The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 is the most significant social welfare legislation enacted since the New Deal legislation more than 60 years ago. The long-term guarantee of benefits under a variety of programs has been eliminated in favor of a short-term temporary assistance program to help families get back on their feet. States have been given more flexibility in designing and implementing programs that meet their needs, and individuals have greater responsibility to provide for themselves through job earnings and for their children through tougher enforcement of child-support payments by absentee parents. These changes brought new opportunities and expectations for low-income families, their communities, and their local governments.

Early results from a myriad of welfare reform studies have been quite positive (Blank and Haskins). Welfare caseloads have declined substantially. Concomitantly, the employment of poor single mothers, a group that has often been the least likely to work and most likely to be on welfare, has increased. Rising employment has resulted in higher earnings and lower welfare payments for many low-income families. Poverty rates have declined since 1994. The combination of recent work-oriented welfare reforms, a robust economy, and expansions of the Earned Income Tax Credit and other work support programs have all contributed to these positive outcomes.

Even so, the news is not all good. Some families in deep poverty or with unemployed family members are financially worse off now than before welfare reform, and some low-income families, although still eligible for Medicaid and food stamps after leaving the welfare rolls, are not participating in these programs (Haskins and Sawhill).

Also, welfare reform may not be working as well for the 7.5 million people living in poverty in nonmetro areas (1999). Once employment is secured, the availability and affordability of child care, transportation, health care, housing, and other support services become especially important for (former) welfare recipients. Rural areas have demographic, economic, and geographic characteristics that may pose unique challenges for welfare reform. Compared with urban areas, many rural communities have higher poverty, greater unemployment, lower education levels, lower incomes, and longer distances between home, child care, and work sites. Because of lower population density, rural areas tend to have higher costs for services and frequently lack a full range of services necessary for welfare-to-work transitions.

In May 2000, the Economic Research Service, the Joint Center for Poverty Research, and the Rural Policy Research Institute sponsored a research conference designed to assess the effects of welfare reform in rural areas. In this article, we
summarize some of the major findings from the Rural Dimensions of Welfare Reform Conference, and address two broad questions. What is the evidence from recent research about rural-urban differences in welfare reform impacts on program participation, employment, earnings, and poverty? And how can welfare policy better address the different needs of rural and urban low-income families?

Understanding the Rural Context

During the 1990s, the U.S. economy enjoyed an unprecedented period of economic growth. Unemployment rates reached 30-year lows, employment continued to expand, and rural areas generally shared in the good economic times. Yet, even in the face of strong economic growth, rural labor market trends did not converge with urban patterns. At the close of the century, nonmetro poverty remained 2 percentage points higher than in metro areas, with over 14 percent of the nonmetro population living below the poverty level. Unemployment and underemployment were higher in nonmetro than metro labor markets, and job growth was slower. Nonmetro areas lagged metro areas in both per capita income and earnings per job. Despite America’s economic expa...
sion, rural families had fewer job options than urban families, at a time when lower-skilled rural residents were leaving the welfare rolls and entering the labor force (see Gibbs, pp. 11-21 in this issue).

Yet, rural America is diverse; some rural areas have participated in the economic progress of the Nation, while others have not. Over 500 nonmetro counties are classified as persistent-poverty counties, having poverty rates of 20 percent or higher consistently over the last 4 decades (fig. 1). Successful welfare reform may be more difficult to achieve here than in other nonmetro areas because of inherent structural and human capital disadvantages. Persistently poor counties have a disproportionate number of economically at-risk people, including racial/ethnic minorities, female-headed households, and high school dropouts (table 1). At the same time, the local economies of these areas are generally weaker and do not fare as well as other nonmetro places. Population and employment growth for persistent-poverty counties fall below that of nonmetro counties as a whole; unemployment and poverty rates are considerably higher; earnings per job and per capita income are considerably lower. These chronically poor counties are heavily concentrated in the South, specifically in Appalachia, the Ozark-Ouachita area, the Mississippi Delta, and the Rio Grande Valley, and the Native American reservations of the Southwest and Northern Plains. Persistently poor counties contained 19 percent of the nonmetro population and 32 percent (2.7 million) of the nonmetro poor in 1990.

Moreover, many rural areas are characterized by conditions that are likely to impede the move from welfare to work, irrespective of population characteristics or the health of the local economy. Low population densities in rural areas equate to greater distances to jobs and increased demands for reliable transportation, inaccessibility of key social and educational services, and fewer child care options and greater difficulties in arranging care. To the extent that rural and urban areas differ in their composition, local labor markets, and support services, welfare policy impacts may vary.

