings, and income converged on those of blacks. The “pull” of a tighter labor market, together with improvements in Hispanics’ education levels and shifts in family structure (i.e., marriage and doubling up of single mothers), can explain part of this convergence; but the high overall rates of decline in public assistance and the sharp differences between different ethnic groups suggest that administrative “push” has also been an important factor.

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I. INTRODUCTION

The goal of this paper is to evaluate the effects of welfare reform on the economic well-being of low-income families in New York City. To do so, it is important to examine changes in both the social safety net and the earnings and income of vulnerable households and families. For families with low earnings capacity, programs providing cash and/or in-kind assistance may be the source of all or most of the economic resources available, or they may provide vital supplements to earnings. To investigate the extent to which the safety net is still in place in New York City, we use the New York City sample of the Current Population Survey (CPS) to compare program receipt before and after the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. We use the income and earnings data from the CPS to compare economic status.

Cities around the country benefited from the strong economic growth in the 1990s. For the nation as a whole, between 1998 and 1999 the number of central-city residents in poverty fell by 1.8 million and household income of central-city residents, although still substantially lower than in the rest of the country, grew faster than elsewhere (U.S. Census Bureau, 2000). Job growth was particularly strong in New York City in this period, actually surpassing the national rate at the end of the decade. From 1997 to 1999, New York City job growth exceeded 2 percent each year, outperforming any equal span of time during the past three decades. Before the city's economy peaked at the end of 2000, overall 1990s expansion was the strongest on record during the second half of the 20th century (Office of the State Deputy Comptroller, 2002). The expanding New York economy increased demand and possibly wages for low-skilled workers. Increases in the Earned Income Tax Credit (EITC) and the minimum wage also

made work more attractive to low-skilled individuals in recent years, and New York State supplements the national EITC with its own refundable credit.¹

It is difficult to disentangle the effects of welfare reform from the influence of these other factors on welfare receipt and incomes of the vulnerable groups in a single city. Moreover, without longitudinal data, it is not possible to trace the flows between work and benefits programs in detail. We can only observe net changes in program receipt, employment, and income. Our goal in this paper is therefore more modest: to compare public transfer program participation and economic status among New York City households before and after the 1996 welfare reform act. We also investigate the extent to which the economic good news translated into higher earnings and household income for families with low levels of education or with single mothers. For those in the groups that lost public assistance, we ask to what extent earnings replaced the lost income. Did such families do better, worse, or about the same? Were more families able to combine public benefits programs with earnings, and how much did their household income change?²

Although our analysis compares outcomes before and after PRWORA, it should be made clear that because the formal New York State plan for welfare reform did not take effect until 1999, we are evaluating only the initial effects of welfare reform in New York City. Our results primarily reflect the net effect of changes in city administrative policies—characterized as push factors—and the pull of economic growth on the receipt of public assistance.

We find sharp differences between Hispanics and blacks in terms of changes in the rate of public assistance receipt and changes in earnings and income. We use both cross-tabulations and multivariate regressions to explore the role of family structure and education in explaining these differences.

¹The New York State credit was expanded after 1997, so that it now equals 22 percent of the federal EITC.

²For a national analysis along these lines, see Primus et al. (1999).

The plan of the paper is as follows. Section II discusses the changes in welfare law and administrative policy in New York City and their potential effect on public assistance recipients. Section III describes the data source. Section IV addresses the issue of packaging of programs and the extent to which the social safety net has been preserved. Section V considers differences among ethnic groups in changes in public assistance receipt and in related characteristics such as family structure and education. Section VI describes the changes in earnings and income among New Yorkers at risk of needing public assistance, including the value of in-kind benefits such as Food Stamps and Medicaid. The final section summarizes our findings and highlights the most striking results.

II. LEGAL AND ADMINISTRATIVE CHANGES TO PROGRAMS

The major cash programs in the social safety net are Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF)—known in New York as Family Assistance—and Supplemental Security Income (SSI). General Assistance, previously known as Home Relief and now called Safety Net Assistance, has also been very important, particularly in New York City. As we use the terms in this paper, “public assistance” or “welfare” includes both AFDC/TANF and Home Relief/Safety Net Assistance, but not SSI. In New York City a nontrivial number of households get both public assistance and SSI. The major in-kind benefit programs are Food Stamps and Medicaid.

Since the public assistance rolls hit a peak in 1995, the City of New York has been engaged in a vigorous program to reduce the number of public assistance recipients. According to monthly caseload data from the New York City Human Resources Administration (HRA), the number of public assistance recipients—including both Family Assistance and Safety Net Assistance—dropped by 50 percent, from 1,160,593 in March 1995 to 576,723 in May 2000. New York City has one of the largest mandatory workfare programs in the country, with 32,771 cases engaged in the Work Experience Program (WEP) in June 2000.

PRWORA severed the automatic eligibility link between public assistance, Food Stamps, and Medicaid. The entitlement to welfare under the TANF program was ended, with a lifetime limit of 5 years of welfare receipt, and states were given considerable discretion in designing programs that substituted work for cash assistance. In general, the intent of the law was not to reduce eligibility for, or participation in, Food Stamps and Medicaid; in fact, there has been a concerted effort to expand Medicaid participation. The exception to this statement is that the eligibility of noncitizens for the various programs was restricted. This is especially important for New York City because so many of its residents are new immigrants.

Given the changes in the law and the increased administrative hurdles that the city has raised to receiving public assistance, our expectation was that New York City would show a reduction in the number of families getting the full package of programs—public assistance, Food Stamps, and Medicaid. Nationally, the intent of the law was to reduce the receipt of public assistance, with less reduction in Food Stamps and perhaps an expansion in Medicaid coverage. However, Food Stamps might be expected to decline more in New York than nationally because many new immigrants arrived in New York after 1996 and most of them are ineligible for Food Stamps until they become citizens.

The receipt of public assistance depends both on eligibility rules and on the way in which the intake process is administered. The city has tried to rename its welfare offices “job centers,” with a change in goals from determining eligibility in a relatively straightforward way to actively discouraging applicants by “diverting” them into employment. Advocates for the poor have argued that in fact the way diversion works means that applicants are frequently misinformed about their eligibility and are improperly sent away from the welfare office with only minimal help in finding jobs (Sengupta, 2000). Evidence that this type of diversion has been important comes from a sharp rise in the number of applicants who were rejected for public assistance, from 26 percent to 56 percent, and a 77 percent increase between 1993 and 1998 in the number of fair-hearing complaints by applicants who were denied

access to public assistance (City of New York, various years). In the vast majority of these hearings, the city's actions have been overturned and applicants have been declared eligible for public assistance.³

Additional evidence of greater administrative diversion is drawn from the Social Indicators Survey of the Columbia University School of Social Work (Meyers et al., no date), which found that the decline in public assistance receipt was due mainly to a decrease in participation among eligibles rather than a decrease in eligibility.

In response to complaints by advocates, the City of New York has been investigated by the U.S. Department of Agriculture for illegally denying potentially eligible persons the opportunity to apply for Food Stamps, and a federal judge has ordered the city government to cease the conversion of welfare offices into job centers (Welfare Law Center, 2000). These administrative and legal developments suggest that the Food Stamp rolls might be dropping in tandem with (or at an even greater rate than) the public assistance rolls. In contrast, New York City has made active efforts to enroll eligible persons in Medicaid, particularly low-income women during pregnancy and when they enter the hospital to give birth.

III. ACCURACY OF THE CURRENT POPULATION SURVEY

Our data source is the March CPS. To conform to most other studies of welfare receipt, our unit of observation is the household. Because the questions about receipt of most program benefits are asked about the household rather than the person, a household is treated as participating in a particular program if anyone in the household receives benefits from that program. The New York City sample of the March CPS consists of 2,123 households in 1995, 1,579 in 1996, 1,586 in 1998, 1,568 in 1999, and 1,518 in

³From fiscal year 1994 through fiscal year 1997, the percentage of fair-hearing rulings in the client's favor ranged from 85 percent to 91 percent. In fiscal year 1998 the measure was changed, making it impossible to compare with the earlier period. The last statement is based on a communication with Glenn Pasanen, Associate Director of the City Project, on December 13, 2000.

2000. To increase our sample sizes before and after welfare reform, we pooled 1995 and 1996 (“before”) and 1998–2000 (“after”). This gives us 3,702 households in 1995–96, and 4,672 households in 1998–2000. Because the March CPS asks about income and program participation in the previous year, we refer to the “before” period as 1994–95 and the “after” period as 1997–99. Due to the sample rotation pattern in the CPS, there is approximately a 50 percent overlap in our sample for two adjacent years; consequently, the standard errors of our estimates are biased downward. Because we are dealing with the low-income population, we ignore the topcoding of income data in the CPS. We use the March CPS household weights throughout, with Passel’s corrected weights and race codes for 1995 (Passel, 1996).

However, it is well known that the CPS underreports welfare receipt compared with administrative records.⁴ Throughout the late 1980s and early 1990s, estimates of AFDC receipt from the March supplement to the CPS were about four-fifths the number of AFDC cases found in program records nationwide (Bavier, 2000). After 1994, CPS underreporting became more severe, so that by 1998 the CPS estimates were only about two-thirds the actual number of AFDC/TANF cases.

In New York City, the CPS indicates that in 1994–95, on average 326,000 households per year received public assistance in at least one month. In contrast, New York City’s welfare agency, the HRA, reports an average of 472,177 public assistance households for December 1994 and December 1995. The 1997–99 average for the CPS is 236,600. The HRA numbers for December 1997 to December 1999 average 303,254.⁵ The ratio of CPS households to administrative cases goes from 69 percent in the earlier period to 78 percent in the later period. The HRA reports a 35.8 percent decline in the caseload between December 1994–95 and December 1997–98, while the CPS indicates a 27.4 percent decline in

⁴A priori, one might expect the CPS to show a bias toward overreporting because the CPS measure is a measure of “ever received” the program during a year, while the administrative records are point-in-time measures. Because of turnover, the former number is larger than the latter in welfare programs.

⁵HRA counts were prepared for us by the Office of Policy and Program Analysis, Human Resources Administration. The data source is New York City Human Resources Administration (1999), HRA Facts, <<http://www.nyc.gov/html/hra/html/hrafacts.html>>.

households receiving public assistance. Thus, while underreporting of public assistance receipt in the CPS was somewhat greater in New York City than nationally before welfare reform, there was less underreporting in New York than nationally in the later period.

We have no explanation for the decrease in underreporting in the CPS in the later period, although it seems to be related to an increase in reported public assistance receipt by households in 1996.⁶ If caseloads were declining more rapidly in the later period than the earlier period, then we might expect that the end-of-year administrative measure would be smaller relative to the “ever-on” measure in the CPS. However, the rates of caseload decline were very similar between 1994 and 1995 (14.1 percent) and 1997 and 1998 (15.2 percent). Another possibility is that changes in the CPS sampling frame caused the changes. However, experts at the Bureau of Labor Statistics say that the changes in the CPS sample in New York during the period were normal ones that were unlikely to cause a sharp change in reported rates of benefits receipt.^{7, 8}

When we look at the number of persons living in households with at least one public assistance recipient, the CPS shows 1,105,000 in 1994–95 and 884,000 in 1997–98. These numbers are very close to the administrative counts of recipients, which were 1,115,000 in February 1994 and 792,000 in February 1998.⁹ This close correspondence does not mean that the CPS correctly counts all those getting

⁶HRA data show a continuous drop in the number of public assistance cases between 1995 and 2000. The CPS shows a drop in each year except 1996, when public assistance households increased to 12.6 percent of the population from 11.4 percent in 1995.

⁷Communication with Anne Polivka, Bureau of Labor Statistics, November 19, 2000.

⁸One possible explanation for this increase in the reporting of public assistance receipt in the later Current Population Surveys was suggested to us by Kathryn Edin. Changes in the official names of many state welfare programs after PRWORA might be confusing to respondents, and could be expected to reduce reporting rates for public assistance in the CPS. In the case of New York, the name change from AFDC and Home Relief to Family Assistance and Safety Net Assistance may have had the opposite effect of increasing the reporting of these programs in the CPS because the names conform more closely than the previous names to the wording of the CPS question on receipt of public assistance.

⁹The fact that the CPS person count is much closer to the administrative count of persons receiving public assistance, while the CPS household count is between 69 percent and 78 percent of the number of cases, indicates that CPS households reporting welfare receipt typically are larger than caseload units. This reflects the frequency with which public assistance units live with other relatives. The upward bias from counting persons in a household

public assistance. Person-weighting counts every person in the household as getting public assistance. This leads to an overcount of the number of persons, since in some households not all members receive public assistance—for example, child-only cases or cases where the adult gets SSI. Nonetheless, we take it as reassuring that the CPS count of the total number of persons benefiting from public assistance is close to the total number of actual recipients in New York City.

Because the program definition of a Food Stamp household is much closer to the census definition of a household than is the case for public assistance, we expected Food Stamp receipt by households to be reported more accurately than public assistance. The CPS reports 76 percent of the number of Food Stamp households reported by the HRA in the earlier period and 83 percent in the later period.¹⁰ Hence, there is less underreporting of Food Stamps than of public assistance in both periods.

IV. PACKAGING OF PROGRAMS

To examine multiple program receipt, we look at both the overall population and that part of the population at risk of receiving public assistance (AFDC/TANF or General Assistance). Reductions in public assistance receipt may result from people already on the rolls moving off at faster rates or from those in need of public assistance moving onto the rolls at slower rates than before. Because our data do not allow us to follow individuals over time, the best way to capture these dual movements is to select that subset of the population most likely to need public assistance—the “at-risk” group—and compare their receipt of public assistance before and after 1996. “At-risk” households are defined as those that, by virtue of education or family structure, are likely to have low earning capacity. We include all

who are not part of the case unit offsets the underreporting bias.

¹⁰The CPS shows an average of 423,000 Food Stamp households from 1997 to 1999, while the HRA number for the comparable period is 508,196. (New York City Human Resources Administration (1999), HRA Facts, <<http://www.nyc.gov/html/hra/html/hrafacts.html>>.

households whose head is under age 65 and has less than a high school education, plus all female-headed households with children under age 18.¹¹

Figure 1 and Table 1 show the rate of receipt among all households for each of the programs separately. Between 1994–95 and 1997–99 there was a drop in public assistance receipt from 11.3 percent to 7.9 percent of households. Food Stamp receipt also went down, from 17 percent to 14.2 percent. Medicaid receipt remained virtually constant, changing from 25.2 to 25.5 percent. In contrast, SSI receipt increased over the period, from 8.6 percent to 9.1 percent. Among the population at risk of needing public assistance, rates of program receipt are of course much higher (at least two times higher for public assistance, Food Stamps, and Medicaid). However, the pattern of changes in receipt across programs is very similar to that seen for the overall population.

