THE IMPORTANCE OF PLACE IN WELFARE REFORM: COMMON CHALLENGES FOR CENTRAL CITIES AND REMOTE-RURAL AREAS

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Abstract

Single-mother families' success in moving from welfare to work under the 1996 federal welfare reform law appears to depend on where they live. Evidence suggests that single mothers in central cities and remote-rural areas face some common challenges to entering the paid workforce and moving out of poverty, but few studies to date have examined how outcomes differ within metropolitan and rural areas. This paper reviews existing literature and analyzes new data to determine how welfare and economic outcomes vary across the geographic continuum. It finds that while work among single mothers in central cities and remote-rural areas increased during the 1990s, their real earnings actually declined. Single mothers in central-metro and remote-rural counties were also more likely than their counterparts elsewhere to have been poor and on public assistance for extended periods of time during the 1990s. Policymakers debating the reauthorization of the 1996 law could help states meet the common challenges facing welfare participants in cities and remote rural areas by: (a) preserving state flexibility in implementation to address the particular needs of urban and rural populations; (b) providing dedicated funding for transitional jobs programs that help long-term recipients acquire the basic skills to find and retain employment; (c) promoting better access to transportation options for low-income city and rural workers who are isolated from job opportunities; (d) making targeted workforce investments in communities with limited job opportunities; and (e) collecting more timely information on the spatial distribution of welfare participants and the places where leavers find work.

TABLE OF CONTENTS

THE IMPORTANCE OF PLACE IN WELFARE REFORM: COMMON CHALLENGES FOR CENTRAL CITIES AND REMOTE-RURAL AREAS

I. INTRODUCTION

Does the ability of welfare families to move from welfare to work under the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996 depend on where they live? Are single mothers in central cities and remote-rural areas as successful in entering the paid workforce and moving out of poverty as their suburban and adjacent-rural counterparts? Are welfare receipt and poverty more persistent in central cities and remote-rural places?

Place-based research on welfare reform does not provide consistent answers about the spatial dimensions of poverty and welfare policy. Studies that look closely at welfare outcomes in either central cities or remote-rural areas show that both places present particular obstacles to families attempting to transition into the workforce and out of poverty. However, current approaches in place-based welfare research obscure the common challenges facing these areas. Urban researchers tend to emphasize the spatial diversity in metropolitan areas between central cities and suburbs, treating rural, nonmetropolitan areas as undifferentiated regions (e.g. Danziger 2002). Rural researchers, on the other hand, tend to highlight the spatial diversity in nonmetropolitan areas, often leaving aside the enormous variety of conditions that exists within metro areas (e.g. Lichter and Jensen 2002).

In this paper we examine place-based differences in economic opportunities and outcomes across a geographic continuum that includes central cities, suburbs, adjacent nonmetro counties, and nonadjacent nonmetro counties.[1] Use of such a geographic classification is novel and, importantly, serves to reveal that geographically divergent areas face common challenges under welfare reform.

We begin the paper with a literature review, bringing together a wide range of studies focused on the spatial dimensions of welfare reform. The literature review provides insights into variations in access to work in labor markets across the urban-rural continuum, and indicates the need for empirical analyses of work and welfare outcomes that use more disaggregated groupings of metro and nonmetro areas. In the second part of the paper we use data from two nationally representative surveys to analyze how recent trends in receipt of public assistance, employment, earnings, and poverty for female-headed households have vary by type of place. Our findings suggest that individuals and families residing in central cities and remote-rural counties face common challenges under welfare reform. Further analysis of confidential data could further reveal the importance of place as Congress moves to reauthorize welfare reform legislation.

[1] The terms “nonmetro” and “rural” are used interchangeably in this paper to refer to counties outside of metropolitan areas. The “adjacent” and “nonadjacent” labels refer to a nonmetro county’s location relative to a metropolitan area.

II. THE IMPORTANCE OF PLACE IN WELFARE REFORM: A LITERATURE REVIEW OF RURAL AND URBAN BARRIERS AND OUTCOMES

A substantial body of research considers the multitude of factors that affect transitions into and out of work, public assistance, and poverty. This section of the paper reviews the subset of this research that examines, among other things, locational factors in urban and rural areas. First, we review the literature on various barriers that might hinder movement toward self-sufficiency by welfare participants in urban, suburban, and rural areas. We then examine some empirical studies of welfare participation, employment, earnings, and income that, by controlling for the existence of some of these barriers, attempt to discern the importance of "place" in transitions to work and out of poverty. Finally, we suggest that the existing research has been unsuccessful in isolating place-based differences in outcomes in part because the common use of "metro" and "nonmetro" classifications to identify "place" in this research has obscured the variation that would be found across a geographic continuum that included central cities, suburbs, and adjacent and remote-rural areas.[2]

A. Are Welfare-to-Work Barriers Different in Rural and Urban Areas?

Just what defines "success" in welfare reform has generated much debate over the last several years. Nonetheless, most observers agree that the success of welfare reform depends in large part upon the ability of welfare recipients to secure stable employment. Whether or not welfare participants find and keep work depends on many factors including: local labor market conditions; personal characteristics; the availability of work supports; and financial incentives to work. A substantial body of literature documents how these factors vary from place to place.

1. Labor Market Conditions

Studies of welfare-to-work transitions indicate that local labor market conditions matter. Some recent empirical work suggests that local or regional unemployment rates (county, labor market area, and state levels) may negatively affect an individual's probability of exiting welfare (Hoynes 2000; Sandefur and Cook 1997; Vartanian 1999; Fitzgerald 1995) or finding employment (McKernan et al. 2001).[3] Other labor market conditions also bear importantly on welfare use. For example, Hoynes (2000) found that lower employment growth, lower employment rates, and lower wage growth correlated with longer welfare spells and higher recidivism rates for California recipients. Pan and others (2001) found that welfare participants living in Iowa counties with higher

[2] As context for this examination, it would be useful to know the relative size of welfare caseloads – and families assisted by TANF dollars generally – in central cities, remote rural areas, and other places. Unfortunately, limited data are available on this topic. A January 2002 survey revealed that 44 of the largest urban counties contained over a quarter of the nation's welfare caseload. Since sub-state data on the location of welfare participants are generally unavailable at the national level, we have no corresponding figures for rural areas. See Section III for further discussion.

[3] However, a few studies have found positive relationships between the unemployment rate and caseload decline (Goetz et al. 1999) or the unemployment rate and the probability of working (Pan et al. 2001).

per capita income and an increasing share of manufacturing and industrial jobs were more likely to find work.

Several studies document the less-favorable labor market conditions that prevail in many rural areas, which may serve as obstacles to the transition from welfare to work:

- Average earnings levels are lower in nonmetro than metro areas, although lower costs of living in nonmetro areas may offset these disadvantages somewhat (Gibbs, 2001; Nord, 2000).
- The types of jobs available in nonmetro areas may not be as likely to provide steady employment at high wages because employment there is more concentrated in minimum-wage and part-time jobs, and more likely to involve routine work (Economic Research Service 2001; McKernan et al. 2001).
- In some persistently poor rural areas, the only work that TANF participants can obtain is volunteer work with limited prospects of turning into paid employment (Harvey et al. 2002).
- Metropolitan unemployment rates during the strong economy of the late 1990s consistently exceeded those in rural areas, including among female-headed households (Economic Research Service 2001).
- Underemployed workers – including those who are unemployed, discouraged, low-income, and involuntarily working part-time – are also more prevalent in nonmetro areas than in metros and their central cities (Findeis and Jensen 1998).
- The problems of unemployment and underemployment may affect some rural areas more than others; a survey of 12 nonmetropolitan counties found that job opportunities were more favorable in nonmetro counties adjacent to a metro area compared with nonadjacent nonmetro counties (McKernan et al. 2001).

Rural areas, of course, are not the only places where unfavorable labor market conditions may be found:

- Employment growth in the nation's largest central cities lagged that in the suburbs by about half throughout the mid-1990s.[4]
- The ratio of white-collar to blue-collar jobs in cities has been rising for decades, and managerial, professional and administrative positions require skills often not possessed by low-income workers (Katz and Allen 1999).
- Evidence from several sources suggests that welfare caseloads remain concentrated in the country's largest urban counties (Waller and Berube, forthcoming) and central cities (Allard 2001; Meyers 2001).
- Further, unemployment in many of the cities with the largest caseloads – including Los Angeles, Philadelphia, Baltimore, and Detroit – far exceeds the national average.[5]

[4] Based on calculations from State of the Nation's Cities database, 2002.
[3] In 2001, the national unemployment rate was 4.7 percent. Unemployment rates in the cities listed above were: 6.4 percent (Philadelphia); 6.5 percent (Los Angeles); 7.9 percent (Baltimore); 9.7 percent (Detroit).

Research on metropolitan labor markets – focusing on the spatial mismatch between low-income workers and jobs – has shown that in many cases, central-city residents have less access to employment than their suburban counterparts:

- A study of five metro areas (Atlanta, Denver, Oakland, Providence, and Washington D.C.) found that few emerging entry-level jobs were located close to concentrations of central-city welfare participants (Turner et al. 1999).
- A study in Detroit (Allard 2001) found caseloads concentrated in the central city and that employment opportunities (including access to low-skill jobs) increased with increasing distance from the central city.
- Another survey in Chicago, Cleveland, Milwaukee, and Los Angeles (Holzer and Stoll 2001) found most new low-skill job opportunities arising in suburban areas, far from the central cities where about three-fifths of the low-income female-headed families reside.
- A study specific to the Cleveland-Akron metropolitan area found that 55 percent of welfare recipients lived in the city of Cleveland, while 80 percent of the entry-level employment opportunities were located in the outlying suburbs (Leete, Bania, and Coulton 1998).

Thus, a substantial body of research suggests that central-city and rural welfare participants face different, yet equally serious, challenges in accessing full-time, entry-level employment.

2. Education and Work Experience of Welfare Participants

On the supply side of the labor market, the personal characteristics of workers may influence their ability to leave welfare, find employment, and achieve economic self-sufficiency. Studies focusing on rural areas have found that welfare participants' educational attainment and work experience affected their job prospects:

- Some studies using state administrative and national survey data find a positive association between education and the probability of working (Pan, Fuller, and Jensen 2001), the probability of exiting welfare (Hirasuna and Stinson 2001; Vartanian 1999; Sandefur and Cook 1997; O'Neill 1987), and earnings levels (Pan, Fuller, and Jensen 2001; McKernan et al. 2001; Findeis and Jensen 1998).[6]
- McKernan and others (2001) found that in 12 rural localities in Arkansas, California, Maine, and Alabama welfare recipients' low levels of education impeded their employment (McKernan et al. 2001).
- Studies of welfare exits also link the probability of exiting welfare to prior work experience (Vartanian 1999; Sandefur and Cook 1997; O'Neill 1987).