Reforming Welfare As We Know It

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 dramatically altered the social safety net for poor Americans. The new legislation replaced the entitlement pro-

<table>
<thead>
<tr>
<th>Persistent-poverty counties: Selected characteristics</th>
<th>Persistent-poverty counties</th>
<th>All nonmetro counties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of counties</td>
<td>535</td>
<td>2,276</td>
</tr>
<tr>
<td>Proportion of nonmetro population, 1999</td>
<td>18.5</td>
<td>100</td>
</tr>
<tr>
<td>Population change, 1980-90</td>
<td>-0.16</td>
<td>2.69</td>
</tr>
<tr>
<td>1990-99</td>
<td>6.15</td>
<td>7.61</td>
</tr>
<tr>
<td>Annualized employment change, 1979-89</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td>1989-99</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Unemployment rate, 1990</td>
<td>8.1</td>
<td>6.5</td>
</tr>
<tr>
<td>1999</td>
<td>7.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Poverty rate, 1990</td>
<td>29.1</td>
<td>18.3</td>
</tr>
<tr>
<td>Black population, 1990</td>
<td>21.2</td>
<td>8.0</td>
</tr>
<tr>
<td>Hispanic population, 1990</td>
<td>7.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Female-headed families with children, 1990</td>
<td>21.4</td>
<td>16.0</td>
</tr>
<tr>
<td>High school dropouts age 25-44, 1990</td>
<td>27.9</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per job, 1998</td>
<td>22,048</td>
<td>23,618</td>
</tr>
<tr>
<td>Per capita income, 1998</td>
<td>17,092</td>
<td>20,488</td>
</tr>
</tbody>
</table>

Source: Calculated by USDA, Economic Research Service.
Key Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

Establishes Temporary Assistance for Needy Families (TANF) that:
- Replaces former entitlement programs with Federal block grants
- Devolves authority and responsibility for welfare programs from Federal to State government
- Emphasizes moving from welfare to work through time limits and work requirements

Changes eligibility standards for Supplemental Security Income (SSI) child disability benefits
- Restricts certain formerly eligible children from receiving benefits
- Changes eligibility rules for new applicants and eligibility redetermination

Requires States to enforce a strong child support program for collection of child support payments

Restricts aliens’ eligibility for welfare and other public benefits
- Denies illegal aliens most public benefits, except emergency medical services
- Restricts most legal aliens from receiving Food Stamps and SSI benefits until they become citizens or work for at least 10 years
- Allows States the option of providing Federal cash assistance to legal aliens already in the country
- Restricts most new legal aliens from receiving Federal cash assistance for 5 years
- Allows States the option of using State funds to provide cash assistance to non-qualifying aliens

Provides resources for foster care data systems and a Federal child welfare study

Establishes a block grant to States to provide child care for working parents

Alters eligibility criteria and benefits for child nutrition programs
- Modifies reimbursement rates
- Makes families (including aliens) that are eligible for free public education also eligible for school meal benefits

Tightens national standards for food stamps and commodity distribution
- Institutes an across-the-board reduction in benefits
- Caps standard deduction at fiscal year 1995 level
- Limits receipt of benefits to 3 months in every 3 years by childless able-bodied adults age 18-50 unless working or in training

gram Aid to Families with Dependent Children (AFDC) with the Temporary Assistance for Needy Families (TANF) program, funded through block grants to States. TANF seeks to move people from welfare to work by imposing a 5-year lifetime limit on receiving Federal welfare benefits and requiring recipients to participate in work activities within 2 years of receiving benefits. Penalties reducing the Federal contribution to TANF funds are levied against States with too few recipients in work activities. States are given more flexibility in designing and implementing programs that meet their needs, and individuals are given added personal responsibility to provide for themselves through job earnings and for their children through enforcement of child-support payments by absentee parents (see "Key Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996").
Assessing the effects of welfare reform in rural and urban areas is complicated by the increased variation across State programs. Diversity in State welfare policies was already growing in the early to mid-1990s due to waivers of Federal welfare requirements for State experiments or pilot programs. States have subsequently made their own decisions about eligibility and benefits, time limits, work participation requirements, and other aspects of personal responsibility. State programs differ, for example, on sanctions imposed for noncompliance, the amounts and types of assets that are used in determining eligibility and benefits, the time period for work requirements, and the design of child care and transportation assistance programs. An equally important State variant is the level of responsibility assigned to the administration of welfare. Thirty-five States have vested responsibility for policymaking, funding, and administration in the State government, but the remaining 15 States have devolved responsibility to local counties and communities.

Assessing Welfare Reform in Rural Areas: What Have We Learned?