The “any benefit” bars in Figure 2 represent those households that participate in at least one of the four programs. They show that the proportions receiving some benefit stayed about the same over the period. Thus, even with the strong economy and the administrative push to move people off public assistance, we do not find a large drop in the number of households receiving at least some benefit from the social safety net in the immediate aftermath of welfare reform.

The fact that public assistance receipt declined by more than Food Stamp or Medicaid receipt, while the proportion participating in at least one program stayed the same, suggests that some of those who lost public assistance retained other program benefits. To examine this issue directly, we look next at changes in multiple program receipt and the degree of “packaging” of the various public assistance programs.

¹¹A more targeted group at risk for AFDC/TANF would require *both* low education and female headship. It would include only female household heads with children whose mothers lack a high school diploma. However, sample sizes are substantially reduced for this restricted group and are too small for fruitful analysis. Moreover, this would exclude the population at risk for General Assistance. The composition of the at-risk group is discussed further below.

FIGURE 1
Public Benefit Receipt in New York City, 1994-95 & 1997-99

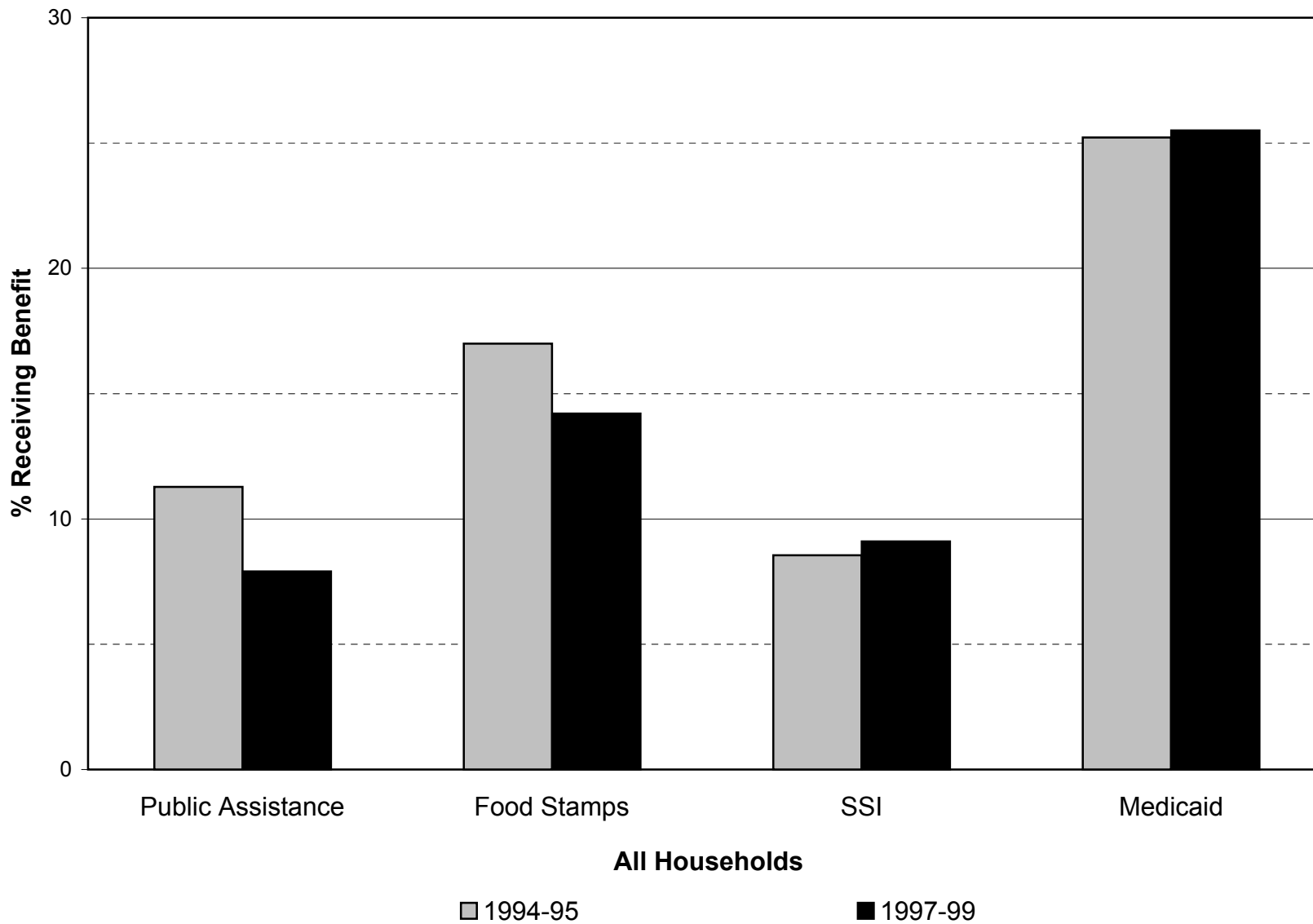


TABLE 1
Receipt of Public Benefits by Households in New York City

	All Households		“At-Risk” Households*	
	1994–95	1997–99	1994–95	1997–99
Percent Receiving:				
Public Assistance (AFDC/TANF or Home Relief/Safety Net Assistance)	11.3	7.9	34.5	25.8
Food Stamps	17.0	14.2	40.9	34.6
Supplemental Security Income (SSI)	8.6	9.1	13.0	13.3
Medicaid	25.2	25.5	52.2	52.7
Housing subsidy	13.5	15.1	26.6	33.5
Sample size	3,702	4,672	1,095	1,320

*Head is a nonelderly high school dropout or a female with children under 18.

FIGURE 2
Receipt of Public Benefits Packages by NYC Households, 1994-95 & 1997-99

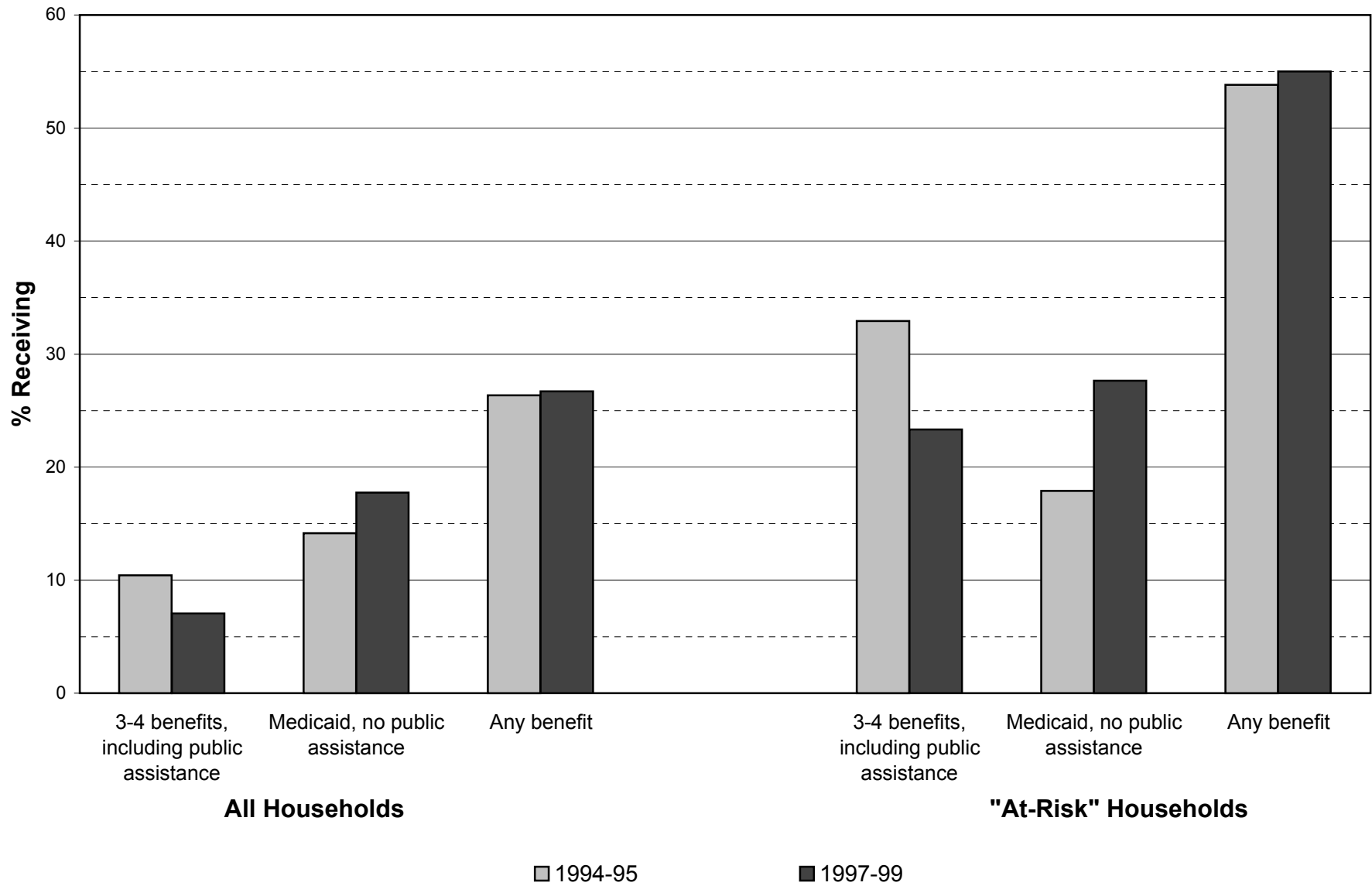


Figure 2 shows multiple program receipt for all households and for those “at risk.” Table 2 shows benefits packaging in more detail and the benefit combinations received by different ethnic groups. Households are grouped according to whether they did or did not get public assistance. The first pair of bars in each half of Figure 2 shows a substantial drop in the proportion getting the full package of public assistance and at least two of the other three programs: Medicaid, Food Stamps, and SSI. Among all households, the drop is from 10.4 percent to 7 percent, while among households at risk the drop is from 32.9 percent to 23.3 percent. This drop closely parallels the decline in public assistance discussed above.

The second pair of bars shows that the proportion getting a package including Medicaid, but not public assistance, goes up by approximately equal amounts, from 14.1 percent to 17.7 percent of all households and from 17.9 percent to 27.6 percent of at-risk households. On its face, this pattern would seem to suggest that most people losing public assistance retained their Medicaid benefits.

However, we also see an increase in the proportion of the population getting SSI. In terms of the overall proportion of the population in the welfare system, this increase at least partially offsets the exit from public assistance. The proportion of at-risk households getting SSI without public assistance increased by 1.7 percentage points, and 100 percent of SSI recipients also get Medicaid. In other work, we have found that this increase in SSI is due almost entirely to an increase in program receipt among elderly noncitizens. Thus the offsetting increase in safety net participation via SSI is among a very different population than those who had been on public assistance.

V. ETHNIC PATTERNS OF DECLINE IN PUBLIC ASSISTANCE

Flows onto and off of public assistance are influenced by economic conditions, the characteristics of individual households, and changes in administrative rules and procedures. For example, the growth in low-skill, low-wage jobs in the New York economy could lead to a more rapid

TABLE 2
Receipt of Public Benefits Packages by Households in NYC

	All Households		"At-Risk" Households*		All Hispanic Households		All Black Non-Hispanic Households		All White & Asian Non-Hispanic Households	
	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99
Percent Receiving:										
All 4 programs	1.5	1.0	4.0	2.9	2.9	2.7	2.2	0.8	0.5	0.4
PA+FS+MC	8.6	5.7	27.7	19.5	20.1	10.6	12.6	10.9	1.7	1.1
PA+MC+SSI	0.3	0.3	1.2	1.0	0.6	0.5	0.8	0.8	0.0	0.0
SSI+FS+MC	3.8	3.9	4.7	4.3	6.7	6.6	4.3	3.4	2.3	2.9
PA+FS	0.2	0.2	0.1	0.6	0.2	0.1	0.3	0.5	0.1	0.0
PA+MC	0.7	0.7	1.4	1.8	1.6	0.9	0.8	1.8	0.2	0.1
SSI+MC	2.9	3.9	3.1	5.2	5.1	6.6	2.9	4.7	2.0	2.3
FS+MC	2.0	2.5	3.0	5.8	3.4	4.1	3.4	4.7	0.8	0.7
PA only	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0
FS only	0.9	1.0	1.4	1.6	1.5	1.5	1.1	1.4	0.6	0.6
MC only	5.4	7.5	7.1	12.4	6.0	12.1	7.4	9.3	4.2	4.7
None	73.6	73.3	46.2	45.0	51.9	54.2	64.2	61.7	87.6	87.1
Total**	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
3-4 programs, including PA	10.4	7.1	32.9	23.3	23.5	13.9	15.6	12.6	2.3	1.5
Medicaid without PA	14.2	17.7	17.9	27.6	21.2	29.4	18.0	22.0	9.3	10.6
Any program	26.4	26.7	53.8	55.0	48.1	45.8	35.8	38.3	12.4	12.9
Sample size	3,702	4,672	1,095	1,320	1,255	1,632	727	899	1,720	2,141

* Head is a nonelderly high school dropout or a female with children under 18.

** Totals may not add to 100 percent due to rounding.

PA = AFDC/TANF or Home Relief/Safety Net Assistance

FS = Food Stamps

MC = Medicaid

SSI = Supplemental Security Income

reduction in the probability of being on public assistance for those with less education. More stringent administrative procedures could impose a higher hurdle for those who are not fluent in English.

To investigate the question of which groups are more likely to have left public assistance, we first focus on ethnicity. We divide the population into three groups—black non-Hispanics, Hispanics, and all others (including non-Hispanic whites, Asians, and Native Americans)¹²—and, in section A, look at changes in the rate of receipt of public assistance. The Hispanic population is further subdivided by citizenship status and Puerto Rican or other origin. Next, we explore possible reasons for different rates of decline across ethnic groups. We first, in section B, decompose the change in rate of receipt for each group into movement between the at-risk and not-at-risk categories and changes in welfare participation within risk category. We next decompose the at-risk group into three subgroups—single mothers with a high school degree, single mothers without a high school degree, and other high school dropouts. We look, in section C, at changes in the shares and rates of welfare participation for each of these subcategories in the different ethnic groups. Next we focus on movements between the at-risk and not-at-risk groups, looking at possible reasons why Hispanics moved out of the at-risk category between the earlier and later periods while blacks became more likely to be at risk. Movement out of the at-risk category could result from marriage, a change in living arrangements, or obtaining a high school diploma. Section D looks at changes in family structure and living arrangements, while section E looks at changes in education. Finally, in section F we present a multivariate analysis of changes in receipt of public assistance, which allows us simultaneously to control for a number of demographic characteristics.