[6] The role of personal characteristics in welfare dynamics has been much explored in the literature (Bane and Ellwood 1994; Blank 1989). We here review only those investigations that explicitly consider the role of place in welfare dynamics.

If educational attainment and work experience among welfare participants differ in urban and rural areas, these places may face different barriers to success under welfare reform. Studies in a number of states provide evidence of lower educational attainment and work experience among urban welfare recipients than rural recipients:

- A 1998 Illinois survey found that TANF participants in Cook County had lower rates of high school graduation, and were less likely to have had previous work experience, than recipients from less urban counties and rural areas (reviewed in Leonard and Kennedy 2001).
- A Minnesota study found that education levels in rural areas exceeded those in urban areas (71.7 percent of rural and 66.9 percent of urban respondents held a high school diploma) and that rural welfare recipients had relatively more work experience (64 percent of rural had worked full-time for six months or more for at least one employer, compared to 51.4 percent of urban respondents) (Gennetian et al. 2002).
- In Iowa, the percentage of state welfare participants with a high school degree or better in 1995 was 63 percent in metro counties, 67 percent in nonmetro adjacent counties, and 69 percent in nonmetro nonadjacent locales (Jensen et al. 2002).
- While these studies suggest that educational attainment among urban welfare recipients trails rural attainment in some states, rural adults nationally have less formal education. According to U.S. Census Bureau (2000) data, the percentage of all adults who attained only a high school degree or less was 48 percent in central cities, 47 percent in suburbs, and 60 percent in rural communities.

Clearly, place-related differences in education levels may impede or facilitate successful transitions from welfare to work.

3. Work Supports

The availability of certain types of work supports – child care, transportation, job training – can promote success in welfare-to-work efforts. Here, urban and rural areas face qualitatively different challenges, though the ultimate impacts may be similar.

a. Job Training

In general, work supports such as specialized education and job training, formal group child care, and public transportation often remain limited or nonexistent in rural communities. This is largely because lower population densities in rural areas make it more difficult and costly to provide such services. A survey of about 2,700 county governments in 46 states found that most counties that administer TANF sponsor programs to assist welfare participants in finding work (Kraybill and Lobao 2001). However, these programs were most prevalent in metro areas (89 percent), followed by nonmetro areas adjacent to a metro area (84 percent), and nonadjacent nonmetro areas (73 percent). Interviews with community leaders in persistently poor rural counties in Kentucky, Mississippi, South Dakota, and Texas revealed that, in some areas, welfare-to-work programs

consisted of nothing more than a six-week job search after which the participant was supposed to find any job (Harvey et al. 2002).

Many welfare recipients will need further education and training if they are to find jobs that lead to economic self-sufficiency. Trutko, Nightingale, and Barnow (1999) find that most good-paying jobs require technical skills, which many welfare participants lack. However, residents of rural areas generally have less access to the job training and community college training that can provide them with these skills. A study of work supports available in urban and rural communities in Iowa, for example, found that people in small towns were less likely to have access to job training programs and community colleges in their localities than people in the larger towns and cities (Fletcher et al. 2002).

b. Child Care

Working parents, particularly single mothers who work, depend on affordable, reliable, quality child care. Indeed, data from the 1996 Survey of Income and Program Participation (SIPP) found that 26.6 percent of non-workers aged 20 to 64 years listed "taking care of children/others" as their main reason for not working (Weismantle 1996). The problem is exacerbated among low-income workers, who often work hours not well accommodated by child care centers; Loprest (2001) found that one-fourth of employed welfare leavers worked nights or irregular hours.

While working parents everywhere face issues regarding child care cost and availability, some observers contend that parents in rural areas face additional challenges due to two primary factors. First, formal, paid child care is less available and child caregivers generally have less education and training in rural areas than in urban areas (RUPRI 1999). Second, since rural families are more dispersed, rural parents generally have longer commutes to work, adding inconvenience and expense to child care arrangements (Colker and Dewees 2000).

On the other hand, rural residents often have more extensive and stronger informal personal support networks, which can compensate, to some extent, for weaker formal support services in helping single mothers move into paid employment. Indeed, rural working mothers are more likely than urban working mothers to have their child care needs met by relatives (Marks et al. 1999). This may in part explain why some observations detail greater difficulties in finding child care in urban areas than in rural localities. In interviews with welfare participants in Minnesota, 37.8 percent of rural and 53.8 percent of urban respondents stated that difficulties arranging child care constituted a barrier to working part-time (Gennetian 2002). Another survey in Minnesota reached a similar conclusion: welfare participants in metro areas were more likely to report unmet child care issues than participants from rural areas (Owen et al. 2002).

c. Transportation

Securing and retaining employment frequently turns on the availability of reliable transportation – either public or private. Welfare participants often cite inadequate transportation as

a barrier to finding employment (McKernan et al. 2001; Owen et al. 2002). Holzer and Stoll (2001) found that worker absenteeism accounted for much of the job loss among welfare recipients, and that absenteeism often resulted from transportation difficulties.

Difficulties securing reliable and affordable transportation confront most low-income families, but the challenges seem to be greater for those residing in remote-rural areas and central cities. Nonmetro residents often live at a great distance from places of employment and essential services (Dewees 2000). In persistently poor rural counties in Kentucky, Mississippi, South Dakota, and Texas, welfare participants often live 20 to 40 miles from the welfare office or nearest place of employment (Harvey et al. 2002). Low-income central-city residents also face long commutes to work due to the spatial mismatch between their homes and the location of entry-level jobs in the suburbs. TANF workers in urban Cook County had longer commutes to work on average than their counterparts in suburban or rural counties (Leonard and Kennedy 2001).

For many welfare participants, a private vehicle would best accommodate their need to make multiple stops (at such locations as a child care site, the welfare office, a job training site, and an employer), often at off-peak hours (common for entry-level jobs). And to be sure, vehicle ownership overall in nonmetro areas exceeds that in metro areas, with about 95 percent of nonmetro households owning a vehicle, compared with 80 percent of central-city households (Nightingale 1997). However, these figures report on all households; welfare families likely own cars at far lower rates:

- A study in rural Iowa found that only 24 percent of welfare recipients owned a vehicle (Fletcher and Jensen 2000)— the same percentage that reported owning a car in a study of central-city Boston welfare participants (Edin and Lein 1997).
- Although most states have increased the vehicle asset limit – the maximum dollar value of a vehicle a person can own and still be eligible for TANF – ownership among welfare recipients remains low for several reasons: insufficient funds to buy and maintain a car; inability to pay for car insurance; and the lack of a valid driver's license (Dewees 2000).
- Vehicle ownership may be especially expensive in large central cities where maintenance and insurance costs tend to be higher (Pugh 1998).

Given limited vehicle ownership, many welfare participants rely on public transportation to commute to work and service providers. The availability of these systems in remote-rural areas, however, remains fairly limited. Sixty-four percent of all nonmetro counties adjacent to a metro area provide some form of public transportation, but only 44 percent of nonadjacent counties do (U.S. Department of Transportation 1995). Meanwhile, central-city residents working in the suburbs may also face problems taking the bus or train to work even though metropolitan areas usually maintain better public transportation systems:

- Most urban transit systems were designed for a commuting pattern in which metro jobs are concentrated in the central city, and are ill-equipped for commutes from city to suburb (Nightingale 1997; Leonard and Kennedy 2001).

- A commuter traveling from a low-income neighborhood in Boston to North Waltham, a western suburb with many entry-level jobs, would need to take three buses and walk a mile to get to work (Lacombe 1998).
- In the Atlanta area, three-quarters of all new entry-level jobs are located more than 10 miles away from neighborhoods where most city welfare recipients live, and where only 5 percent have access to a licensed vehicle (Katz and Allen 2001).
- Low-income workers typically face longer commutes, because of the long distances, off-peak times, and circuitous routes that low-income workers must travel. A Cleveland study found that commutes by public transit took twice as long as those by car (Leete et al. 1999a).

In short, low-income workers in both central cities and rural areas share the challenges of long commutes and unsatisfactory transportation options for getting from home to their workplace, to their service providers, and back again.

4. Financial Incentives to Work

Do financial incentives to work differ between metropolitan and nonmetropolitan areas? Research by Lerman et al. (1999) indicates that average financial incentives to work may be slightly greater in rural counties. This national-level analysis took into consideration income tax policies (uniform across the nation), welfare benefit levels (which vary by state), state taxes (which also vary by state), housing costs (which vary by county), and other factors. They found that the maximum return to work was higher in rural than in urban counties, largely because housing costs are considerably lower in rural counties. Furthermore, this rural "advantage" widened as families increased their earnings and became less reliant on welfare benefits that tend to be lower in rural than urban counties and more reliant on federal programs (e.g. EITC and Food Stamps) that offer uniform benefits across the nation. The study found that a recipient family of three working 35 hours at minimum wage would have a housing cost-adjusted monthly income of $1,422 and $1,322 in rural and urban counties, respectively. This finding does not control for differences in job availability and wages that indeed vary across place, but it does suggest that full-time work may pay somewhat better in rural areas than urban ones.[7]

5. Summary: Differences in Barriers between Rural and Urban Areas

Barriers and incentives to successful welfare-to-work transitions *do* differ importantly between rural and urban areas. Job availability is a key issue in rural counties where unemployment and underemployment rates are higher and job opportunities more limited compared with urban counties. Low levels of education among rural residents may also make good-paying jobs harder to obtain, but similar barriers may exist for low-income workers in central cities. In addition, work supports such as child care services and public transport remain less developed in nonmetro areas, particularly nonadjacent nonmetro areas. Some evidence suggests that lower costs of living and

[7] The study also does not control for more recent adoption of state earned income tax credits, which may have affected the differential return to work in urban and rural areas.

uniform benefits like the EITC may make the financial return to work somewhat greater in rural areas than urban areas, but that return may be offset by the lower wages available to rural workers.