¹²Throughout this paper, for the sake of brevity we use “whites” to refer to non-Hispanic whites and “blacks” to refer to non-Hispanic blacks. The group “whites and Asians” also includes Pacific Islanders, American Indians, Aleuts, and Eskimos.

A. Welfare Receipt by Ethnic Group

Figure 3 and Table 3 show the change in the proportion of households receiving public assistance (AFDC/TANF and Home Relief/Safety Net Assistance) between 1994–95 and 1997–99. What stands out is the large drop in the rate of receipt among Hispanics (10.6 percentage points) as compared to blacks (only 1.7 percentage points). In 1994–95, the rate of public assistance receipt was 9 percentage points higher among Hispanic households than among blacks, yet just 4 years later the rates were the same. The difference between the rates of decline for Hispanics and blacks is easily significant at the 1 percent level. The percentage point decline among whites and Asians was also small. However, because the white and Asian population is large, the decline still represents a substantial number of persons. The percentage drop was 42 percent among Hispanics, 32 percent among non-Hispanic whites and Asians, but only 10 percent among blacks.

We next ask whether the drop among Hispanics was similar for all Hispanics or affected only certain groups of Hispanics. In Figure 4 and Table 3, we divide Hispanics into Puerto Ricans (whether born in the mainland United States or in Puerto Rico), other Hispanic citizens, and other Hispanic noncitizens. The figure and table show that the decline was substantial among all groups of Hispanics, but that the biggest drop (44 percent) occurred among Puerto Ricans.

Given the greater rate of decline in public assistance for Hispanics, it is also of interest to see whether the change in the packaging of benefits differs for this group. Figure 5 and Table 2 show for Hispanics the grouping of programs according to public assistance receipt, Medicaid receipt, and any benefit. The pattern is similar to that seen for all groups in Figure 2, but the changes are greater. There is a bigger drop in the proportion with three or four benefits, including public assistance, and a bigger increase in the proportion getting Medicaid, but no public assistance. The only substantive difference between Hispanics and the overall population is that there is a slight increase (2.3 percentage points) in the proportion of Hispanic households getting no benefits.

FIGURE 3
Receipt of Public Assistance by NYC Households, 1994-95 & 1997-99

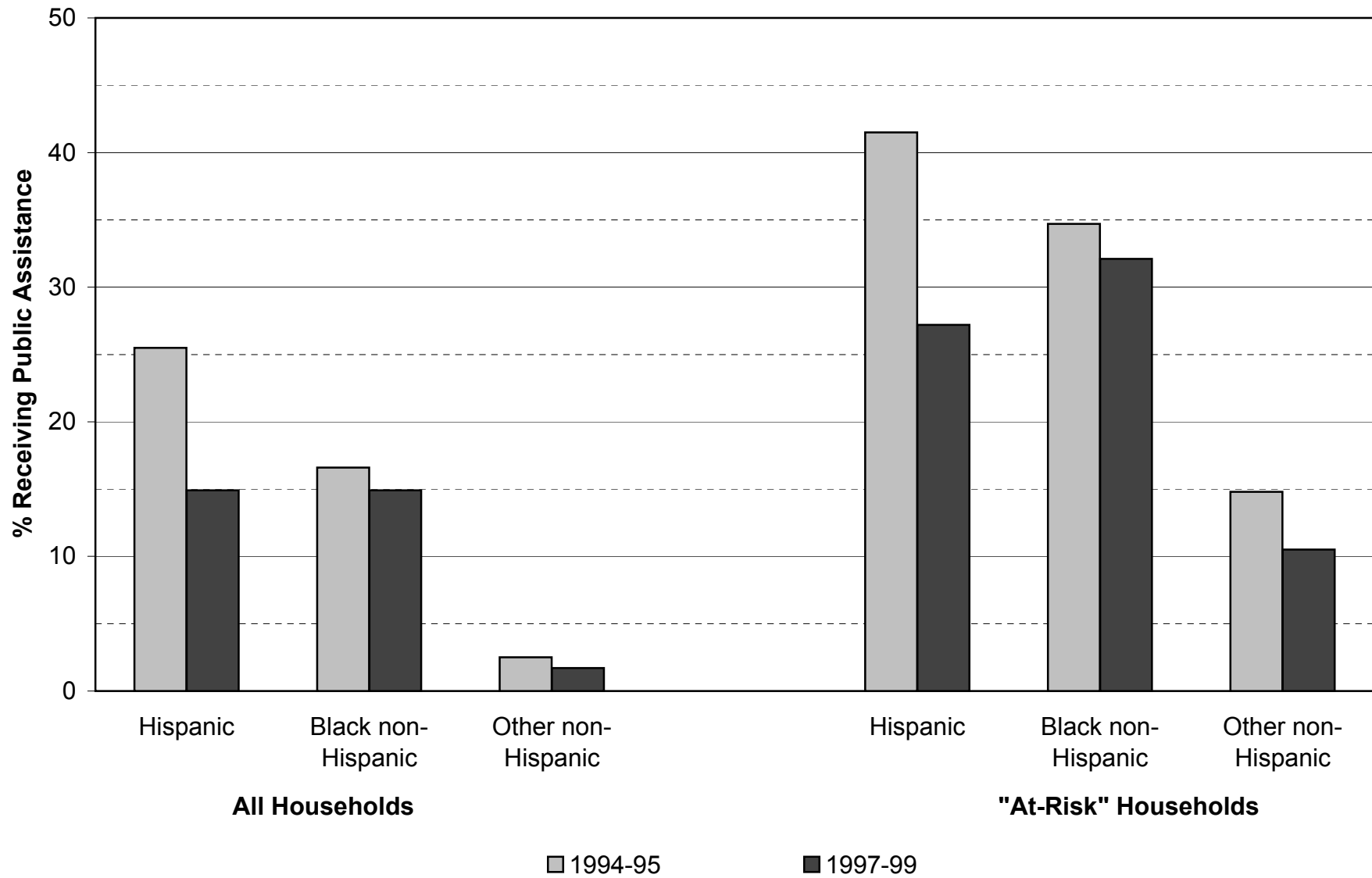


TABLE 3
Receipt of Public Assistance by Households in NYC
(AFDC/TANF or Home Relief/Safety Net Assistance)

	Percentage Receiving Public Assistance and Sample Size			
	All Households		“At-Risk” Households*	
	1994–95	1997–99	1994–95	1997–99
Total				
Percent	11.3	7.9	34.5	25.8
Sample size	3,702	4,672	1,095	1,320
Hispanics				
Percent	25.5	14.9	41.5	27.2
Sample size	1,255	1,632	685	791
Puerto Ricans				
Percent	29.4	16.4	47.6	30.6
Sample size	593	686	324	330
Other Hispanic citizens				
Percent	15.8	10.9	36.3	26.4
Sample size	216	421	77	159
Other Hispanic noncitizens				
Percent	24.8	16.2	35.9	24.0
Sample size	446	525	284	302
Black Non-Hispanics				
Percent	16.6	14.9	34.7	32.1
Sample size	727	899	261	333
White and Asian Non-Hispanics				
Percent	2.5	1.7	14.8	10.5
Sample size	1,720	2,141	149	196

*Head is a nonelderly high school dropout or a female with children under 18.

FIGURE 4
Receipt of Public Assistance by NYC Hispanics, 1994-95 & 1997-99

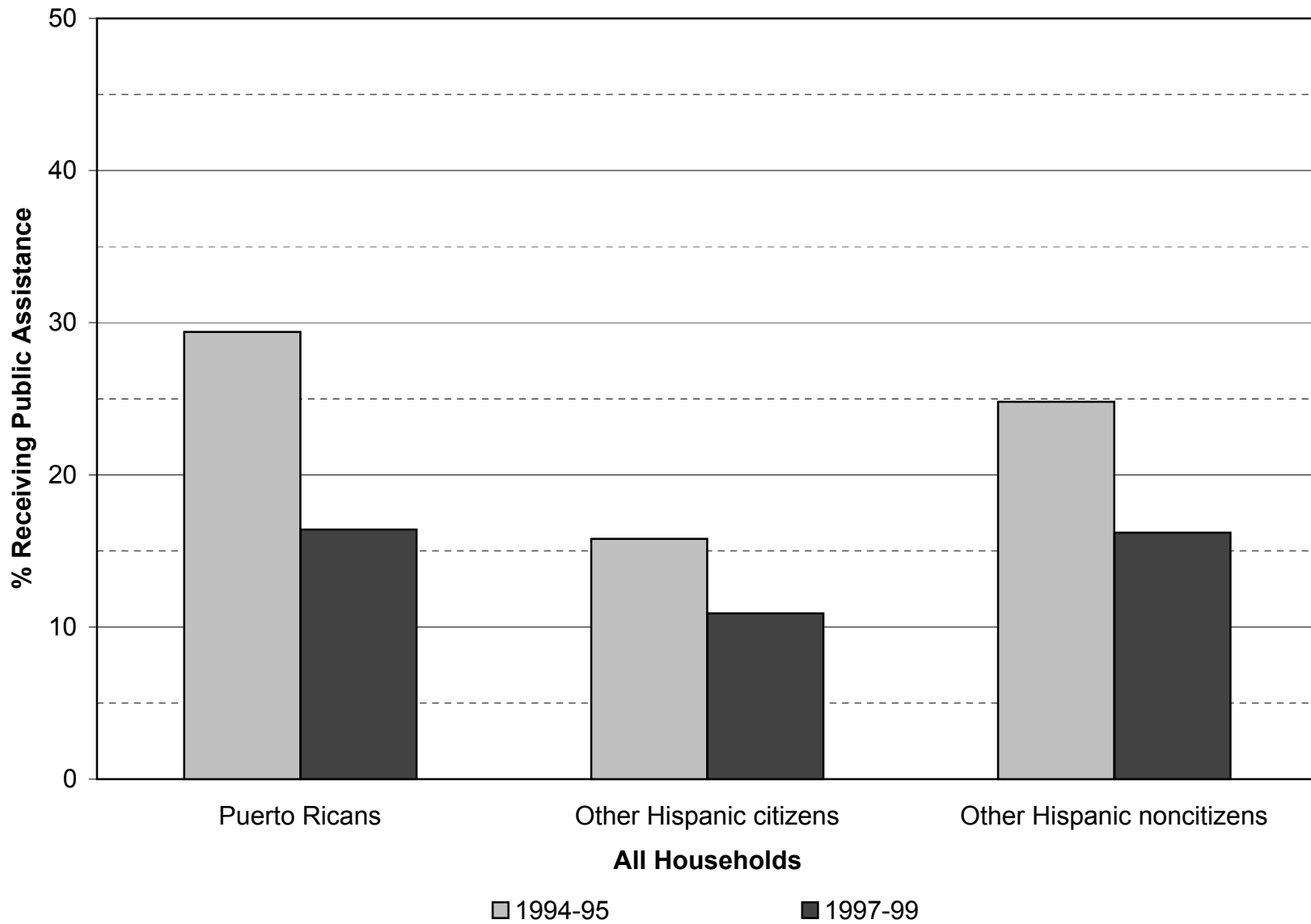
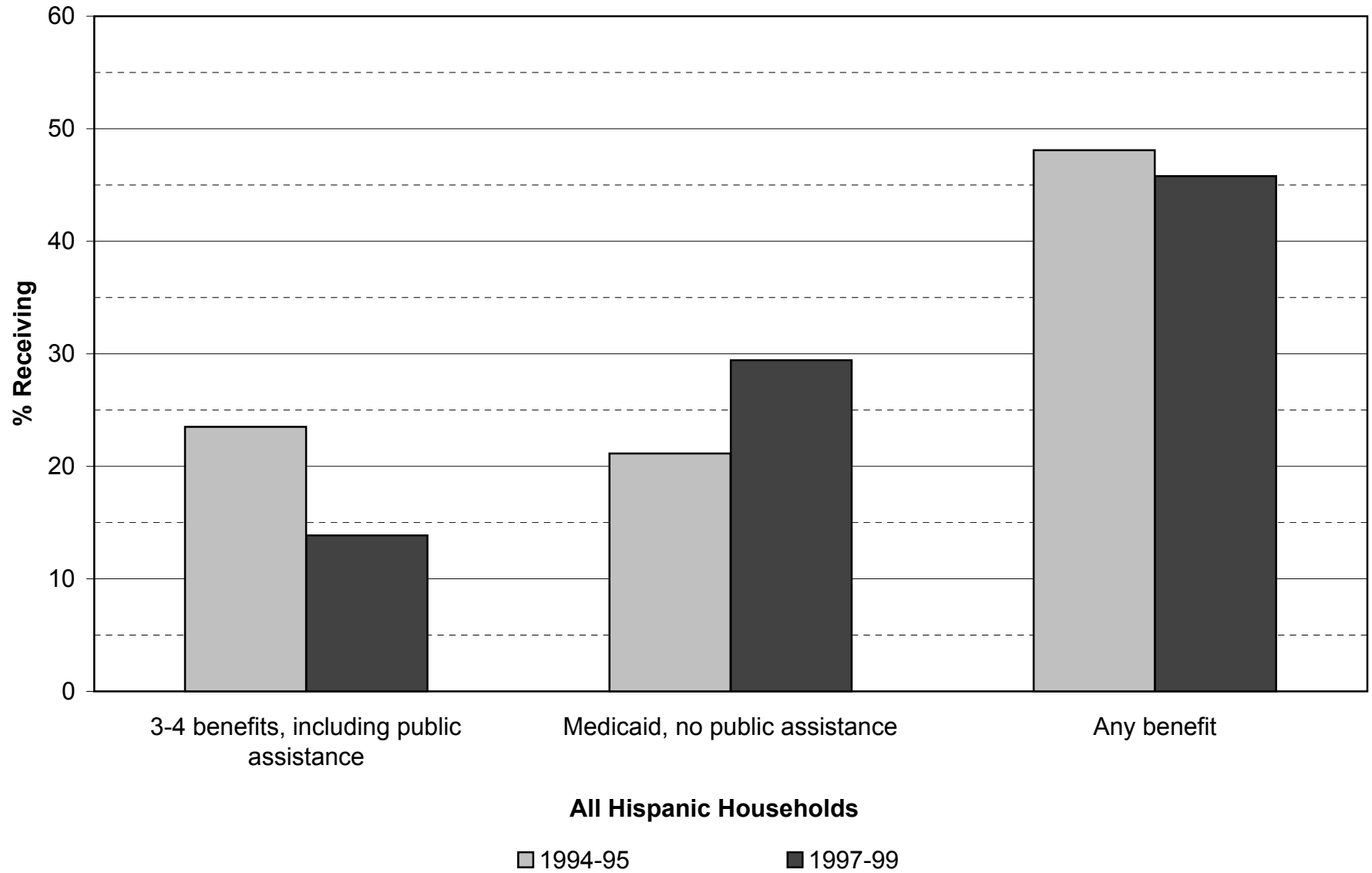


FIGURE 5
Receipt of Public Benefits Packages by NYC Hispanics, 1994-95 & 1997-99



What explains the relatively large drop in rates of public assistance receipt among Hispanics compared with blacks? The greater decline could result from greater improvement in labor market opportunities or from changes in the characteristics of households that put them at lower risk of receiving welfare, such as a greater decline in the proportion of female-headed families. Faster decline could also be due to increased administrative barriers making it relatively more difficult for Hispanics to navigate the welfare bureaucracy.