The key barrier to successful welfare-to-work transitions in metropolitan areas, by contrast, involves job access, rather than job availability. Job opportunities may be somewhat more plentiful in metropolitan areas compared with nonmetro areas. But metro welfare participants may experience difficulty accessing jobs due to a spatial mismatch between where they live (most often in the central city) and where they can work in entry-level jobs (increasingly in the suburbs). Distance and transport problems complicate commuting from city residences to suburban jobs for would-be workers. Vehicle ownership remains low among welfare participants and the maintenance and insurance costs of ownership may be higher in large cities. Metro public transportation systems are often ill-equipped for commutes from the central city to suburb, with few routes and infrequent service. Even when low-income city workers are able to negotiate the complex tasks of securing suburban employment, arranging child care and getting to their jobs, finally, the high costs of housing in urban areas may leave them struggling to achieve self-sufficiency.

B. Are Welfare Reform Outcomes Different in Rural and Urban Areas?

Given the different barriers facing welfare recipients moving toward work in metro and nonmetro areas, one might expect spatial differences in welfare reform outcomes. In this section, we examine place-based empirical research on welfare participation, employment, earnings, and income.[8] The studies presented here differ considerably in terms of analysis period, analytical method, data set, sample size, and control variables. They also differ in how they separate the effects of policy from those of the economy.. Almost all of these studies, meanwhile, examine differences between metropolitan and nonmetropolitan areas. That they do not distinguish central cities from other urban areas, and remote-rural counties from adjacent ones, limits them.

1. Welfare Participation

The welfare reform literature includes a large number of studies of welfare participation. Most of these have focused on how the personal characteristics of welfare recipients affect entrance to and exit from public assistance (Blank 1989; Bane and Ellwood 1994). Because welfare participation can be intermittent (people enter and leave and re-enter), several studies also examine "cycling" – moving off and back on to welfare.

Only recently have analysts considered the influence of place of residence on welfare participation. Ten empirical studies of welfare participation (exit, exit via earnings increase, and entry/re-entry) are presented in Table 1. Five use state-level administrative data to examine state-

[8] The discussion here relates to the studies in Tables 1 and 2. The Appendix Tables A.1 and A.2 include a more complete set of studies. Tables 1 and 2 only include those studies in Tables A.1 and A.2 that involve model estimations or tests of statistical significance, except as noted.

specific outcomes, and five use national-level data. Each of these studies provides information on how residential location may be related to leaving welfare.[9]

The state-level analyses consistently find that, all else equal, an urban residence is associated with lower welfare exit rates, and hence longer welfare spells:

- Brady and others (2002) found that California welfare participants living in rural and agricultural counties had shorter welfare spells compared with their counterparts in urban counties, a finding echoed in Hoynes (2000).
- In Iowa, Pan, Fuller, and Jensen (2001) found that high unemployment rates had a more negative effect on welfare exits in metro areas than nonmetro areas, and Jensen, Keng, and Garasky (2002) found that welfare recipients in metro areas were overall less likely to exit welfare than nonmetro recipients.
- A Minnesota study reached similar conclusions, finding that those recipients who lived in farming areas were most likely to exit welfare (Hirasuna and Stinson 2001).

Findings among the five national studies on urban versus rural outcomes were somewhat less consistent than those from the state-level studies:

- O'Neill and others (1987) and Porterfield (1998) found that urban and central-city welfare recipients had longer welfare spells than recipients living elsewhere.
- Fitzgerald (1995) found that white female-headed households in urban areas had longer welfare spells than those in rural areas, but did not find significant differences between black female-headed households in urban and rural areas.
- Vartanian (1999) detects no statistically significant relationship between big city or urban residence and welfare exit (although they are negatively correlated).
- Sandefur and Cook (1997), examining the likelihood of "permanently" leaving welfare, found that welfare participants in urban areas were actually *more* likely to permanently leave welfare than their rural counterparts (a permanent exit is defined as "one which is followed by two years or more of not using AFDC").

Given the findings reported below that rural recipients are more likely to return after leaving, Sandefur and Cook's finding does not necessarily contradict the otherwise fairly consistent finding that urban welfare recipients are less likely to exit the rolls. In general, the relatively small sample sizes of the national-level studies make it more difficult to capture spatial effects than with the state-level analyses (see column two of Table 1).

Taken together, the studies of welfare exit generally indicate that welfare participants are less likely to exit welfare, and have longer welfare spells, if they reside in a metro area or central city versus a rural area. This finding may indicate that the structural and personal barriers discussed previously are particularly problematic in metro areas. Another potential explanation is that

[9] For some of these studies a primary focus was to determine if location of residence is correlated with duration of welfare spell; for others geographic variables were included, but were not a main emphasis.

incentives to work may be greater in nonmetro as compared to metro areas, in line with the findings of Lerman et al. (1999) discussed earlier. It may also be that welfare participants living in metro areas are more dependent on welfare income because their potential earnings are lower (Pan, Fuller, and Jensen 2001; Jensen et al. 2002). Among those who do exit, the research is decidedly mixed on whether urban or rural participants are more likely to do so as a result of an increase in earnings, or because of other factors (Vartainian 1999; Porterfield 1998; Fitzgerald 1995).

Entry or re-entry to the welfare program remains another measure of welfare participation. Hoynes (2000) found no statistically significant differences in welfare re-entry between participants living in urban and rural California counties. Jensen, Keng, and Garasky (2002) found that metro area welfare participants in Iowa were less likely than nonmetro residents to return to welfare initially, but that after six months, the groups exhibited little in their return rates. At the national level, Vartanian (1999) found that welfare re-entry was most likely among big city welfare participants, followed by rural and urban welfare recipients. Vartanian's findings, because they disaggregate metro areas into large city/urban/suburban, may uncover relationships that are hidden in the aggregate measures; further investigation in this area could prove fruitful.

Overall, studies that reveal a negative relationship between urban residence and welfare exits, or a positive relationship between urban residence and welfare entry or re-entry, may suggest that welfare receipt is less socially acceptable in rural areas than urban areas (Lewis 1968). Hirasuna and Stinson (2001) hypothesize that their finding of a higher probability of welfare exit in farming-dependent counties may partly relate to the potentially greater stigma placed on welfare receipt in these counties. A survey of welfare participants in Minnesota found that 68 percent and 54 percent of rural and urban recipients, respectively, were ashamed to admit to others that they were receiving welfare.

Along with evidence that urban residents are more likely to enter, and less likely to exit, the welfare rolls than their rural counterparts, some state-level data indicate more pronounced patterns of welfare cycling (exits and entrances) in rural areas. Jensen, Keng, and Garasky's (2002) results on welfare exit and re-entry seem to suggest that nonmetro participants in Iowa have more welfare spells, since they are more likely to exit and also more likely to immediately return, at least in the short-term. Similarly, Brady, Sprague, and Gey (2002) found that California welfare participants living in rural and agricultural counties had more frequent welfare spells. The authors posit that the observed spatial differences in welfare use patterns in California are largely due to seasonal variation in employment patterns. The average California welfare recipient in an agricultural or rural county was more likely than the average welfare recipient in an urban county to leave welfare in the summer.

2. Employment

Studies on welfare participation may provide important clues as to the relative opportunity structure in urban and rural areas, but they cannot answer several fundamental questions underpinning the success of welfare reform. Do welfare leavers find work? What type of work do

they find? And does employment lead to economic self-sufficiency? National-level studies suggest that welfare reform and the expansion of the EITC are helping to raise the employment rates of single mothers (Meyer and Rosenbaum 1999), with some research finding that more than half of the former recipients are employed at some time after ending their welfare participation (Cancian et al. 1999; Brauner and Loprest 1999). Almost two-thirds (64 percent) of former recipients who left welfare between 1997 and 1999 were working when interviewed in 1999 (Loprest 2001). Some analysts have questioned whether the much documented employment gains under TANF have differed across metro and nonmetro areas. In Table 2, we present findings from six studies that address this issue and provide some evidence on potential differences across space in employment probabilities, earnings and income under welfare reform.

McKernan and others (2001) examined differences at the national level in metro and nonmetro employment outcomes in the three years since TANF was implemented. They find that single mothers living in nonmetro areas had a lower probability of employment during the analysis period, and that while TANF increased overall employment levels for single mothers, there were no statistically significant differences in gains between metro and nonmetro areas. However, their study did find that some policies had different effects on the employment of single mothers in rural compared with urban areas.[10] An increase in the work hours requirement was found to have a greater effect on the employment of nonmetro than metro residents. Additional months of transitional child care benefits increased employment in metro but not nonmetro areas. Finally, the authors find that vehicle asset limits differentially affect employment probabilities: increasing the value of a vehicle not included in the asset limit was found to increase employment less in nonmetro areas than in metro areas.

At the state level, Pan, Fuller, and Jensen (2001) found that Iowa welfare participants living in metropolitan areas were more likely to find work than those in nonmetropolitan areas. In contrast, Gennetian and others (2002) found that Minnesota's Family Investment Program raised employment among long-term, single-parent recipients in both urban and rural counties during the two years after selection for the study in 1994 to 1996. However, while participants in urban counties experienced large and lasting employment gains, average employment increases were far smaller in rural counties, and employment effects faded considerably by the last year of follow-up.

3. Earnings and Income

Beyond sheer employment probability, some welfare research considers the types of jobs (e.g., part-time or full-time) that welfare participants and welfare leavers find, and their associated wages and earnings. Nationally, Loprest (2001) finds that 68 percent of employed former recipients who left welfare between 1997 and 1999 work 35 hours or more a week, at a median hourly wage of $7.15.

[10] This study is one of the few reviewed here that included interaction terms between policy variables and metro/nonmetro residence, thereby allowing for explorations of differential policy impacts across space.

Two studies have identified a within-state "urban advantage" regarding welfare recipients' earnings. Porter and colleagues (1999) report that monthly earnings of former welfare participants in nonmetropolitan Southwest Virginia averaged 79 percent of those in metropolitan Northern Virginia. Gennetian and others (2002) found differences in the types of jobs and wages that rural and urban welfare recipients obtained in Minnesota. Rural welfare recipients were more likely to work part-time, and their wages were lower on average compared with urban welfare participants. The study also found that the state's welfare program had no statistically significant effect on the average earnings of rural welfare recipients, although it did increase the average earnings of urban recipients. Cost-of-living differences, of course, may negate at least some of this urban edge.

Two other studies at the national level, however, have found that nonmetro welfare participants enjoy better earnings outcomes under welfare reform. Mills and colleagues (2000) found that the transition from welfare to work resulted in significant gains in total per capita earnings between 1993 and 1999 for rural single female-headed families, larger than the gains seen for their metropolitan counterparts. Connolly (2000) found that state welfare waivers had a small negative effect on the earnings of welfare recipients overall, but that nonmetro recipients were more insulated from this negative effect than their urban counterparts.