B. Share of Households at Risk and Welfare Receipt Within Risk Group

To explore the reasons for the differential rates of decline in public assistance receipt shown in Figure 3, it is useful to decompose the decrease into two parts—movement out of (or into) the at-risk category and changes in the participation rate among those at risk. The second row of Table 4 shows the change in rates of receipt due to a shift between at-risk and not-at-risk, holding the reciprocity rate within each category constant at its 1994–95 level. The results show that for Hispanics the proportion at risk went down while it actually increased for blacks. If the reciprocity rate within each category had not changed, the movement into the at-risk category would have increased the black reciprocity rate by 0.6 of a percentage point, while the movement out of the at-risk category decreased the rate for Hispanics overall by 2.6 percentage points and for Puerto Ricans alone by 3.2 percentage points. Thus for Hispanics, about a quarter of the decline in public assistance was due to a shift out of the at-risk category.

The fourth row of Table 4 shows the rate of decline in receipt of public assistance due to a declining reciprocity rate among those in each risk category, if the percentage at risk had remained constant. The decline within each risk group was over four times as large for Hispanics as for blacks, 8.9 percentage points versus 2.2 percentage points. The decline in reciprocity rates within risk category accounts for 84 percent of the overall drop in public assistance rates for Hispanics. Among blacks, however, the decrease within risk group was greater than the overall decline in public assistance receipt (132 percent), because that decrease was offset by movement into the at-risk category.

TABLE 4
Decomposition of Change in Rates of Public Assistance Receipt by Households in NYC

	Black Non-Hispanics	Hispanics	Puerto Ricans	Other Hispanic Citizens	Hispanic Noncitizens
Actual change in percent on public assistance (percentage points)	-1.7	-10.6	-13.0	-4.9	-8.7
Change due to change in percent at risk*, if percent receiving PA within risk group had remained constant (percentage points)	0.6	-2.6	-3.2	0.8	-2.4
Percentage of total change (%)	-32.2	24.3	24.7	-17.0	27.3
Change due to change in percent receiving public assistance within risk group, if percent at risk* had remained constant (percentage points)	-2.2	-8.9	-10.9	-5.5	-7.3
Percentage of total change (%)	131.6	83.9	83.6	113.4	84.2

*Head is a nonelderly high school dropout or a female with children under 18.

C. Composition of the At-Risk Group; Welfare Receipt by Subgroup

Changes in rates of public assistance receipt may result from changes in the composition of the at-risk population itself. If there were sharp changes in composition, such as a decrease in the proportion of households at risk of welfare receipt because they were headed by single mothers, it would suggest that marriage and doubling up played an important role in reducing the need for public assistance. If the proportion of the at-risk group with less than a high school education fell, it would suggest that improvements in education played an important role.

An examination of the composition of the at-risk group, shown in Table 5, reveals that among Puerto Ricans and other Hispanics, the proportion who were single mothers with low education, the most vulnerable part of the at-risk population, fell slightly. Among at-risk blacks, however, the share who were single mothers with low education rose, as did the share of other dropouts. Although the movements were not large, their directions are consistent with the sharply differential rates of decline of public assistance receipt between Hispanics and blacks.

We next look at rates of welfare receipt among the three components of the at-risk group: single mothers with and without a high school education and other high school dropouts. Table 6 shows that among blacks, the rates of receipt actually increased among all dropouts, both those who were single mothers and those who were not. Only for single mothers with at least a high school diploma was there a decrease in welfare receipt, by about 8 percentage points.

Among Puerto Ricans and other Hispanics, in contrast, the rate of decline in welfare receipt was very substantial among single mothers regardless of education level—more than 20 percentage points. The convergence between Puerto Ricans and blacks is notable. Prior to welfare reform, the rate of receipt among Puerto Rican single mothers was extraordinarily high, particularly for high school dropouts. Nearly all of this group (82 percent) received public assistance. By the later period, their rate of public

TABLE 5
Composition of “At-Risk” Households* in NYC

	Percent Headed by					
	Single Mothers				Other	
	High School Graduates		High School Dropouts		High School Dropouts	
	1994–95	1997–99	1994–95	1997–99	1994–95	1997–99
Puerto Ricans	22.0	23.8	19.6	18.0	58.3	58.3
Other Hispanics	16.7	19.9	24.5	22.9	58.8	57.2
Black Non-Hispanics	47.6	43.1	16.0	17.9	36.4	39.0
White and Asian Non-Hispanics	32.6	25.4	4.3	9.2	63.2	65.4

*Head is a nonelderly high school dropout or a female with children under 18.

TABLE 6
Receipt of Public Assistance by Households in NYC within Detailed Risk Category

	Percent Receiving Public Assistance and Sample Size of Households Headed by							
	Single Mothers				Other		Not "At-Risk"	
	High School Graduates		High School Dropouts		High School Dropouts			
	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99
Puerto Ricans								
Percent	54.7	29.9	82.4	61.4	34.5	22.8	8.0	4.4
Sample size	72	75	63	58	175	176	283	377
Other Hispanics								
Percent	57.3	36.1	73.8	45.5	13.7	12.3	7.1	4.7
Sample size	60	85	84	98	194	253	324	510
Black Non-Hispanics								
Percent	37.4	29.5	59.9	65.7	19.2	20.4	8.0	5.8
Sample size	107	123	36	51	90	118	494	607
White and Asian Non-Hispanics								
Percent	13.8	13.0	75.3	44.4	11.0	6.1	1.5	0.8
Sample size	45	45	6	16	87	118	1582	1962

assistance receipt, while still high at 61 percent, was slightly below the rate for black single mothers who did not finish high school.

Thus for blacks the composition of the at-risk group shifted toward the most vulnerable subgroup, and among this subgroup the rate of welfare receipt actually increased. In contrast, for Hispanics the composition of the at-risk group shifted away from the most vulnerable, while at the same time the rate of welfare receipt declined sharply among them.

D. Changes in Family Structure

Movement out of the group of at-risk household heads could result either from getting a high school diploma or from a change in living arrangements—marriage or doubling up. In the latter case, a single mother or high school dropout would now be living with a friend or relative, but would no longer be counted as the head of the household. In this section we examine changes in family structure; educational attainment is examined in section E.

Table 7 shows the marital status and presence of children for women aged 15 to 64 and household headship of single mothers. There were virtually no changes in the fraction of women who had children under 18. Focusing on those with children, we find that for blacks, there was a slight increase in the percentage who were single and thus no evidence of a shift toward marriage. However, the proportion of Puerto Rican mothers who were married went up by almost 7 percentage points, from 36.8 to 43.6 percent.¹³ We see basically no change for other Hispanics.

For evidence of doubling up, we look at the percentage of single mothers who were not household heads in each period. An increase in this percentage is evidence of their moving in with someone without getting married. The results are shown in the last two columns of Table 7. For blacks,

¹³This change can be calculated from Table 7 by comparing the share of married mothers in the total of all mothers, before and after 1996. For example, for Puerto Ricans in 1994–95 this share is $[15.7/(15.7 + 26.9)] = 0.368$.

TABLE 7
Presence of Children, Marital Status, and Household Headship of Females Aged 15–64 in NYC

	Percent of Females Aged 15–64							
	No Children under 18		Married Mothers		Single Mothers		Percent of Single Mothers Who Are NOT Heads of Households	
	1994–95	1997–99	1994–95	1997–99	1994–95	1997–99	1994–95	1997–99
Puerto Ricans	57.4	57.3	15.7	18.7	26.9	24.1	10.6	17.1
Other Hispanics	54.5	55.1	24.0	23.7	21.5	21.2	12.5	19.8
Black Non-Hispanics	62.6	62.2	13.4	12.8	24.1	25.0	14.0	16.2
White and Asian Non-Hispanics	71.1	71.0	24.4	24.4	4.5	4.6	9.6	15.6

this percentage increased by about 2 points. For Hispanics, the evidence of doubling up is stronger; the increase is 6.5 percentage points for Puerto Ricans and more than 7 percentage points for other Hispanics. Hispanic single mothers had been less likely to double up than blacks before welfare reform but were more likely to do so in the later period. Thus among Puerto Ricans, both marriage and doubling up by single mothers reduced the size of the group at risk. For other Hispanics, doubling up but not marriage was a factor. For blacks, there is no evidence that marriage reduced the at-risk group, and the doubling up that did occur was small in magnitude relative to Hispanics.

E. Changes in Educational Attainment

In addition to changes in marital status and living arrangements, changes in educational attainment may also change a group's need for public assistance. We look first at changes in the percentages of household heads who were high school dropouts (Table 8). Among black household heads under age 65, the share without a high school degree increased by 2.4 percentage points. In contrast, among Puerto Ricans and other Hispanics the proportion without a high school degree fell by about 7 percentage points. Therefore the share of households that were at risk grew for blacks but declined for Hispanics.

To probe the changes in educational attainment further, we also examine changes in years of school completed for all persons aged 16–64 in each ethnic group, not just household heads. Table 9 shows that among blacks and other non-Hispanics, average educational attainment was virtually unchanged over the period. However, among Hispanics, average years of school completed went up by 0.3–0.4 years. Although Hispanics still lagged blacks by more than a year of schooling, the narrowing of the gap in educational attainment between Hispanics and blacks may help explain the convergence in rates of public assistance receipt.

Within the most vulnerable category—single mothers who had not completed high school—average educational attainment actually fell for blacks, while it increased for Hispanics (Table

TABLE 8
Proportion “At-Risk” of Total Households in NYC, by Reason

	Percent Headed by							
	Single Mothers				Other		Total “At-Risk”	
	High School Graduates		High School Dropouts		High School Dropouts			
	1994–95	1997–99	1994–95	1997–99	1994–95	1997–99	1994–95	1997–99
Total	9.3	8.8	5.3	5.2	11.7	11.2	26.3	25.2
Hispanics	12.6	12.3	14.3	11.9	28.2	23.7	55.1	47.9
Puerto Ricans	13.6	13.4	14.0	10.3	27.7	23.7	55.3	47.4
Other Hispanics	11.6	11.6	14.7	13.0	28.6	23.7	54.9	48.3
Black Non-Hispanics	19.2	18.8	6.8	7.6	10.5	12.1	36.5	38.5
White and Asian Non-Hispanics	3.2	2.9	0.7	0.9	4.9	5.4	8.8	9.2

TABLE 9
Educational Attainment of Persons in NYC within Detailed Risk Category

	Average Years of School Completed by							
	All Persons		Single Mothers				Other	
			High School Graduates		High School Dropouts		High School Dropouts	
	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99	1994-95	1997-99
Puerto Ricans	11.1	11.4	13.2	13.3	8.6	9.5	8.7	8.3
Other Hispanics	10.7	11.1	12.9	13.4	7.8	8.4	7.6	7.5
Black Non-Hispanics	12.5	12.5	13.1	13.6	10.3	10.1	9.5	9
White and Asian Non-Hispanics	13.8	13.9	13.8	14.5	8.5	9.1	8.5	8.4

9). Hispanic single mothers who were household heads became more likely to be high school graduates, too, whereas blacks became more likely to be dropouts (see Table 5). This suggests that Hispanic single mothers may have moved off of public assistance in part because their higher educational levels made them more competitive in the job market than they were in the earlier period. Among black single mothers who had dropped out of high school, vulnerability may have increased due to their decline in educational attainment. This increased vulnerability is reflected in the increased rate of public assistance receipt among this group (see Table 6). In contrast, black single mothers who had completed high school showed an increase in educational attainment and a drop in their rate of public assistance receipt.

If an expanding job market provides jobs first to those public assistance recipients with more education, we can roughly identify the “pull” factor in reducing public assistance receipt with a greater rate of decline in receipt among those with more education. In contrast, a larger reduction in the rate of receipt among those most at risk—single mothers with low educational levels—is more likely to reflect the push of more stringent administrative procedures. By this criterion, there is some evidence of a “pull” factor for blacks—an 8 percentage point drop in welfare receipt among single mothers with at least a high school diploma—but no evidence that increased administrative stringency was pushing blacks off of public assistance. To the extent that such a “push” factor was at work, it appears to have been offset by an increase in the size of the most vulnerable segment of the population, and within that population by a deterioration in average educational levels.

In contrast to the situation with blacks, there are strong indications that both “push” and “pull” factors were at work for Hispanics. This is reflected in sharp drops in receipt for all groups of Puerto Ricans, and equally sharp reductions among other Hispanic single mothers. Among Hispanics, the “push” factor, which may have been stronger than for blacks because of language barriers, was reinforced by an improvement in the underlying characteristics which lead to movements off of welfare, particularly education.

Among those not at risk, both blacks and Hispanics showed a decline in rates of public assistance receipt (see Table 6). The percentage point decline was largest for Puerto Ricans (3.6 points) and about equal for other Hispanics (2.4 points) and blacks (2.2 points). Thus decline is greatest among Puerto Ricans whatever the risk category, whereas for blacks the differential behavior of those in the various at-risk groups, plus the movement into the at-risk category, contributed to the very small change in public assistance receipt.