Do the jobs and earnings of those leaving welfare make them self-sufficient? Nationally, Loprest (2001) finds that 52 percent of families that left welfare between 1997 and1999 had income below poverty, 41 percent if one includes EITC and food stamp benefits. Cancian et al. (1999) report that half of all leavers do not obtain the level of income they had prior to leaving welfare.

Meyer and Cancian (1998) provide some of the only insights into urban/rural differences in the economic well-being of families that have left welfare. Their study measured the factors related to families' income-to-needs ratios, where need is defined as the official poverty line, in the first five years after welfare exits. Their results suggest that welfare leavers in nonmetro areas had lower income-to-needs ratios than those in metro areas, even controlling for local unemployment rates.[11]

4. Summary: Differences in Outcomes between Rural and Urban Areas

What does place-based welfare research indicate about spatial differences in outcomes in the transition from welfare-to-work? The strongest finding from this line of research touches on welfare exits, with most studies finding that welfare participants residing in metro areas are less likely to exit welfare compared with their counterparts in nonmetro areas. Some evidence indicates that welfare use differs between metro and nonmetro areas, with nonmetro welfare participants receiving welfare for shorter periods and exiting welfare more frequently in summer months.

[11] The authors caution that results do not necessarily indicate a rural disadvantage under welfare reform since cost-of-living differences were not accounted for. The concern about differential costs of living is a commonly mentioned issue in place-based poverty research. There have been several attempts to estimate cost of living differentials between rural and urban areas. For example, Nord (2000) concludes that the use of the same official poverty thresholds in both rural and urban areas is likely to overstate rural economic hardship relative to that in urban areas. He asserts, however, that "at present there is no adequate base of official statistics to support a credible and geographically comprehensive adjustment" to the poverty threshold.

The evidence from place-based welfare research is less clear about how welfare participants in metro and nonmetro areas fare in the area of employment, earnings, and income as they move from welfare-to-work. Some evidence suggests that employment rates have increased for single mothers during the welfare reform period in both metro and nonmetro areas. And a few studies have found that welfare participants residing in metro areas have fared better in terms of finding employment. However, current scholarship does not yield strong conclusions about differences across space in earnings and income for welfare participants that find work.

C. Conclusion and Research Implications

The literature on the barriers to welfare reform success suggests several common challenges in central cities and remote-rural counties. The urban literature emphasizes that a spatial mismatch between the location of entry-level jobs (the suburbs) and where most welfare recipients live (in central cities) translates into restricted job opportunities and long and difficult commutes. Case studies in metro areas also suggest that spatial mismatch affects employment outcomes. Allard (2001) found that the percentage of welfare recipients reporting earnings was higher in suburban counties than in Detroit. A Cuyahoga County, Ohio study found that suburban leavers' first year earnings were 12 percent higher than those for leavers in the city of Cleveland (Leete et al. 1999b).

The rural literature provides some evidence that remote-rural areas are particularly challenged under welfare reform compared with rural areas adjacent to a metro area, with less plentiful job opportunities (McKernan et al. 2001), fewer programs to assist in the welfare-to-work transition (Kraybill and Lobao 2001), and limited public transportation options (U.S. Department of Transportation 1995).

Unfortunately, while the literature indicates diversity in experience and outcomes *within* metropolitan and nonmetropolitan areas, virtually all of the studies on welfare reform outcomes reviewed here (see Tables 1 and 2) use an aggregate metro/nonmetro or rural/urban geographic classification. These outcome studies provide strong statistical support for lower rates of welfare exit among metro area welfare participants compared with nonmetro welfare recipients. And some studies find that welfare recipients in nonmetro areas have more welfare spells of shorter duration compared with their metro area counterparts. However, the evidence on employment and earnings outcomes remains decidedly mixed. The failure to control for geographic variation across the central city to remote-rural county continuum may explain the weak statistical findings on spatial differences in work, earnings and income for welfare participants.

In the next section, we examine welfare reform outcomes using a geographical classification that disaggregates metro and nonmetro to identify potential common problems facing households across the rural-urban continuum.

III. Empirical Evidence on How Welfare Outcomes Vary Across the Urban-Rural Continuum

Previous research on rural and urban differences in poverty and welfare outcomes has rarely revealed significant differences between metropolitan and nonmetropolitan areas, and often produced contradictory results. Here, we suggest that this may be due in part to the fact that, by aggregating suburbs and central cities into metropolitan areas, and aggregating adjacent and remote-rural counties into nonmetropolitan areas, such research has lumped together very diverse places. By doing so, it has obscured important spatial differences across the geographic continuum. In this section of the paper, then, we examine how public assistance receipt, employment, earnings, and poverty among single-mother families vary across a geographic continuum that includes central cities, suburbs, adjacent nonmetro counties, and nonadjacent nonmetro counties. We also examine how these outcomes changed during the 1990's.

The almost complete absence of studies in differences across the "central city to remote-rural county" continuum largely owes to the lack of publicly available data that permit such a geographic classification. A review of the geographic coding of the main national surveys (see Table B.1) reveals that no single data set provides (for public use) intercensal data for this purpose. Here, by contrast, we actually combine two nationally representative datasets – the Current Population Survey (CPS) and the Panel Study of Income Dynamics (PSID) – to develop comparisons of welfare and work outcomes for multiple types of geographies. The CPS includes data on work and welfare outcomes for individuals and families in central cities, suburbs and nonmetropolitan counties. The PSID includes this information for counties classified along an urban-rural continuum, from central counties of large metro areas to completely rural counties not adjacent to a metro area.[12]

We readily acknowledge the difficulties of attempting to draw inferences from two very different data sets. At the same time, even if the levels of particular variables are not strictly comparable across data sets, the fact that this examination generally reveals similar outcomes at the ends of the geographic continuum suggests that remote-rural and central-city single mothers face some common problems. This result warrants further exploration with confidential data from the CPS or PSID. Confirmation of the remote-rural/central-city link would support the notion that a policy strategy seeking to benefit disadvantaged families should direct some resources toward building capacity in places as well as in people.

[12] These PSID classifications correspond to the USDA Economic Research Service's 9 Beale codes. See www.ers.usda.gov/briefing/rurality/RuralUrbCon for more information.

A. Data

The study uses public-use data from the Current Population Survey and the Panel Study of Income Dynamics between 1992 and 1998. This time period includes years before and after the implementation of most state-level welfare waivers in the mid-1990s, and before and after the major changes in the federal welfare law in 1996. The CPS, a nationally-representative survey, remains the primary source of labor-force statistics for the U.S. and is a key source of demographic data. The PSID is a longitudinal survey that has followed a core sample of 4,800 families and their descendants since the study's inception in 1968.[13] The PSID data have been widely used for cross-sectional, longitudinal, and intergenerational analyses. The CPS and PSID include data for a wide range of variables related to public assistance, employment, earnings and poverty. Further, the CPS is the only nationally representative data set that allows for geographic coding of responses from metropolitan areas into central city and suburb.[14] The PSID public-use data enable one to categorize nonmetro areas according to population size as well as adjacency and nonadjacency to a metropolitan area.[15]

While both surveys were designed to be nationally representative, their estimates of some of the same variables for single mothers with children differ significantly. Both data sets report data for metropolitan and nonmetropolitan areas. In order to determine whether the two datasets are comparable for purposes of this study, we compare mean values for certain variables for metro and nonmetro counties (see Table 4). Means for some variables for metropolitan areas differ. The CPS estimates show significantly higher percentages of public assistance receipt and poverty among single mothers with children than does the PSID. The CPS also shows lower percentages with earnings and lower dollar earnings (although these differences may not be significant statistically). Estimates for nonmetropolitan areas, however, do not significantly differ in the two data sets. The only statistically significant difference in outcomes there is for single-mother family poverty in 1998, where CPS estimates are higher. The fact that on the whole, estimates in the CPS differ little from

[13] More detailed descriptions of the data sets can be found on the CPS and PSID websites and for the PSID in Hill (1992). The CPS website is http://www.bls.census.gov/cps/cpsmain.htm. The PSID website is http://www.isr.umich.edu/src/psid/index.html

[14] The term "suburb" here is used for what the CPS calls "balance of MSA". The federal Office of Management and Budget (OMB) has classified counties (and county-like places) into metropolitan areas and nonmetropolitan areas. Metropolitan areas contain a minimum population of 50,000 and adjacent communities that are economically and socially integrated with the nucleus. Following the classification developed by the OMB, CPS sorts metropolitan households by residence into "central city" and "balance of MSA[Metropolitan Statistical Area]". Those not residing in metropolitan areas are labeled "nonmetropolitan". Central cities are "the largest place and, in some cases, additional places" in the metropolitan areas. We call the "balance of MSA" the "suburbs", recognizing that (particularly in some Western states with geographically large counties) residents outside of the central cities may not be as tightly integrated with the central cities as the term "suburbs" implies. The 1993 CPS used the 1983 OMB Metropolitan area definition; the 1999 CPS used the 1990 Metropolitan area designations. The number of metropolitan areas increased from 318 to 323 during this period. In order to protect the confidentiality of respondents, the residence of about 15 percent of respondents is listed as "not identifiable" in the public use files.

[15] The 1983 OMB metropolitan and nonmetropolitan definitions were apparently used for all of the geographic coding in the PSID samples analyzed in this report.

the PSID estimates in nonmetropolitan areas increases our confidence in the use of the PSID estimates for nonmetro areas, despite the relatively small sample sizes. In this section of the paper, PSID estimates are presented only for nonmetro areas.

Our analysis focuses on a sub-sample of the CPS and PSID data: all single mothers aged 18 to 54 years with at least one child under the age of 18. Figures 1 through 5 display CPS and PSID data for women who were female heads of families in 1993 and 1999. The CPS sample size for these single mothers was 2,499 in 1993 and 2,347 in 1999. The PSID sample sizes were 164 and 165 respectively for the two years Figures 6 and 7 are based on panel data from the PSID for single mothers in 1994 that remained in the survey through 1999 (N = 432).[16]

We should note that the CPS and PSID use slightly different definitions for some of the outcome variables. As shown in Table 3, the CPS definition of public assistance and earnings is slightly more inclusive than the PSID definitions. The poverty definition used is the same.[17]

B. Results

1. Welfare Receipt, Employment, Earnings, and Poverty

Figures 1 through 5 show central-city, suburban, adjacent-rural and remote-rural county differences in welfare, work, and poverty trends for single mothers with children for 1992 and 1998. Estimates from the CPS and PSID (averaging data for both years) indicate that about three-quarters of all single mothers with children live in metropolitan areas (42 percent in central cities, 33 percent in suburbs) and one-quarter live in nonmetropolitan areas (10 percent in adjacent-rural areas, 15 percent in remote-rural).

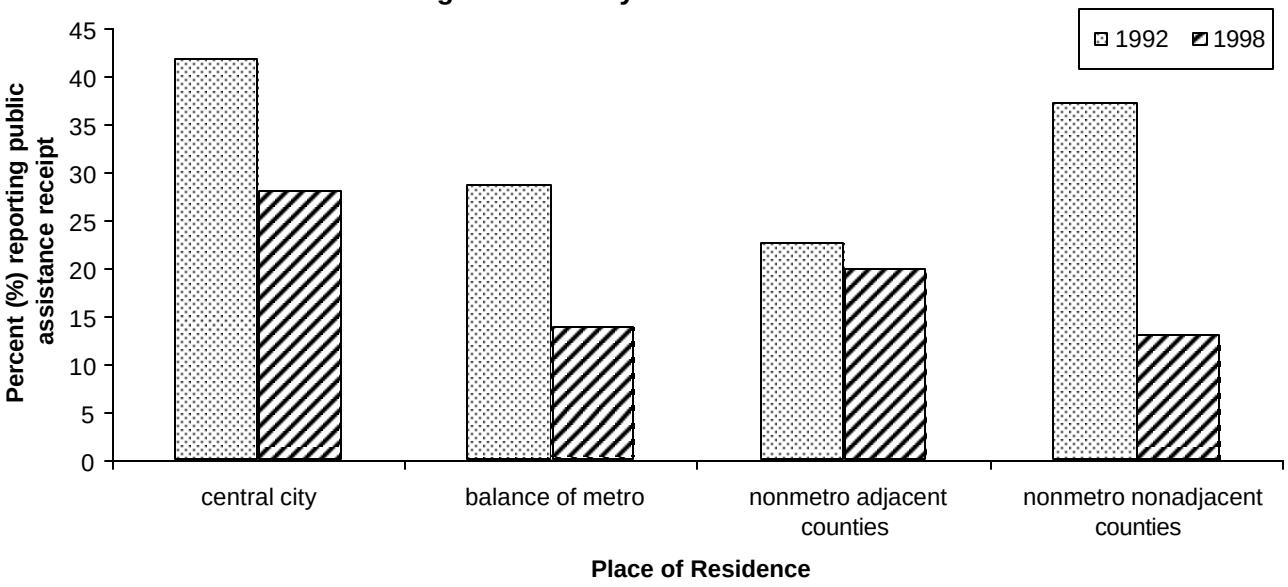
Focusing first on the receipt of public assistance, we find that in 1992, one-third (36 percent) of all single mothers with children reported welfare income. As Figure 1 shows, welfare use was highest in remote-rural counties and central cities, and lowest in adjacent-rural counties. Between 1992 and 1998, welfare receipt by single mothers with children declined in all areas to an average of 21 percent. Participation in public assistance actually declined most in remote-rural counties, and

[16] This sub-sample contains a panel of women aged 18 to 54 years with at least one child under the age of 18 years that were heads of household in 1994 and were in families from 1994 to 1999. In some instances these women marry and therefore are no longer household heads. Despite this we follow them over the period into whatever family arrangement they move. It should be noted that by 1999, 97 of the 432 women were in families now headed by men.

[17] Appendix Table B.1 provides more detailed information about variable definitions. Information in these tables was obtained from the CPS and PSID websites. It is important to point out that the PSID data for the survey years 1968 to 1993 originates from the "Public Release II" files while data for survey years 1994 to 1999 come from the "Public Release I" files. The latter files represent early-release data and therefore are preliminary. They have not yet been subject to the rigorous data-cleaning process prepares PSID data for release as "Public Release II" data. A few of the records and the values of some variables may differ between Public Release II and Public Release I files once the latter are released.

least in adjacent-rural counties. By the end of the period, public assistance receipt rates were still highest in central cities, but nearly comparable in suburbs and remote-rural counties.

Figure 1. Public Assistance Receipt, Single Mothers by Residence: 1992 and 1998



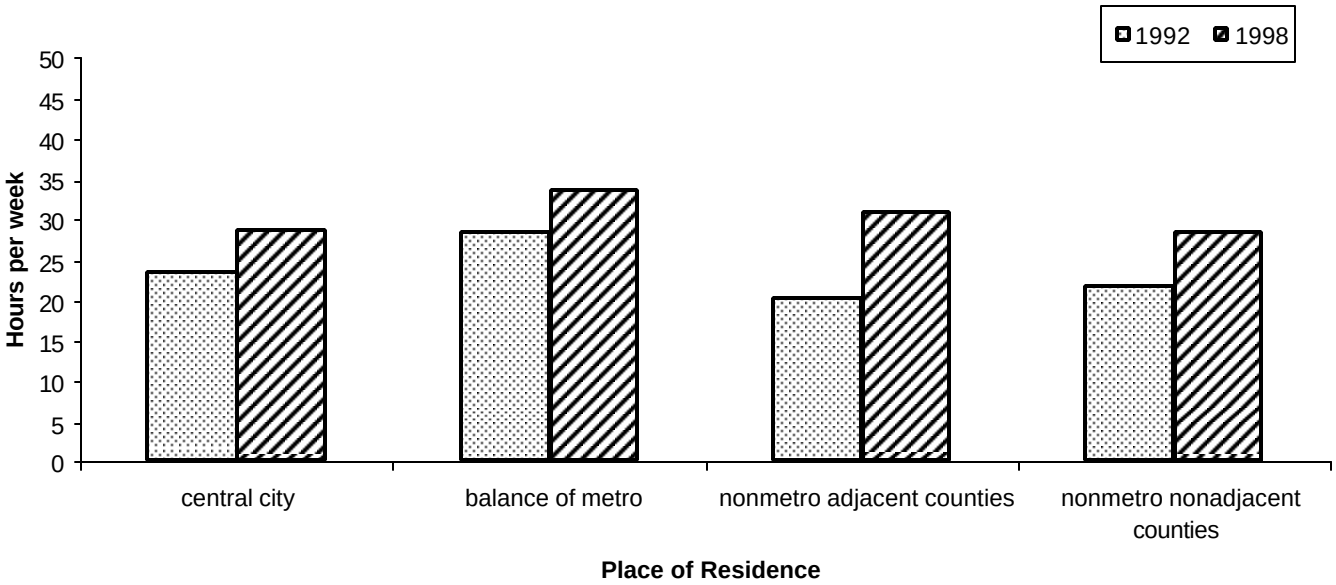
Thanks to the strong economy, policies like welfare reform, and an expanded Earned Income Tax Credit, labor-force participation among single mothers rose significantly in the 1990s (Sawhill et al. 2002). This increase appears to have extended to single mothers across all geographies. Overall, about two-thirds (68 percent) of single mothers with children reported earnings in 1992, with the lowest shares reporting from central cities (Figure 2). Between 1992 and 1998, these shares increased across the rural-urban continuum to an average of 82 percent overall, and differences among single mothers in different geographies appeared to diminish somewhat. Still, central cities continued to lag other areas.

The same conditions that lifted labor force participation rates in the 1990s also seem to have translated into greater work effort among the working single-mother population. In 1992, working single mothers with children worked an average of 25 hours per week (Figure 3), with the shortest average work week turning up in rural areas (about 21 hours per week), and longer hours on average being reported in metro areas (24 in central cities and 29 in suburbs). As with earnings rates, average hours worked per week among these groups converged to some degree between 1992 and 1998. The average work week for single mothers increased in all areas – to 31 hours per week nationally – and by the largest amount in rural counties adjacent to metro areas. Once again,

single mothers in central cities and remote-rural areas lagged their counterparts, although by a somewhat smaller degree than they did at the start of the period.

Figure 2. Single Mothers Reporting Earnings, by Residence: 1992 and 1998

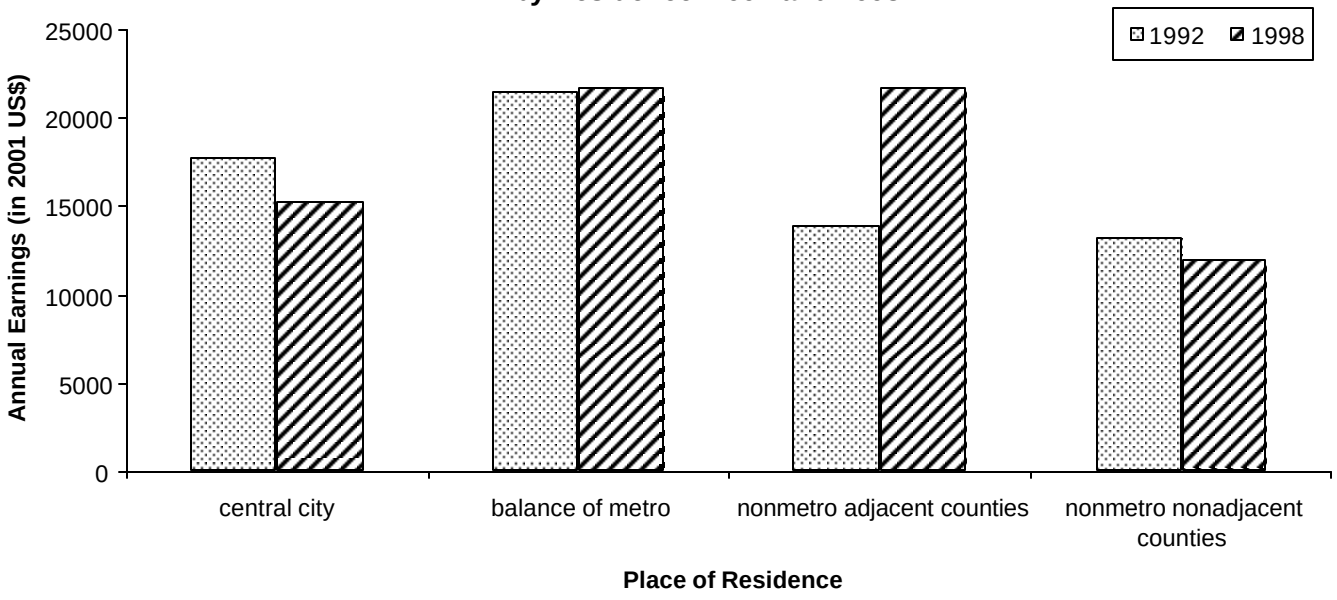
Figure 3. Mean Weekly Hours of Employment, Single Mothers by Residence: 1992 and 1998



The convergence in work effort across geographies did not, however, result in a convergence in earnings. In fact, the trend in central cities and remote-rural counties ran in the

opposite direction from that in other areas during the six-year period (Figure 4). In 1992, working single mothers earned the most in the suburbs ($21,459) and the least in the adjacent and remote-rural counties ($13,885 and $13,254 respectively).[18] Between 1992 and 1998, median real earnings actually decreased in central cities and remote-rural counties, while they grew in adjacent-rural counties. This is a distressing finding, given the increases in labor-force participation and work effort that occurred across the urban-rural continuum. It could be that new entrants to the labor pool – and those who worked more hours – in central cities and remote-rural areas lowered median earnings because they were lower-skilled than those already working. It could also be that the jobs available in central cities and remote-rural places offered lower wages than the jobs in suburbs and adjacent-rural areas. Understanding this pattern will require better information about both single-mother families and local labor markets across the central-city – remote-rural county continuum.