F. Multivariate Analysis

To determine whether the greater decline in receipt rates among Hispanics remains statistically significant when we control for other factors that affect the probability of welfare receipt, we estimated a set of linear probability models of public assistance receipt. These models include ethnicity and the change in the probability of receipt from 1994–95 to 1997–99 for each ethnic group, plus various combinations of demographic controls. In some models, the effect of the controls is allowed to vary over time. The demographic controls are dummy variables for female headship, presence of children under age 18, whether the household head is under age 65, whether he or she lacks a high school diploma, and whether he or she is a citizen.¹⁴

The change from 1994–95 to 1997–99 for white and Asian non-Hispanics, and the changes for blacks and Hispanics relative to whites and Asians, are summarized in Table 10. The t-statistic offers a statistical test of whether the drop in public assistance receipt is significantly greater among blacks or Hispanics than these others.

¹⁴The most inclusive specification of Model 1, shown in column 9 of Table 10, is $Prob(PA\ receipt) = constant + \beta_1 (Yr9799) + \beta_2 (Black) + \beta_3 (Black*Yr9799) + \beta_4 (Hispanic) + \beta_5 (Hispanic*Yr9799) + \beta_6 (singlemom) + \beta_7 (singlemom*Yr9799) + \beta_8 (dropoutLT65) + \beta_9 (dropoutLT65*Yr9799) + \beta_{10} (noncitizen) + \beta_{11} (noncitizen*Yr9799) + error$. Model 2 breaks up each “Hispanic” term into three separate terms: Puerto Rican, other Hispanic citizen, and Hispanic noncitizen. The specifications in column 1 include only the terms identifying ethnicity and year. The specifications in columns 2–8 also include various subsets of the variables labeled “controls” in Table 10.

TABLE 10
Linear Probability Models of Public Assistance Receipt, by Ethnicity, Citizenship, and Period (period 2=1997–99)
(difference in differences relative to white & Asian non-Hispanics or citizens, with various controls)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Model 1 (all Hispanics; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	-0.009	-0.008	-0.012	-0.011	-0.011	0.015	0.003	0.015	0.014
t-statistic	1.76	1.65	2.44	2.17	2.20	1.88	0.29	1.31	1.22
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-0.009	-0.008	-0.008	-0.007	-0.007	0.009	-0.005	0.009	0.011
t-statistic	0.44	0.41	0.41	0.40	0.37	0.52	0.29	0.53	0.61
Hispanics	-0.097	-0.092	-0.086	-0.082	-0.083	-0.073	-0.082	-0.064	-0.066
t-statistic	5.96	6.00	5.37	5.46	5.49	4.73	4.75	3.93	4.00
<u>Model 2 (Hispanics by citizenship; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	-0.009	-0.008	-0.012	-0.011	—	0.014	0.002	0.014	—
t-statistic	1.76	1.65	2.44	2.16		1.84	0.20	1.23	
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-0.009	-0.008	-0.008	-0.007	—	0.009	-0.006	0.009	—
t-statistic	0.44	0.41	0.41	0.40		0.50	0.30	0.52	
Puerto Ricans	-0.122	-0.111	-0.109	-0.101	—	-0.095	-0.107	-0.086	—
t-statistic	4.97	4.83	4.61	4.54		4.13	4.35	3.74	
Other Hispanic citizens	-0.040	-0.049	-0.037	-0.044	—	-0.032	-0.035	-0.028	—
t-statistic	1.27	1.66	1.20	1.50		1.10	1.12	0.96	
Hispanic noncitizens	-0.078	-0.073	-0.069	-0.065	—	-0.050	-0.065	-0.044	—
t-statistic	2.90	2.92	2.58	2.64		2.00	2.29	1.66	
Controls									
Female head, children under 18	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes
Dropout, nonelderly	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Noncitizen	No	No	No	No	Yes	No	No	No	Yes
Interactions of controls & year	No	No	No	No	No	Yes	Yes	Yes	Yes

Model 1 corresponds to the division of households into whites and Asians, blacks, and Hispanics, as in Figure 3. The results indicate that the greater decline in receipt among Hispanics remains statistically significant under all specifications. Without any controls, the decline is 9.7 percentage points greater for Hispanics than for whites (column 1). Including the full set of controls and allowing their effects to vary over time reduces this difference to 6.6 percentage points (column 9). Allowing the effect of family structure to vary over time (i.e., interacting controls and year) has a greater impact on the probability of welfare receipt for Hispanics than allowing age and education to vary over time (compare column 8 with columns 6 and 7). This is because female-headed households with children experienced an above-average decline in welfare receipt after 1995, and Hispanics are more likely than whites and Asians in New York City to be single mothers.

The regression shows a much smaller change in the rate of welfare receipt among blacks. There is no significant difference between blacks and whites (and Asians), regardless of specification. For both blacks and whites and Asians, the change in welfare receipt becomes positive when the effect of family structure is allowed to vary over time (columns 6, 8, and 9).

Among whites and Asians, the decline is at or close to statistical significance until the effect of age and education is allowed to vary over time. When simple controls for the household head's age and education are included, the decline for whites and Asians becomes significant at the 5 percent level. However, when we allow the effect of age and education to vary over time, the change for whites and Asians is always insignificant. This last result indicates that the change in the effect of the household head's age and education on the probability of household welfare receipt completely explains the change in the rate of receipt by whites and Asians.

Model 2, like Figure 4, divides the Hispanic group into Puerto Ricans, other Hispanic citizens, and Hispanic noncitizens. As expected, the results for whites and Asians and blacks are unchanged from Model 1. Among Hispanics, Puerto Ricans show the greatest drop in welfare receipt, regardless of

specification. The differential rate of decline for Puerto Ricans is reduced from 12.2 to 8.6 percentage points by the full set of controls in column 8. For other Hispanic citizens, the decline between 1994–95 and 1997–99 is not significantly greater than for whites and Asians. For noncitizen Hispanics, however, the decline is significantly greater than for whites and Asians in all specifications. When we allow the effect of family structure to vary over time (columns 6 and 8), the decline for noncitizen Hispanics is only half as great as the decline for Puerto Ricans.

The multivariate analysis thus reinforces the conclusion that the “push” effects of greater administrative stringency in determining eligibility for public assistance had a particularly strong effect on Hispanics. The significantly greater reductions among Hispanic noncitizens could be related to the perceived anti-immigrant features of welfare reform. However, why Puerto Ricans moved off the public assistance rolls so rapidly, even after taking account of changes in their demographic characteristics, remains a puzzle.

VI. EARNINGS AND INCOME OF LOW-INCOME NEW YORKERS

Section IV showed that many, but not all, of those who had been on welfare apparently continued to participate in other benefits programs, particularly Medicaid. In section V we found a particularly sharp drop in public assistance among Hispanics. We now turn to the broader question of how New Yorkers with low household earnings capacity fared after welfare reform. For households with low education levels or headed by a female, how did the mix of income sources shift between public assistance and earnings, and how did the levels of earnings and income change? Given the differential decline in public assistance for blacks, Hispanics, and whites, were the changes in household income different for these groups?

Another question focuses on public assistance recipients. An improving job climate in New York City and increased sanctions for not working might be expected to increase the proportion of public

assistance recipients who combine cash assistance and earnings. Were those who were still on public assistance in 1997–99 more likely to combine cash assistance and earnings than in 1994–95?

A. Combining Public Assistance and Earnings

Along with a number of other states, New York has raised the earnings disregard and lowered the benefit reduction rate for TANF recipients with earnings (New York State Office of Temporary and Disability Assistance, 2000; Giannarelli and Wiseman, 2000). Eventually, these changes should lead to an increase in the proportion of public assistance cases that also receive earnings. However, the changes in the disregard and the benefit reduction rate did not take effect until November 1999. Hence, they should have very little impact on the changes in the likelihood of combining cash assistance and earnings between 1994–95 and 1997–99.

We note at the outset that the March CPS asks whether anyone in a household received public assistance or earnings in any month during the previous year, but it does not tell us whether the two were received at the same time. Those reporting both public assistance and earnings may have received them at different times during the year.

Figure 6 and Table 11 show the mixing of income sources for at-risk households for blacks and Hispanics separately. Whites and others are excluded because the sample size is small and because the patterns are very close to those for Hispanics. Overall, the increase in the proportion of the at-risk population that gets both public assistance and earnings is small, between 9 percent and 10.5 percent. As shown in the chart, there was a substantially bigger drop among Hispanics than blacks in the proportion getting only public assistance: 14.2 percentage points versus 8.1 percentage points. What stands out is the difference in where those leaving the “just public assistance” category go. Among blacks, most apparently wind up getting both public assistance and earnings. The increase in the percentage getting both public assistance and earnings is two thirds of the decrease in public assistance alone. In contrast, for Hispanics the proportion getting income from both earnings and public assistance does not change,

FIGURE 6
Welfare & Earnings Receipt by "At-Risk" Households, 1994-95 & 1997-98

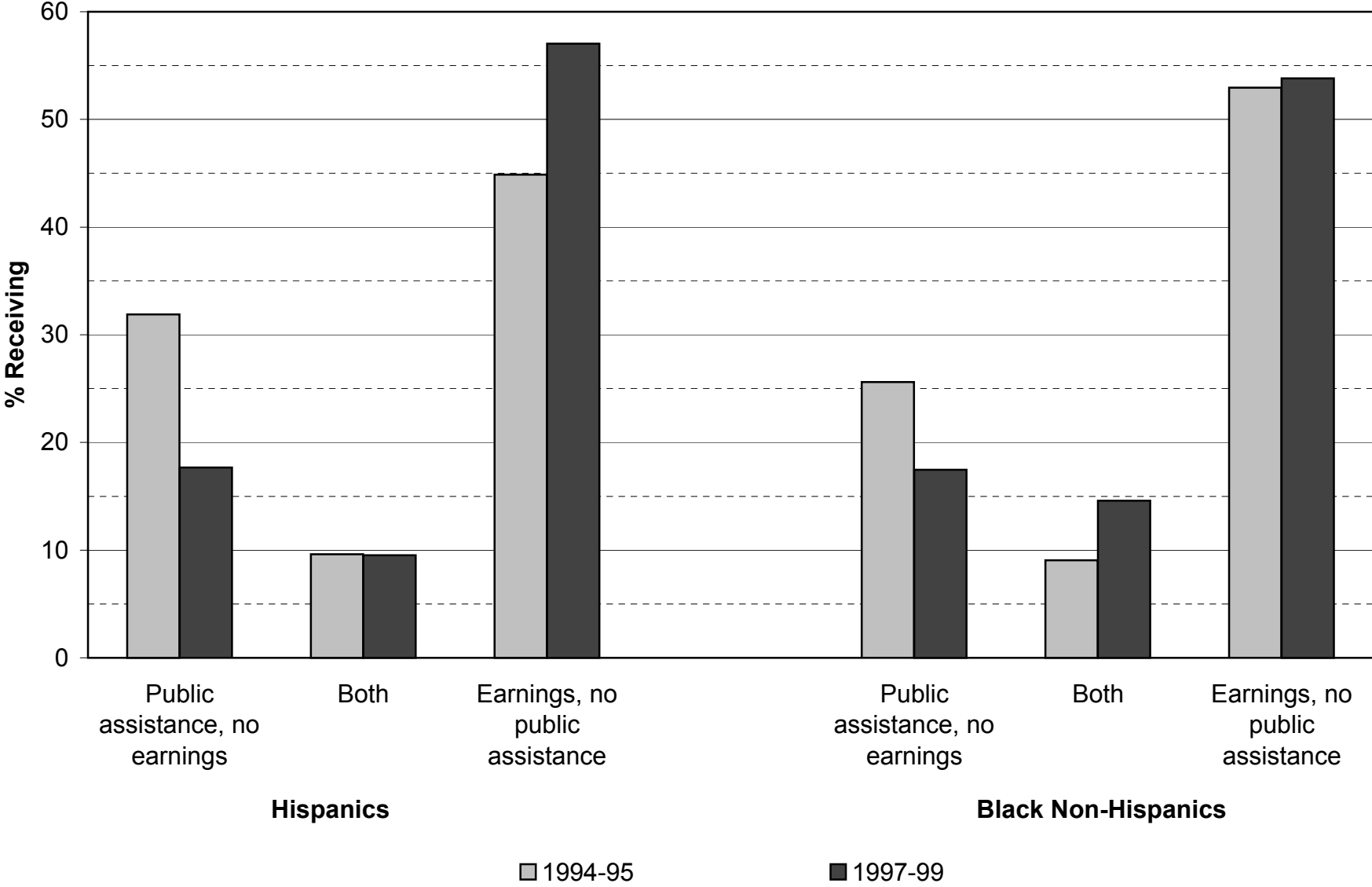


TABLE 11
Receipt of Public Assistance and/or Earnings by “At-Risk” Households in NYC

	Percent Receiving				Total	Sample Size
	Neither Public Assistance nor Earnings	Public Assistance, No Earnings	Both Public Assistance and Earnings	Earnings, No Public Assistance		
All “at-risk” households*						
1994–95	12.5	25.5	9.0	53.0	100.0	1,095
1997–99	14.6	15.2	10.5	59.6	100.0	1,320
“At-risk” Hispanic households*						
1994–95	13.6	31.9	9.6	44.9	100.0	685
1997–99	15.8	17.7	9.5	57.0	100.0	791
Puerto Ricans						
1994–95	18.7	37.7	10.0	33.7	100.0	324
1997–99	22.4	21.3	9.3	47.1	100.0	330
Other Hispanics						
1994–95	9.0	26.7	9.3	55.0	100.0	361
1997–99	11.1	15.1	9.7	64.1	100.0	461
“At-risk” black non-Hispanic households*						
1994–95	12.4	25.6	9.1	53.0	100.0	261
1997–99	14.1	17.5	14.6	53.8	100.0	333
“At-risk” white & Asian non-Hispanic households*						
1994–95	9.6	7.8	7.0	75.6	100.0	149
1997–99	12.9	5.3	5.2	76.6	100.0	196

*Head is a nonelderly high school dropout or a female with children under 18.

while the increase in the proportion with earnings only is equal to 85 percent of the drop in those getting only public assistance.

These results show that in the first years after welfare reform, Hispanics were more likely than blacks to leave public assistance entirely, while blacks were more likely to combine public assistance and earnings. The differential pattern of shifts between Hispanics and blacks among public-assistance-only, earnings-only, and both suggests that for many Hispanics, earnings have increased enough to end eligibility for public assistance. However, for blacks, the earnings increase seems to have been more modest and therefore a higher proportion retain eligibility for public assistance.