Figure 4. Median Earnings of Single Mothers, by Residence: 1992 and 1998



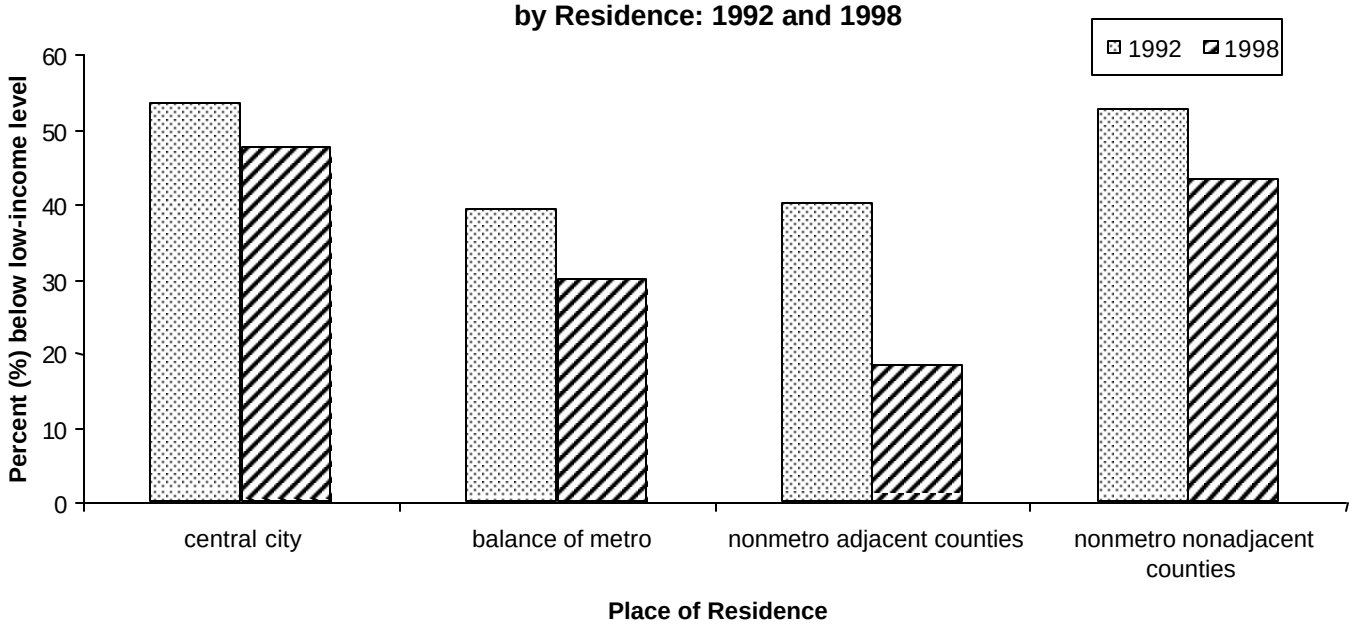
Though median earnings for single mothers dropped in central cities and remote-rural counties between 1992 and 1998, the data indicate that overall poverty also declined by a small amount (Figure 5).[19] However, poverty among single-mother families in those areas remains considerably higher than in other areas. Between 1992 and 1998, overall single-mother family poverty rates fell sharply, from 48 to 39 percent, with the largest declines occurring in adjacent-rural

[18] The figures reported here present median earnings for those single mothers who worked during the analysis year. "Zero" observations were not included in the estimation. All amounts are reported in 2001 (inflation-adjusted) dollars.

[19] The finding that poverty among single mothers fell at the same time that median earnings decreased and labor force participation increased is not necessarily contradictory. Since the median earnings figures considered only those mothers who were working, a relative increase in the proportion of mothers with above-poverty, but below-median, income could result in decreases in both median earnings and poverty.

counties. Poverty fell by somewhat smaller proportions in cities and remote-rural areas, however, so that in 1998, the single-mother poverty rates in those areas were 48 and 43 percent respectively – twice that in adjacent-rural counties, and about 1.5 times higher than that in suburbs.

Figure 5. Poverty Among Single Mother Families, by Residence: 1992 and 1998



2. Persistence of Poverty and Public Assistance Receipt

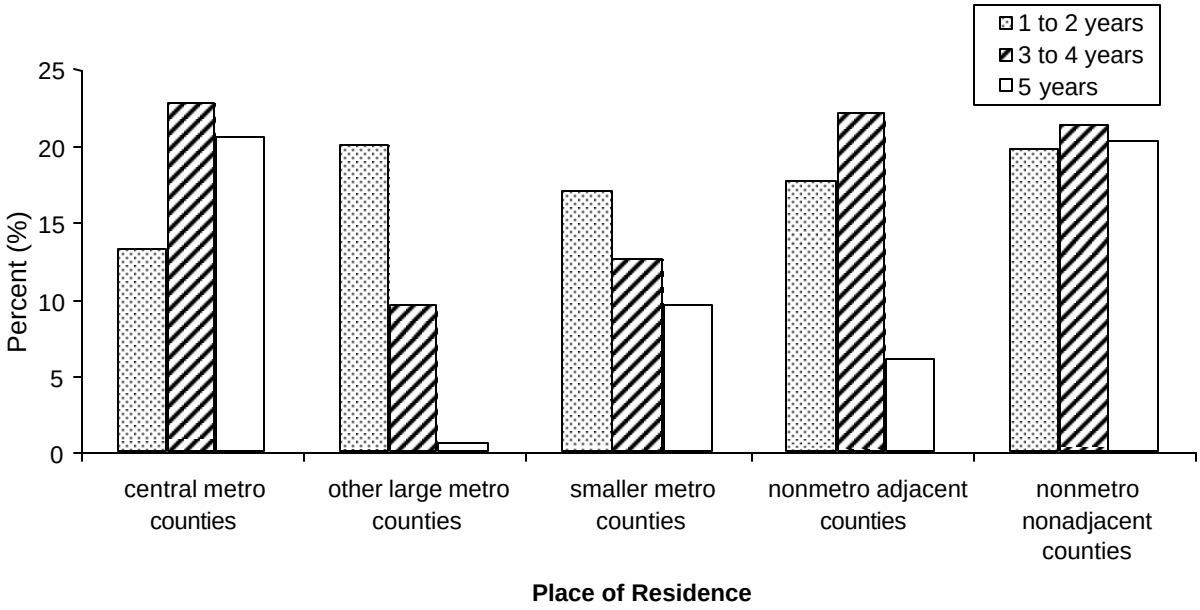
The longitudinal PSID also provides information about the persistence of both public assistance and poverty for single mothers. In this section, we examine these indicators for single mothers in five geographical categories derived from the PSID – the two rural groupings from the previous section, plus central metro counties, other large metro counties, and smaller metro counties.

Overall, we find that about half (48 percent) of single mothers with children had incomes below the poverty threshold for at least one year during the 1993 to 1998 period. The incidence of a single mother's ever having been in poverty during the period ranked highest in the remote-rural counties, where 62 percent of single-mother families reported below-poverty incomes, and in central metro counties, where 57 percent were poor for one or more years. By contrast, only 31 percent of mothers had ever been poor in other large metro counties.

Not surprisingly, the higher incidence of poverty in central metro counties and remote-rural areas correlated with a longer average poverty duration for single-mother families in those areas. In central metro counties, 44 percent of single-mother families experienced poverty for three or more years out of five during the 1993 to 1998 period, and 21 percent were in poverty all five years (Figure

6).[20] The figures in remote-rural counties were strikingly similar – 42 percent of single-mother families were in poverty for three or more years, and 20 percent were for all five years. Poverty was clearly most persistent in these central-metro and remote-rural counties. Only 10 percent of single-mother families in other large metro counties reported being in poverty for three or more years, with only 1 percent reporting five years of poverty.

Figure 6. Poverty Persistence, Single Mothers by Residence: 1993 to 1998



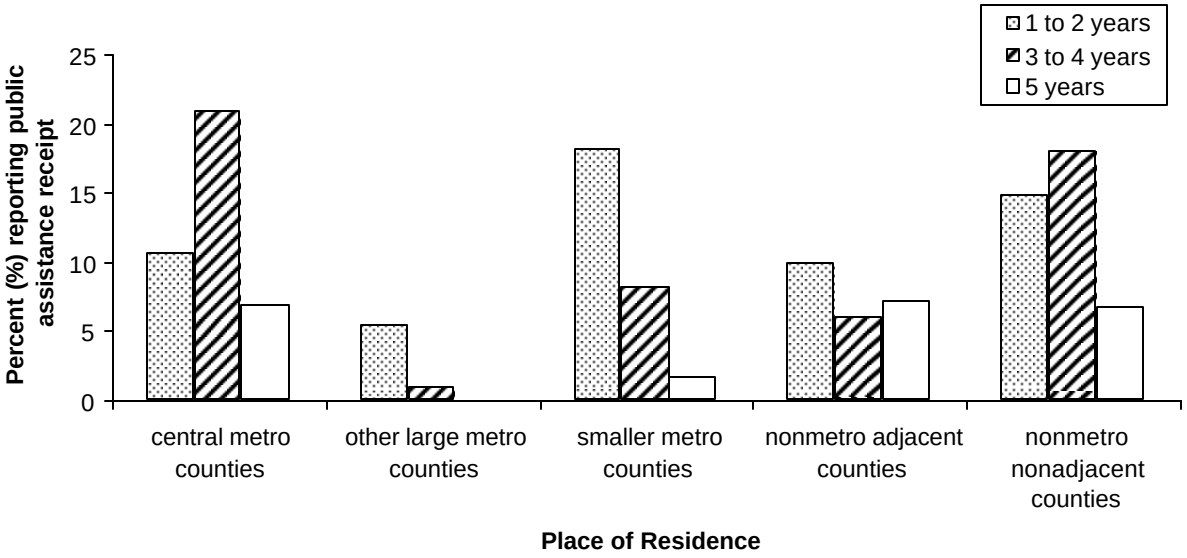
Despite the fact that nearly half of all single mothers were in poverty at some point between 1993 and 1998, most did not receive public assistance during this period. Of single mothers with children in the PSID sample in 1994, only 30 percent were ever on public assistance during the 1993 to 1998 period. Central-metro and remote-rural counties saw the highest incidence of public assistance receipt. Thirty-eight and 40 percent of central-metro and remote-rural single mothers with children, respectively, reported receiving public assistance at some point during those five years. These percentages considerably exceeded those in other places; for instance, only 7 percent of single mothers in other large metro counties reported public assistance income.

Consistent with their more persistent poverty, single-mother families in central-metro and remote-rural counties used welfare more persistently than their counterparts in other areas (Figure 7). In central-metro counties, 28 percent of single mothers with children received assistance for three years or more, with 7 percent reporting five years of assistance. Again, single-mother families in remote-rural counties were very similar – 25 percent received assistance for three years or more, with 7 percent reporting five years of assistance. By contrast, in other large metro counties, only 1

[20] There are six years in the period 1993 – 1998. However, the data here do not include the year 1997 since the PSID data for 1997 do not include variables for income and public assistance receipt that are comparable with such variables for the other years in the period 1993 – 1998. This is due to the change after 1997 to biennial rather than annual interviewing for the PSID.

percent of single-mother families reported receiving assistance for three years or more, and none reported five years of assistance.

Figure 7. Public Assistance Persistence, Single Mothers by Residence: 1993 to 1998



3. Summary

Our analysis of employment, income, and welfare outcomes for single mothers in the CPS and PSID supports the hypothesis that residents of central cities or counties and remote-rural areas face common challenges in moving from welfare to work and attaining self-sufficiency. Though most of the trends in the 1990s were in a positive direction across all geographies – labor force participation, work effort, and poverty all decreased – single mothers in central cities and remote-rural counties lag significantly behind their counterparts on almost all measures. They earned less money, and were more likely to be poor and to depend on public assistance, often for several years at a time. In contrast to their counterparts in other areas, single mothers in central cities and remote-rural counties actually saw their median earnings *decrease* during the mid-1990s.

These findings are perhaps not altogether surprising, given the litany of evidence from Part I on the differential barriers that low-income mothers from these geographies may face in accessing jobs and raising their incomes. They do suggest, however, that simply comparing metropolitan areas to rural areas, as does much of the literature on welfare outcomes reviewed in Part I, fails to capture the diversity of experience within these areas. The evidence in Part II strongly indicates that aggregating outcomes for central-city and suburban welfare recipients, or for adjacent-rural and remote-rural recipients, blurs some potentially sharp distinctions between these populations.

IV. ADDRESSING THE COMMON CHALLENGE IN CENTRAL CITIES AND REMOTE-RURAL COUNTIES: SOME POLICY OPTIONS

Welfare reform, a strong national economy, and policies like the Earned Income Tax Credit appear to have reduced welfare receipt among single mothers, increased single-mother employment, and reduced single-mother family poverty across the entire central city to remote-rural county continuum. However, single mothers in central cities and remote-rural counties have been less successful in increasing earnings and escaping poverty. Single-mother family earnings actually decreased in real terms in central cities and remote-rural counties, though they increased in suburbs and adjacent-rural counties. Both poverty and welfare use have remained more persistent in larger metropolitan central metro counties and remote-rural counties.

Many of the barriers impede central-city low-income residents and those living in remote-rural counties: adverse labor market conditions, lower levels of work supports and work experience, and a lack of transportation access to jobs. The fact that economic outcomes are similar, and less favorable, in these areas suggests that place-based barriers – both personal and structural – matter in welfare reform. Central cities and remote-rural areas would benefit most from targeted strategies and investments to address these barriers.

Here we suggest a handful of strategies that could promote successful welfare-to-work transitions in central cities and remote-rural counties, and that deserve consideration during the ongoing debate over welfare reauthorization.

A. Continued Flexibility in Implementation for State and Local Administrators

If, as this study strongly suggests, welfare recipients in different places face different barriers to employment and experience different outcomes under welfare reform, then state and local administrators will need the flexibility to design and implement different policies and programs to make reform work in these places. Nearly every state contains a central city and a remote-rural area where participant needs may require a targeted approach in the next phase of welfare reform. Changes to the welfare law that move states and localities toward a “one-size-fits-all” approach, however, would complicate efforts to address the variety of challenges facing, for example, a young Miami mother whose first language is not English, and an older unemployed mother from the job-poor rural Florida panhandle.

Researchers have found that the most successful welfare to work programs have employed a “mixed strategy” in which some clients are urged to find work first, while others are given the opportunity to pursue short-term education and training (Gueron and Hamilton 2002). The flexibility to pursue a variety of welfare-to-work strategies seems particularly crucial for state and local administrators who seek to assist clients from different places that present different obstacles on the road to self-sufficiency.

Large increases in federal work requirements severely restrict that flexibility and put urban and rural participants, who face heightened obstacles to success, at a greater disadvantage. Proposed "employment credits," which would create incentives to move former welfare participants into jobs, could help states retain some flexibility in implementation if they receive full credit for moving welfare participants into jobs. Such credits would be most helpful to those living in places where jobs are plentiful. Keeping the credit robust by not capping it, however, could provide states with incentive to focus more effort on helping individuals in distressed urban and rural areas to move from welfare to work.

B. Publicly-Funded Transitional Jobs

We found that single mothers in cities and remote-rural areas are employed at lower rates, and that they spend longer periods on public assistance than their suburban counterparts. Many may lack the basic skills to find and retain a job, while others may live in such job-poor areas that they have dropped out of the labor market entirely. Transitional jobs could be a promising strategy for these places, where job opportunities are scarce, where traditional job training and educational programs are less accessible, and where participants may have been out of the job market for extended periods of time (and may be nearing their welfare time limits).

Transitional jobs are wage paying, community-service jobs for welfare recipients and other unemployed adults who have not been hired after a regular job search. The jobs provide experience and employer references that improve the chance for future success in the job market, to a greater extent than do unpaid "workfare" jobs. Programs in operation in Philadelphia and Washington State demonstrate the benefits of the approach for both urban and rural populations (Waller 2002). Dedicated funding for transitional jobs in TANF reauthorization could provide hard-pressed communities with an important tool for reducing dependency and promoting self-sufficiency for poor families.

C. Greater Focus on Meeting Transportation Needs

Promoting access to more and better transportation options in TANF reauthorization could help welfare recipients in central cities to access jobs in the suburbs, and help remote-rural clients travel to work in counties with more plentiful employment opportunities. States should address these transportation needs explicitly in the TANF plans they submit to the Department of Health and Human Services. Congress could do away with limits on the value of a car owned by a family on welfare, making TANF rules consistent with Food Stamp rules now under consideration, and with current practice in 22 states. It could also clarify that Individual Development Accounts (IDAs) matched with TANF funds could be used for the purchase of vehicles without impacting the IDA holder's eligibility for federally funded means-tested benefits.

D. Increased Investments in Community Capacity

A transitional jobs policy will only work if there are opportunities for non-subsidized employment and continuing work supports after the transitional jobs end. But such opportunities remain scarce in some central cities and remote-rural counties where labor force participation is low and poverty is high. If targeted to rural and urban areas suffering from long-term economic distress, federal investments in local public-private workforce advancement, matched with local dollars, could build the capacity of these areas to provide stable jobs for low-income individuals. These investments should be designed to increase economic capacity in the places that, to date, have been least successful in achieving the goals of welfare reform.

E. Improved Data on the Spatial Nature of Welfare Outcomes

Finally, Congress should move to improve the research available on how welfare outcomes vary by place by seeking to improve on the paucity of intercensal place-specific data at the federal level. Large federal datasets provide little insight into how poverty, employment, and earnings vary across the different types of places explored in this report. The federal government should investigate how sampling in surveys like the CPS, PSID, National Longitudinal Survey of Youth (NLSY), the Survey of Program Dynamics (SPD), and the Survey of Income and Program Participation (SIPP) could allow for the public release of data with greater detail on the geography of respondents. At the very minimum, the Census Bureau should expand researcher access to its non-public data to permit further investigation of the economic well-being of vulnerable families in different geographies.

States can also contribute to our understanding of the importance of place in welfare reform. Information on the simplest of measures, such as caseload size, is generally unavailable at a sub-state level. Congress should consider how states can provide more timely information on the size and characteristics of their welfare caseloads, including the spatial distribution of cases. Data on where welfare leavers find work could also reveal where the spatial mismatch between jobs and low-income families is greatest. Such information could help federal policymakers better target resources to the places where they are most needed.