Figure 6 shows that the proportion of the at-risk population getting both public assistance and earnings is unchanged for Hispanics, but increases substantially among blacks. Figure 7 and Table 12 might seem to contradict this story. They show that among those getting public assistance, the proportion of recipients who also get earnings increased almost as much among Hispanics (13.9 percentage points) as among blacks (16.8 percentage points). The explanation for this apparent inconsistency is that among Hispanics, two things appear to have been going on at the same time. Of those getting only public assistance in the earlier period, a substantial number also got earnings in the second period. However, of those Hispanics getting both sources of income in the earlier period, many lost their public assistance benefits and wound up having only earnings. By contrast, among blacks, only the first movement occurred. Households moved from public-assistance-only to public assistance and earnings, but very few households lost their public assistance benefits entirely.

Table 13 summarizes the relationship between changes in earnings receipt, public assistance receipt, and education, showing the direction of change in each for the various types of at-risk households. As discussed in section V, the prediction from the “pull” model of employment and welfare receipt is that more education would increase the probability of having earnings, which in turn would reduce the probability of getting public assistance. In the table, we would thus expect a sign pattern of

FIGURE 7
Earning by Households on Welfare in NYC, 1994-95 & 1997-99

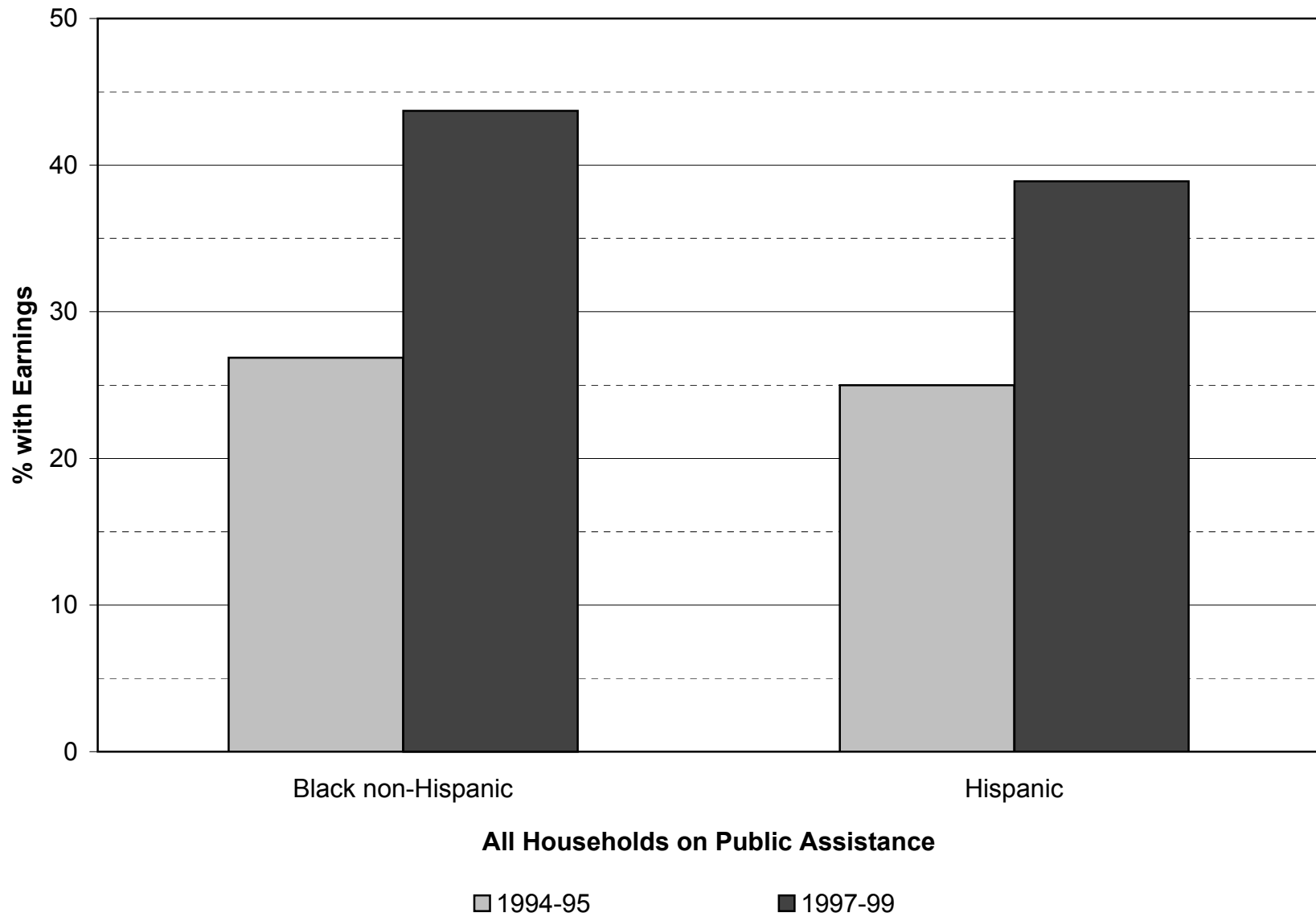


TABLE 12
Receipt of Earnings by Households Receiving Public Assistance in NYC

	Percent with Earnings and Sample Size	
	1994-95	1997-99
All households on public assistance		
% with earnings	26.9	42.8
Sample size	481	409
All Hispanic households on public assistance		
% with earnings	25.0	38.9
Sample size	321	247
Puerto Ricans		
% with earnings	23.6	32.0
Sample size	172	118
Other Hispanics		
% with earnings	26.7	44.9
Sample size	149	129
All black non-Hispanic households on public assistance		
% with earnings	26.9	43.7
Sample size	116	127
All white and Asian non-Hispanic households on public assistance		
% with earnings	35.4	54.5
Sample size	44	35

TABLE 13
Directions of Change in Education, Earnings, and Public Assistance Receipt,
by Ethnicity and Risk Category

	Sign of Change in		
	Educational Attainment	Earnings Receipt	Public Assistance Receipt
Puerto Ricans			
Single mothers			
High school graduates	+	+	-
High school dropouts	+	+	-
Other dropouts	-	+	-
Other Hispanics			
Single mothers			
High school graduates	+	+	-
High school dropouts	+	+	-
Other dropouts	-	+	-
Black Non-Hispanics			
Single mothers			
High school graduates	+	+	-
High school dropouts	-	+	+
Other dropouts	-	-	+

Source: Tables 6, 9, and tabulations of earnings receipt by household head or other family members.

(+,+,-)—that is, more education, more earnings, less public assistance—or else (-,-,+). We find that in two thirds of the cases this pattern occurs. For Hispanics, the single mothers fit this pattern, but the other dropouts don't. Their (-,+,-) pattern—less education, more employment, less welfare—fits a “push” model better. For black single-mother dropouts, the proportion with earnings goes up even as education goes down and welfare goes up. The increase in welfare is consistent with a (reverse) “pull” pattern, but the increase in earnings is not. Instead, it seems to reflect the “push” of sanctions and other incentives to increase earnings. Thus, while the overall direction of change is basically consistent with a “pull” model of earnings and public assistance receipt, there are enough exceptions to suggest that the administrative push to reduce welfare and increase earnings was also important.

B. Changes in Earnings

Finally, we ask how economic well-being has changed between 1995 and 1999 for New York City households with low earnings capacity. We examine changes in earnings and income both for those with positive earnings and for the entire at-risk group, again dividing the sample into Hispanics, blacks, and whites and Asians. The results are summarized in Figures 8 through 11 and in Tables 14 through 20. The figures show results just for Hispanics and blacks, while the tables show results for the entire sample. Figure 8 and Table 14 show the change in the proportion of households with earnings. The proportion with earnings went up by 12.1 percentage points among Hispanics versus 6.4 percentage points among African Americans. There was virtually no change among whites and Asians.

Figure 9 and Table 15 show the change in average household earnings for at-risk households with positive earnings. (All figures are adjusted to 1999 dollars, using the New York City values of the Consumer Price Index.) Among blacks, average real annual earnings decreased by \$2,909, while among Hispanics average earnings went up by \$3,313. From Table 15 we see that among whites there was a decline of \$1,178. Although none of these changes is statistically significant, the difference in the change between blacks and Hispanics is consistent with the greater decline in public assistance receipt among

FIGURE 8
Percentage of "At-Risk" Households with Earnings in NYC, 1994-95 & 1997-99

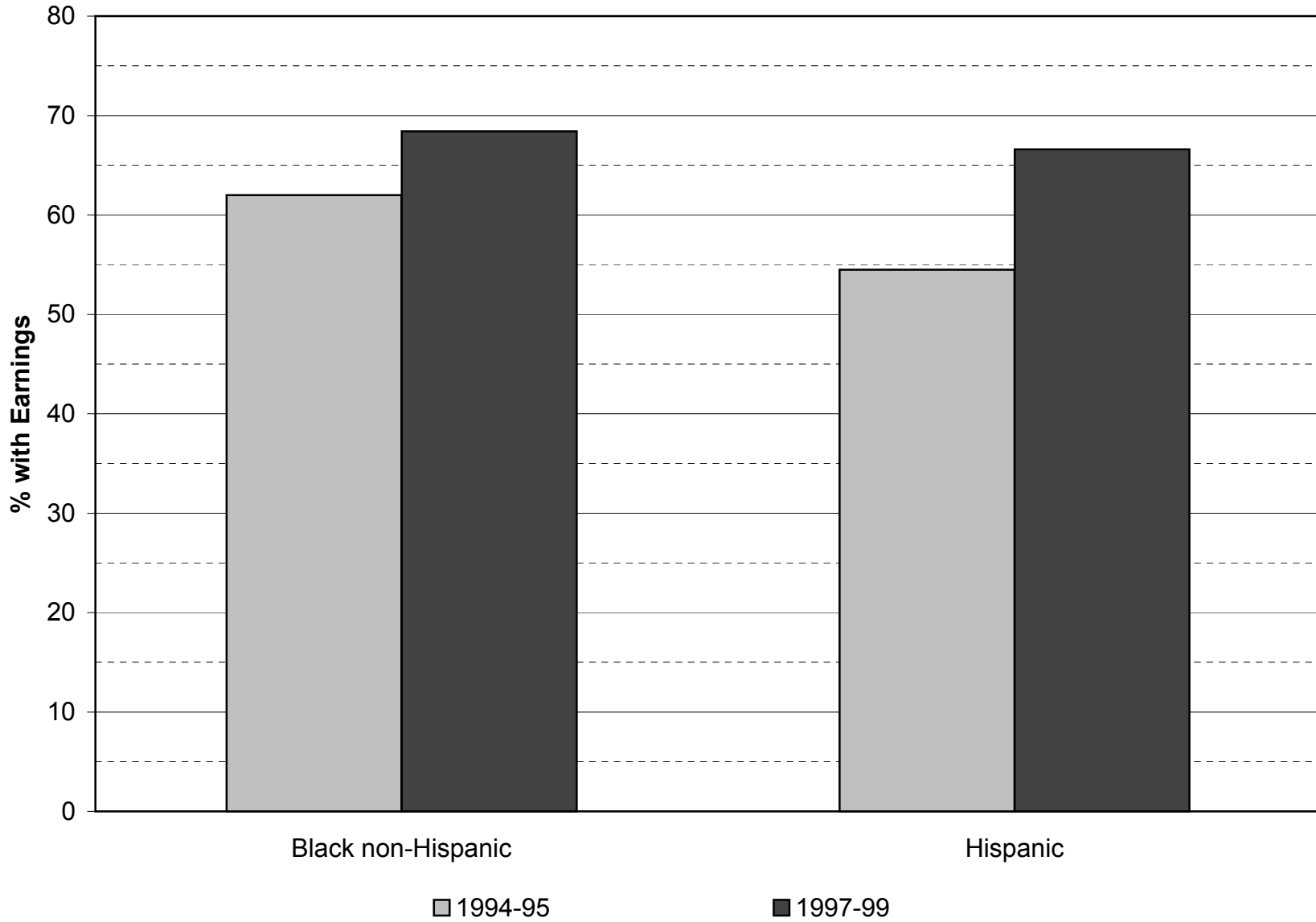


TABLE 14
Percentage of “At-Risk” Households with Earnings in NYC

	Percent with Earnings				
	1994–95	1997–99	Change	Std Error of Change	t-stat
Total “at-risk” households*	62.0	70.1	8.1	1.9	4.19
“At-risk” Hispanic households*	54.5	66.6	12.1	2.5	4.77
Puerto Ricans	43.6	56.3	12.7	3.9	3.27
Other Hispanics	64.3	73.8	9.5	3.2	2.92
“At-risk” black non-Hispanic households*	62.0	68.4	6.4	3.9	1.62
“At-risk” white and Asian non-Hispanic households*	82.6	81.7	-0.9	4.2	-0.22

*Head is a nonelderly high school dropout or a female with children under 18.