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Table 1: Empirical Studies of Welfare Participation

Study	Data and Geographic Scope	Geographic Classification	Dependent Variable	Findings on Differences Across Space
Welfare exits				
Brady et al. (2000)	State admin. data 1987-1997 (N=7,557) California	Agric., rural, urban, mixed	Exits from the unemployed parent (U) program	Welfare recipients in rural and agricultural counties have more and shorter welfare spells and more seasonal use
Fitzgerald (1995)	SIPP 1984, 1985; County and City Data Books 1988 (N=1,899) National	Urban (SMSA population of 250,000 +) and all else	Probability of exiting welfare (**black** single mothers with children)	Urban dummy variable negative but not statistically significant.
Fitzgerald (1995)	SIPP, County and City Data Books (N=2,800) National	Urban and all else	Probability of exiting welfare (**white** single mothers with children)	Urban (-)
Hirasuna and Stinson (2001)	State admin. data 1986-1996 (57,844) Minnesota	Urban, farming, other rural	Probability of exiting AFDC given receipt until present month (first episode)	URBAN (-), FARMING (+)
Hoynes (2000)	State admin. data 1987-1992 (N = 236,566) California	URB-I (urban, inside urbanized area); URB-O (outside); RUR (rural)	Probability of exiting welfare	URB-I (-)
Jensen et al. (2002)	State admin. data 1993-96 (N=18,382) Iowa	M, N	Re-entry hazard	Nonmetro welfare participants are more likely to exit FIP.
O'Neill et al. (1987)	NLS of Young Women 1968-1982 (N=2,536) National	CC, all else	Conditional exit probability	CC (-)
Pan, Fuller, and Jensen (2001)	State admin. data 1993-1995 (N=32,783) Iowa	METUR (non-rural) interacted with unempl. rate and predicted wage	Probability of FIP exit	METUR & unempl. rate (-), METUR & predicted wage (+), METUR & log child support (-)
Porterfield (1998) [a]	SIPP 1992, 1993 (N=573 to 730) National	*M, N*	Welfare spell duration	Rural welfare families have shorter median welfare spells

Table 1: Empirical Studies of Welfare Participation (continued)

Study	Data and Geographic Scope	Geographic Classification	Dependent Variable	Findings on Differences Across Space
Welfare exits (continued)				
Sandefur and Cook (1997)	NLSY 1979-1993 (N=1,268) National	Urban dummy variable	Probability of permanently leaving AFDC	Urban (+)
Vartanian (1999)	PSID 1968-86; 1970, 1980 US Census; County and City Data Books 1973a, 1978, 1984, 1989, 1995 (N=3,411) National	Big city, urban area, suburban area, rural area	Probability of exiting welfare	Big city and urban residence dummies have negative sign, but not statistically significant.
Welfare exit via increased earnings				
Fitzgerald (1995)	SIPP, County and City Data Books (N=1,899) National	Urban (SMSA population of 250,000 +) and all else	Probability of exiting welfare via earnings increase (**black** single mothers with children)	Urban dummy variable negative but not statistically significant.
Fitzgerald (1995)	SIPP, County and City Data Books (N=2,800) National	Urban (SMSA population of 250,000 +) and all else	Probability of exiting welfare via earnings increase (**white** single mothers with children)	Urban dummy variable negative but not statistically significant.
Porterfield (1998) [a]	SIPP 1992, 1993 (N=573 to 730) National	*M, N*	Potential reasons for welfare exit	Urban families more likely to exit due to earnings increase
Vartanian (1999)	PSID, US Census, County and City Data Books (N=3,411) National	Big city, urban area, suburban area, rural area	Probability of exiting welfare via increased earnings	Big city (-) Rural (+)
Entry or re-entry to welfare				
Hoynes (2000)	State admin. data (N = 236,566) California	URB-I, URB-O RUR	Probability of re-entering welfare	No statistically significant findings
Jensen et al. (2002)	State admin. data 1993-96 (N=18,382) Iowa	M, N	Re-entry hazard	Nonmetro welfare participants are more likely to return to FIP.

Table 1: Empirical Studies of Welfare Participation (continued)

Study	Data and Geographic Scope	Geographic Classification	Dependent Variable	Findings on Differences Across Space
Porterfield (1998) [a]	SIPP 1992, 1993 (N=573 to 730) National	*M, N*	Potential reasons for welfare entry	Rural families more likely to enter due to fall in earnings
Vartanian (1999)	PSID, US Census, County and City Data Books (N=492) National	Big city, urban area, suburban area, rural area	Probability of returning to AFDC after a first spell	Big city (+), Urban (+), Rural (+) Coefficient on big city largest followed by rural and urban

a. All of the studies included in Table 1 are regression analyses in which geographic variables (e.g. M, N) were included as explanatory variables. The exception is Porterfield (1998) who estimated the duration of welfare spells and examined potential reasons for entry and exit to welfare for recipients living in rural and urban counties using SIPP data. She does not test for significant M,N differences.

Table 2: Empirical Studies of Employment, Earnings and Income

Study	Data and Geographic Scope	Geographic Classification	Dependent Variable	Findings on Differences Across Space
Employment				
Gennetian et al. (2002) [a]	State administrative data 1997-99 (N=2,373) Minnesota	Urban and rural counties	Differences in outcomes between randomly assigned experimental and control groups	MFIP had large, lasting employment impacts in urban, smaller and evaporating in rural
McKernan et al. (2001)	CPS 1995-96, 1998-99; Urban Institute Welfare Rules Database (N=59,272) National	*M, N* **Interaction terms: specific policy variables and M, N**	Dummy variable for employment	Several of the interaction terms are significant, implying that policy has differential effect in N versus M.
McKernan et al. (2001)	CPS 1995-96, 1998-99 Urban Institute Welfare Rules Database (N=59,272) National	*M, N* **Interaction terms: Post-TANF and M, N**	Dummy variable for employment	N (-) N interacted with Post-TANF negative but not statistically significant
Pan, Fuller, and Jensen (2001)	State administrative data (N=32,783) Iowa	METUR (non-rural)	Probability of working	METUR (+)

Table 2: Empirical Studies of Employment, Earnings and Income (continued)

Study	Data and Geographic Scope	Geographic Classification	Dependent Variable	Findings on Differences Across Space
Earnings				
Connolly (2000)	CPS, Synthetic Panel 1993, 1994, 1995 (N not provided) National	M, N	Difference between the log of predicted (post-reform) earnings and log of observed pre-reform earnings	None of waiver variables statistically significant in earnings equation for rural single female householders (SFHs) For urban SFHs work requirement waivers negatively related and work incentive waivers positively related with earnings.
Gennetian et al. (2002) [a]	State administrative data 1997-99 (N=2,373) Minnesota	Urban and rural counties	Differences in outcomes between randomly assigned experimental and control groups	Statistically significant increases in earnings due to welfare reform in urban but not rural.
Mills et al. (2000) [a]	CPS 1993, 1999 (N=1,022) National	*M, N*	Non-parametric kernel density estimation	Single mother families in **N** areas had as large if not larger increases in per capita receipts
Income				
Meyer and Cancian (1998)	NLSY 1979-92 (N=594) National	M, N	Income-to-needs (poverty line) ratio, **years one to five** after AFDC exit	The coefficient for the N variable is negative and significant.
Meyer and Cancian (1998)	NLSY 1979-92 (N=594) National	M, N	Income-to-needs (poverty line) ratio, **year five** after AFDC exit	N indicator has negative sign, but not statistically significant

a. All of the studies included in Table 2 are regression analyses with the exception of Gennetian et al. (2002) and Mills et al. (2000). Gennetian et al. (2002) compared descriptive statistics of participants randomly assigned to MFIP (experimental) and AFDC (control) in both urban and rural counties; tests of statistical significance were performed where differences were found. Mills et al. (2000) used non-parametric kernel density estimation to examine the effects of welfare reform on the earnings of single mother families living in metro and nonmetro areas. Mills does not test for significant differences between metro and nonmetro areas.

Table 3: Definitions of Outcome Variables, CPS and PSID

Outcome Variable	CPS Definition	PSID Definition
Public assistance	AFDC/TANF and general assistance	AFDC/TANF
Earnings	Wages/salary and profits from farm/non-farm self-employment during the previous year.	Wages/salary and some portion (typically half) of profits from self-employment. Referred to as labor income in the PSID.
Hours of Work	The variable is “Work experience, weeks worked.” It is the answer to the question: "During (year),_ in how many weeks did _(person)_ work even for a few hours [Include paid vacation and sick leave as work]?"	PSID variable used is "B78": # Weeks worked in ___ “. It is the answer to the question: "Then, how many weeks did you actually work on your main jobs in (year)?"
Poverty	Includes variables indicating whether an individual or family has income above or below a poverty threshold. We use the family poverty variable. The poverty threshold is that adopted by the Federal Interagency Committee in 1969 and slightly modified in 1981. The poverty threshold takes into account family size, number of children and the age of the household head. Cutoffs are updated each year to account for changes in the Consumer Price Index.	Includes a poverty threshold variable that is the same used by the CPS. It also includes a family money income variable which is the total of all family members’ earnings, transfers and asset income during the previous year. We used the family income variable and the poverty threshold variable to generate a binary variable indicating whether the family is poor as follows. This binary variable has a value of one if the income-to-need ratio is above one and a value of zero otherwise.

Table 4: Mean Values and Test-Statistics for Outcome Variables for Single Mothers, CPS and PSID Data Sets

	Metro			Nonmetro		
Outcome Variable	Weighted Mean [a] (CPS)	Weighted Mean [b] (PSID)	Test-statistic [c]	Weighted Mean [a] (CPS)	Weighted Mean [b] (PSID)	Test-statistic [c]
Public assistance receipt in 1992	0.36	0.24	6.61[d]	0.31	0.31	-0.07
Public assistance receipt in 1998	0.21	0.11	4.69[d]	0.16	0.17	-0.10
Earnings receipt in 1992	0.68	0.79	-5.86[d]	0.75	0.74	0.27
Earnings receipt in 1998	0.82	0.85	-1.75	0.85	0.84	0.04
Earnings amount ($) in 1992	12,038	13,101	-1.90	9,464	8,416	1.31
Earnings amount ($) in 1998	17,214	18,342	-1.31	13,741	13,741	0.00
Below low-income level in 1992	0.47	0.41	3.29[d]	0.49	0.48	0.36
Below low-income level in 1998	0.39	0.28	4.29[d]	0.43	0.31	2.58[d]

a. The weight used is the March Supplement Person Weight.
b. The available weight and that used is the Combined Core/Latino Sample Weight for 1993 data and the Core Sample Weight for 1999.
c. Samples for both PSID and CPS are drawn using a stratified multistage sampling procedure. Standard statistical software packages estimate standard errors assuming use of data drawn from a simple random sample and do not account for "design effects" introduced by use of stratified multistage samples. Our estimated standard errors do not take "design effects" into account. . Hill reports that "Design effects associated with PSID data generally lead to a net increase in the actual sampling error relative to simple random sampling." (p. 67) Her results for earnings regressions "show ratios of actual standard error to standard error assuming simple random sampling thant range from 0.95 to 2.53, with most in the range of 1.1 to 2.2, and only one less than 1.0" (ibid.)
d. CPS mean is significantly different from the PSID mean. The critical value of the z-statistic for differences in proportions (?**??**?is 1.96. The critical value of the t-statistic for the differences in means (?**??**?is 1.96. As noted above, the standard error estimates are not adjusted for "design effects" and thus probably understate the actual standard errors.