FIGURE 9
Mean Earnings of "At-Risk" Households with Earnings in NYC,
1994-95 & 1997-99

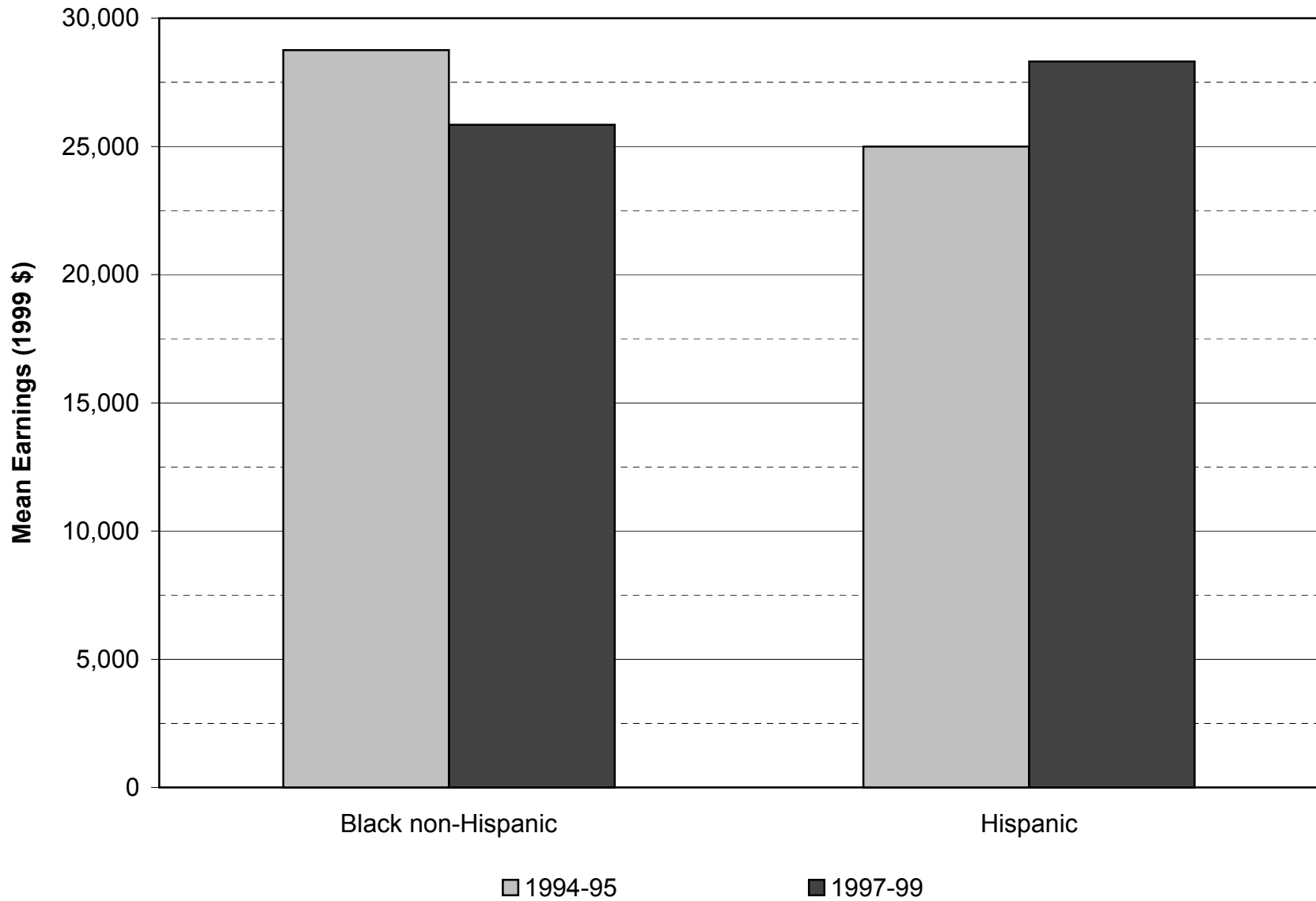


TABLE 15
Earnings of “At-Risk” Households with Earnings in NYC

	Mean & Std Deviation of Real Earnings (1999 \$), Conditional on Earnings > 0				
	1994–95	1997–99	Change	Std Error of Change	t-stat
Total “at-risk” households* with earnings					
Mean	29,175	29,205	30	1633	0.02
Std deviation	31,670	32,502			
No. of observations	660	921			
“At-risk” Hispanic households* with earnings					
Mean	24,997	28,310	3313	2106	1.57
Std deviation	30,290	32,487			
No. of observations	375	531			
Puerto Ricans					
Mean	24,129	27,957	3828	4317	0.89
Std deviation	41,566	35,666			
No. of observations	146	187			
Other Hispanics					
Mean	25,529	28,501	2972	2144	1.39
Std deviation	20,634	30,681			
No. of observations	229	344			
“At-risk” black non-Hispanic households* with earnings					
Mean	28,752	25,843	-2909	2599	-1.12
Std deviation	24,885	26,081			
No. of observations	163	230			
“At-risk” white and Asian non-Hispanic households* with earnings					
Mean	37,420	36,242	-1178	4834	-0.24
Std deviation	40,385	40,006			
No. of observations	122	160			

*Head is a nonelderly high school dropout or a female with children under 18.

Hispanics than among blacks, as discussed above. The earnings pattern is also consistent with the much greater tendency among blacks than among Hispanics to combine public assistance and earnings, suggesting that for many blacks, earnings did not rise enough to pull them off public assistance.

Figure 10 and Table 16 show earnings among all Hispanic and black households that were at risk of receiving public assistance. Among all at-risk households, the 13 percent increase in average real household earnings was significantly different from zero. Average real earnings increased by \$5,207 (38 percent) for Hispanics, but fell by \$151 for blacks.¹⁵ Of the separate groups, only Hispanics had a statistically significant increase in earnings. Hispanics with low earnings capacity began the period with household earnings \$4,200 lower than blacks, but by the end of the decade their earnings were approximately equal to those of blacks. Thus the convergence in public assistance receipt is paralleled by a convergence in earnings.

C. Multivariate Analysis of Earnings

To determine whether ethnic differences in earnings receipt are statistically significant when other factors are controlled for, we estimate a linear probability model of whether a household had earnings. The sample includes both at-risk and not-at-risk households. The results in Table 17 show that the probability of having earnings increased by 3.1 percentage points for white and Asian households (row 1, column 1). However, allowing for the effect of family structure or age and education to vary by year completely explains the increase in the rate of earnings receipt by white and Asian households.

There is no significant difference between black and white and Asian households in the change in rates of earnings receipt, except when the effect of family structure is allowed to vary over time. In that case, the rate of receipt by blacks dropped by 4.4 percentage points more than that of whites and Asians. In contrast, Hispanics' rate of earnings receipt increased by 5 percentage points more than that of

¹⁵If the "after" period includes just 1997 and 1998, the drop in real earnings was \$798. The smaller decline when 1999 is added indicates that blacks' earnings increased after 1998.

FIGURE 10
Mean Earnings of All "At-Risk" Households in NYC, 1994-95 & 1997-99

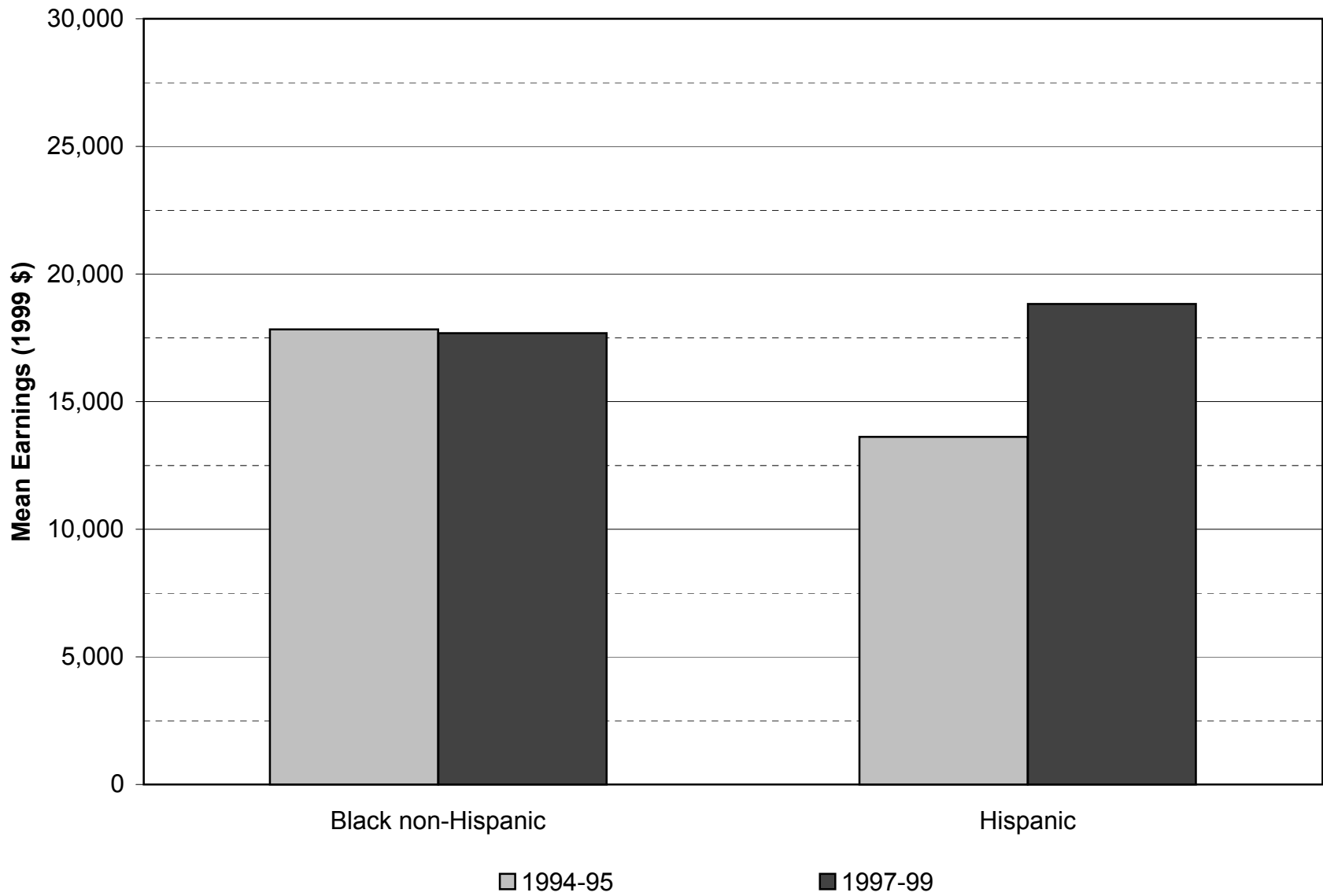


TABLE 16
Earnings of All “At-Risk” Households in NYC

	Unconditional Mean & Std Deviation of Real Earnings (1999 \$)				
	1994–95	1997–99	Change	Std Error of Change	t-stat
Total “at-risk” households*					
Mean	18,083	20,480	2397	1203	1.99
Std deviation	28,671	30,329			
“At-risk” Hispanic households*					
Mean	13,622	18,829	5207	1439	3.62
Std deviation	25,584	29,688			
Puerto Ricans					
Mean	10,526	15,713	5187	2349	2.21
Std deviation	29,908	30,154			
Other Hispanics					
Mean	16,416	21,041	4625	1738	2.66
Std deviation	20,576	29,184			
“At-risk” black non-Hispanic households*					
Mean	17,833	17,682	-151	2012	-0.08
Std deviation	24,055	24,688			
“At-risk” white and Asian non-Hispanic households*					
Mean	30,923	29,627	-1296	4250	-0.30
Std deviation	39,345	38,780			

*Head is a nonelderly high school dropout or a female with children under 18.

TABLE 17
Linear Probability Models of Earnings Receipt, by Ethnicity, Citizenship, and Period (period 2=1997–99)
(difference in differences relative to white & Asian non-Hispanics or citizens, with various controls)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Model 1 (all Hispanics; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	0.031	0.031	0.023	0.023	0.023	-0.005	0.012	-0.011	-0.014
t-statistic	2.10	2.20	2.12	2.17	2.18	0.29	0.53	0.45	0.54
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-0.015	-0.019	-0.001	-0.004	-0.005	-0.044	-0.004	-0.030	-0.030
t-statistic	0.53	0.71	0.04	0.18	0.20	1.62	0.16	1.26	1.26
Hispanics	0.050	0.035	0.060	0.050	0.050	0.009	0.054	0.022	0.021
t-statistic	2.13	1.56	3.02	2.57	2.62	0.40	2.50	1.06	1.01
<u>Model 2 (Hispanics by citizenship; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	0.031	0.031	0.023	0.023	—	-0.004	0.015	-0.009	—
t-statistic	2.10	2.20	2.12	2.17		0.25	0.62	0.37	
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-0.015	-0.019	-0.001	-0.004	—	-0.044	-0.003	-0.029	—
t-statistic	0.53	0.70	0.04	0.17		1.60	0.14	1.23	
Puerto Ricans	0.025	0.015	0.050	0.040	—	-0.008	0.045	0.016	—
t-statistic	0.77	0.49	1.80	1.47		0.26	1.54	0.56	
Other Hispanic citizens	0.065	0.036	0.029	0.020	—	0.013	0.025	-0.004	—
t-statistic	1.50	0.85	0.80	0.56		0.31	0.69	0.10	
Hispanic noncitizens	0.056	0.041	0.072	0.061	—	0.012	0.065	0.031	—
t-statistic	1.70	1.32	2.45	2.20		0.38	2.07	1.04	
Controls									
Female head, children under 18	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes
Dropout, nonelderly	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Noncitizen	No	No	No	No	Yes	No	No	No	Yes
Interactions of controls & year	No	No	No	No	No	Yes	Yes	Yes	Yes

whites and Asians, but this difference disappears when we allow the effect of family structure to vary over time. This means that being Hispanic has no additional influence on the change in the likelihood of having earnings once we control for female headship. This seems to be primarily due to the pattern for Hispanic noncitizens. The change for Puerto Ricans and other Hispanic citizens is not significantly different from that for whites and Asians. It is noteworthy that among all households, the change in Puerto Ricans' rate of earnings receipt is not significantly greater than the change for whites and Asians, even though among households that were at risk, the increase for Puerto Ricans is substantially greater (see Table 14). This suggests that a greater change for Puerto Ricans among those at risk is offset by a smaller change among those not at risk.

Table 18 looks at the change in household earnings amounts by ethnic group, adjusted for inflation. As in the other regressions, the sample includes all households, both at-risk and not, and specific controls are included for the probability of being in the at-risk population. The first row of Table 18 shows that there was a significant increase of over \$7,500 (in 1999 dollars) in average household earnings for whites and other non-Hispanics between 1994–95 and 1997–99. Columns 6, 8, and 9 indicate that this increase grows to over \$9,000 when we allow the effect of female headship to vary over time.

Though still positive, the increase in earnings is significantly less for blacks than for whites and Asians regardless of specification. It is only when we allow the effect of female headship to vary over time (columns 6, 8, and 9) that the increase in earnings among blacks is of an economically significant magnitude—ranging from \$2,000 to \$3,900.¹⁶ This result indicates that when we decompose the \$7,600 raw difference in earnings growth between blacks and whites into the effect of specific characteristics versus the difference in ethnicity per se, a relatively high concentration of female headship and low education among blacks serves to widen the gap in earnings growth. The fact that blacks lag whites

¹⁶Recall that the increase for blacks is computed by adding the coefficient for blacks to that for whites.

TABLE 18
OLS Regression Models of Unconditional Real Earnings Amount, by Ethnicity, Citizenship, and Period (period 2=1997–99)
(difference in differences relative to white & Asian non-Hispanics or citizens, with various controls)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>Model 1 (all Hispanics; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	7946	7961	7591	7629	7537	9195	7554	9349	9287
t-statistic	4.03	4.14	4.13	4.20	4.18	3.98	4.18	4.32	4.20
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-7588	-7980	-6669	-7020	-6730	-7244	-6221	-5796	-5390
t-statistic	2.98	3.25	2.77	3.00	2.88	2.91	2.50	2.38	2.20
Hispanics	-572	-2096	-571	-1756	-2081	-1739	878	161	-193
t-statistic	0.24	0.90	0.25	0.79	0.94	0.72	0.36	0.06	0.08
<u>Model 2 (Hispanics by citizenship; N = 8374)</u>									
Change from 1994–95 to 1997–99									
White & Asian non-Hispanics	7946	7961	7586	7623	—	9238	7708	9487	—
t-statistic	4.02	4.14	4.13	4.20	—	4.00	4.26	4.38	—
Change from 1994–95 to 1997–99, relative to white & Asian non-Hispanics									
Black non-Hispanics	-7588	-7980	-6670	-7020	—	-7209	-6190	-5744	—
t-statistic	2.98	3.25	2.77	3.00	—	2.90	2.48	2.36	—
Puerto Ricans	-2504	-3755	-1432	-2728	—	-3193	112	-572	—
t-statistic	0.85	1.32	0.51	1.00	—	1.12	0.04	0.20	—
Other Hispanic citizens	55	-2138	-2643	-3520	—	-1731	-1624	-2045	—
t-statistic	0.02	0.60	0.77	1.06	—	0.48	0.46	0.60	—
Hispanic noncitizens	-475	-1967	113	-1084	—	-1763	1883	1037	—
t-statistic	0.17	0.71	0.04	0.41	—	0.60	0.63	0.35	—
Controls									
Female head, children under 18	No	Yes	No	Yes	Yes	Yes	No	Yes	Yes
Dropout, nonelderly	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes
Noncitizen	No	No	No	No	Yes	No	No	No	Yes
Interactions of controls & year	No	No	No	No	No	Yes	Yes	Yes	Yes

overall suggests that among those not at risk, blacks' rate of earnings increase was low relative to that of whites and Asians. This follows from our finding that blacks' earnings apparently declined less than those of whites and Asians among at-risk households. (Neither decline is significantly different from zero, however; see Table 16.)

The change in average earnings for Hispanic households was not significantly different than that for whites and Asians. This lack of difference holds for all Hispanic subgroups and regardless of model specification. This finding is in sharp contrast to the results among at-risk households, where we found a statistically significant increase of \$5,200 for Hispanics but no significant change for either whites and Asians or blacks (see Table 16). Thus, the relatively large rate of increase in earnings for Hispanics among at-risk households appears to have been offset by a relatively small increase in earnings for Hispanics among those that were not at risk. The result is that when we put the two groups together, the pattern for Hispanics is similar to the pattern for whites and Asians.

D. Household Income

Household income among at-risk households, shown in Figure 11 and Table 19, has a pattern of change almost identical to household earnings, rising a statistically significant 27 percent among Hispanics, and falling among blacks. Among whites and Asians the patterns of change in household earnings and income appear to diverge, with income rising despite the decline in earnings. However, the sample size for this group is too small (only 149–196 observations) for these estimates to be reliable.

Table 20 looks at a more complete definition of income, called here “comprehensive” income, that includes the money value of the following in-kind transfers: Food Stamps, housing assistance, energy assistance, school lunches, the EITC, and Medicaid. The overall change in comprehensive income is about \$200 less than the change in money income. This result holds for Hispanics and blacks, but for whites and others, comprehensive income increases by \$300 more than money income. This result indicates that overall there was very little change (2.6 percent) in the value of in-kind benefits. The lack

FIGURE 11
Mean Income of All "At-Risk" Households in NYC, 1994-95 & 1997-99

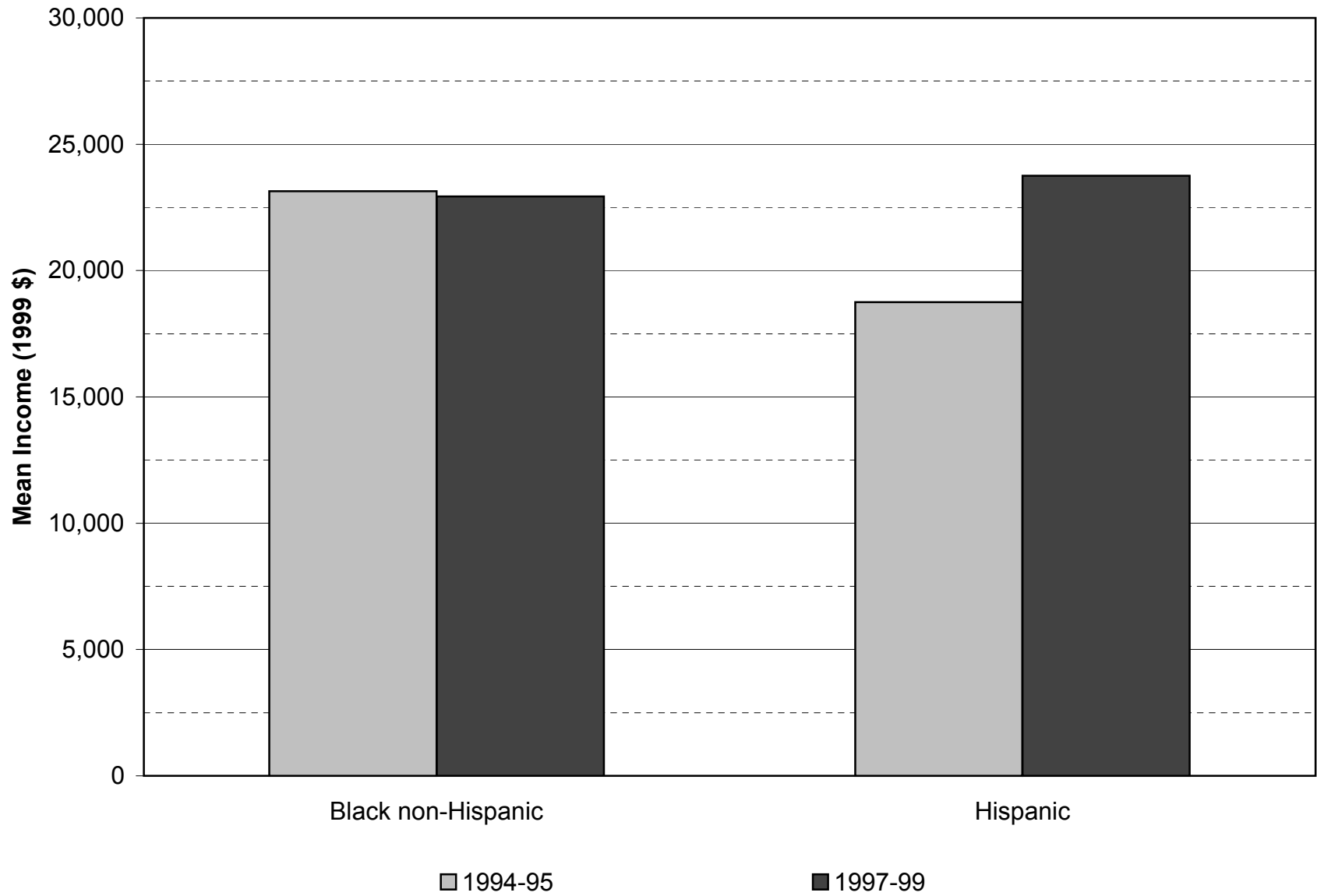


TABLE 19
Income of All “At-Risk” Households in NYC

	Unconditional Mean & Std Deviation of Real Income (1999 \$)				
	1994–95	1997–99	Change	Std Error of Change	t-stat
Total “at-risk” households*					
Mean	23,445	26,375	2930	1244	2.35
Std deviation	28,829	32,279			
“At-risk” Hispanic households*					
Mean	18,754	23,755	5001	1427	3.51
Std deviation	25,144	29,668			
Puerto Ricans					
Mean	16,871	21,532	4661	2341	1.99
Std deviation	29,689	30,171			
Other Hispanics					
Mean	20,453	25,333	4880	1723	2.83
Std deviation	20,076	29,235			
“At-risk” black non-Hispanic households*					
Mean	23,140	22,939	-201	2025	-0.10
Std deviation	24,189	24,867			
“At-risk” white and Asian non-Hispanic households*					
Mean	37,029	38,986	1957	4614	0.42
Std deviation	40,300	45,131			

*Head is a nonelderly high school dropout or a female with children under 18.

TABLE 20
“Comprehensive” Income, Including Value of In-kind Benefits, of All “At-Risk” Households in NYC

	Unconditional Mean & Std Deviation of Real “Comprehensive” Income* (1999 \$)				
	1994–95	1997–99	Change	Std Error of Change	t-stat
Total “at-risk” households**					
Mean	30,426	33,172	2746	1194	2.30
Std deviation	27,397	31,254			
“At-risk” Hispanic households**					
Mean	26,657	31,451	4794	1377	3.48
Std deviation	24,037	28,844			
Puerto Ricans					
Mean	26,253	30,120	3867	2280	1.70
Std deviation	28,842	29,472			
Other Hispanics					
Mean	27,022	32,395	5373	1648	3.26
Std deviation	18,705	28,384			
“At-risk” black non-Hispanic households*					
Mean	30,443	30,046	-397	1962	-0.20
Std deviation	23,125	24,492			
“At-risk” white and Asian non-Hispanic households**					
Mean	40,832	43,103	2271	4463	0.51
Std deviation	38,863	43,782			

*Money income plus market value of Medicaid, SCHIP, Food Stamps, housing subsidy, energy assistance, school lunch, and EITC.

**Head is a nonelderly high school dropout or a female with children under 18.

of change reflects an increase in frequency and average amount of the EITC, offset by a decline in Food Stamp receipt. However, it should be borne in mind that in the CPS, receipt of the EITC is simulated on the basis of eligibility rather than being based on a specific question about receipt. For the other programs, there is an actual question about participation. Money values of the EITC, housing subsidies, and school lunch subsidies are imputed, but money values of Food Stamp and energy assistance are asked directly. Given these features of the CPS questionnaire, our conclusions about the pattern of changes in in-kind income must remain somewhat tenuous.

VII. SUMMARY AND CONCLUSIONS

The 1996 welfare reform law marked a major change in national policy toward public assistance. Over the period covered by our research, the City of New York has also been engaged in a vigorous effort to reduce its welfare rolls. To evaluate the initial effects of the new law and the change in city policies, we use the CPS to compare receipt of public benefit programs, earnings, and income among households with low earnings capacity in New York City in 1994–95 and 1997–99. The CPS shows a 27 percent drop in the number of households getting public assistance. This estimate is less than the 36 percent decline in the caseload reported by the HRA. However, Food Stamp and Medicaid receipt appear to be more accurately reported. The undercount suggests that some caution is warranted in interpreting our findings.

Between 1994–95 and 1997–99, the CPS shows a drop in the proportion of New York City households getting public assistance, from 11.3 percent to 7.9 percent. Food Stamp receipt went down by almost 3 percentage points, from 17 percent to 14.2 percent, while the rate of Medicaid receipt remained virtually constant. The proportion getting at least one benefit (Medicaid, public assistance, SSI, or Food Stamps) stayed about the same (around 26 percent) over the period. This result reflects the fiscal

incentive to maintain Medicaid enrollment (each dollar spent by New York City brings in three dollars of state and federal money) and the slight increase in SSI receipt.

There were sharp differences in the pattern of change in public assistance receipt among ethnic groups, with substantially greater declines for Hispanics than others, but little change for blacks. When we divide the Hispanic population into various groups, the greatest rate of decline was among Puerto Ricans. When we control for other factors that might affect the rate of public assistance receipt, the greater rate of decline remains statistically significant only for Puerto Ricans and Hispanic noncitizens.

We also look at changes in earnings and income of public assistance recipients and households at risk of needing public assistance. Overall, we find only a small increase in the proportion of the at-risk population that combined earned income and public assistance. This result is due to the fact that so many people from the at-risk group left the public assistance rolls. However, among those who did remain on the rolls in 1997–99, the increase was more substantial, with the proportion also receiving earnings going up from 27 percent to 43 percent. This increase probably resulted from both an economic pull—an improving job climate—and an administrative push—more emphasis on work requirements and greater sanctions for not working. Blacks were more likely than Hispanics to combine both sources of income in the later period.

The proportion of at-risk households with earnings rose from 62 percent to 70.1 percent, but went up more for Hispanics (by 12.1 percentage points) than for blacks (6.4 percentage points). Among those with earnings, the average level of household earnings went down for blacks and up for Hispanics, but these conditional earnings changes were not statistically significant for either group. Among the entire at-risk group, including those with zero earnings, there was a statistically significant increase of 13 percent in both average real household earnings and income. This was due exclusively to large increases for Hispanics, of 38 percent in earnings and 27 percent in income. For blacks and other non-Hispanics in the at-risk group, there were no significant increases in real earnings or income. These patterns are not

significantly altered by including the money value of in-kind benefits in the measure of income. The more comprehensive measure of income rose by 9 percent for the at-risk population overall and 18 percent for Hispanics, but not significantly for the other ethnic groups. The earnings and income of Hispanics in the earlier period were almost 20 percent less than those of blacks, but by the later period Hispanics' earnings and income were slightly higher.

Underlying these differences in patterns of public assistance receipt, earnings, and income are divergent patterns of change in family structure and educational attainment. Hispanics married or doubled up at faster rates than blacks. Their education levels also rose faster than that of blacks. Differences between Hispanics and blacks may be characterized as "gap-closing," in that Hispanics' rates of public assistance receipt and earnings levels converged on those of blacks. This convergence mirrors the narrowing of gaps in education levels and the shifts in family structure. A "pull" model of changes in public assistance receipt would predict that in an expanding labor market, better-educated people are more employable and therefore are more likely to move off welfare. For the various types of at-risk households, in general the patterns of change in education, earnings receipt, and public assistance follow such a model; but there is also substantial evidence of administrative "push," particularly for Puerto Ricans.

As a final note of caution, the reader is reminded that our study does not follow the same people over time. Hence, the patterns of change that we have found may reflect both changes in the characteristics of people who lived in New York City throughout the period and differences in migration patterns into and out of New York City. Further research on migration patterns would therefore be quite useful.

In conclusion, a period of strong growth in the local economy, combined with more stringent public assistance policies, led to decreased welfare receipt and more work. However, the gains from the changes in policy and economic opportunity were distributed unevenly among the most vulnerable

segments of the population. The good news is that Hispanics, who had lagged behind all other groups in terms of indicators of economic well being, caught up to blacks in a relatively short time. The discouraging news is that the economic situation of blacks and their dependence on public assistance, as well as those characteristics of education and family structure that make families vulnerable, changed so little. Our results highlight the importance of growth in the local economy in improving the economic status of our most vulnerable citizens. Hence, the recent economic slowdown in New York City is cause for great concern. It demonstrates the importance of preserving the social safety net, even in the face of fiscal difficulties.

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