A major goal of welfare reform is to reduce long-term welfare dependence in favor of increased self-sufficiency through employment. But reductions in caseloads do not mean that all rural and urban families who leave the rolls are making ends meet. How exactly are former welfare recipients faring in the labor market? The tight labor markets and low unemployment rates nationwide over the late 1990s have provided the best possible environment for new entrants into the labor market. However, with the first signs of a slowing economy, the provisions of welfare reform may now operate very differently in rural and urban areas.

Has welfare dependency declined as a result of welfare reform? Nationwide, only half as many families are receiving cash assistance from the TANF program in 1999 as under the AFDC program in 1994. Caseloads declined by 47 percent between 1994 and 1999. On average, the caseload drops have been about as large in rural as in urban areas, although averages are deceiving. Different States exhibit very different patterns of change in their rural and urban TANF caseloads (see Henry et al., pp. 36-43 in this issue). Declining caseloads have resulted from the combination of work-oriented welfare reforms, a strong economy, and expansions of the Earned Income Tax Credit and other work support benefits, with most former recipients finding at least temporary work in the labor market. The most recent statistics for 2001 suggest that these caseload declines may be leveling off, and even reversing in many States.

Can rural welfare recipients find work? National studies suggest that welfare reform and expansion of the Earned Income Tax Credit are raising the employment rates of single mothers, with one-half to two-thirds of single mothers finding employment at some time after leaving the welfare rolls. In nonmetro areas, the percentage of poor female heads with earnings rose sharply after PRWORA, increasing from 59 percent in 1996 to 70 percent by 1999 (see Lichter and Jensen, pp. 28-33 in this issue). A study by the Urban Institute shows similar increases in employment for single mothers in both metro and nonmetro areas, with little difference in the effect of welfare reform. However, single mothers in rural areas with little education have not shared in the employment gains of their urban counterparts (see Lerman et al., pp. 22-27 in this issue). These findings do not support the early dire predictions that rural mothers and their children would be left behind under the new welfare policy and economic environment.

Assessments of welfare reform at the State level suggest more variable effects, however. Minnesota implemented an experimental welfare waiver program, the Minnesota Family Investment Program (MFIP), which used both financial incentives to encourage work and mandatory participation in employment-focused services for long-term welfare recipients. A recent study by MDRC assessed the effects of this welfare program on employment and earnings of long-term recipients in both rural and urban counties of Minnesota. During the 2 years after selection for study in 1994-96, employment increased for single-parent recipients in both urban and rural counties (fig. 2). However, in contrast to the large and lasting employment increases in urban counties, average employment increases were much smaller for recipients in rural counties and effects on employment faded considerably by the last year of followup (Gennetian et al.).

Is the welfare-to-work transition more difficult in rural areas? Most national research studies suggest that obstacles to employment for single mothers leaving welfare are no greater in rural areas than in urban areas. Rural areas are becoming more culturally, politically, and economically integrated, and many issues related to low-wage service...
economies are relevant for both rural and urban areas. But State-level analyses suggest that the ease of transition to work can vary widely among labor market areas. A recent Mississippi analysis demonstrates that labor market areas differ in terms of creating overall job growth matched to the educational level of TANF recipients. Moreover, the labor market areas that are likely to be the most mismatched in terms of jobs and job applicants are also the ones with the weakest network of licensed childcare facilities, as well as the least accessible by existing transportation infrastructure. The Clarksdale nonmetro labor market area in the Delta region is the bleakest for TANF recipients trying to find jobs that match their educational credentials. Areas of Mississippi with the highest levels of urban influence hold the brightest prospects for job-matched employment (Howell).

Similarly, a second study interviewed welfare families and community residents in seven Iowa communities ranked along a rural-urban continuum of population density. It found that welfare reform policy effects hinge on differences in the proximity of jobs and access to support services. Urban centers offer more job opportunities and support a scale of auxiliary social services that cannot be matched in rural communities. Welfare recipients who live in or adjacent to urban areas have access to more and higher-paying jobs than recipients who live in remote rural communities. However, capitalizing on local jobs requires access to reliable, affordable transportation. Cost-effective mass transit systems depend, in part, on population density and are less likely to exist in more sparsely settled rural areas.

Families moving from welfare to work may need support services that include job training, health care, or childcare (Fletcher et al.). These support services are often only available in larger, more urbanized areas; in particular, rural families have less access to affordable and flexible formal child care than do urban families (Findeis et al.). At the same time, rural residents often have more extensive and stronger informal support networks, which can compensate for the weaker formal support services in helping single mothers make the transition into paid employment.

Figure 2
Impact of Minnesota MFIP on employment of long-term welfare recipients
The effect of MFIP on rural employment was smaller 2 years after entering the MFIP

<table>
<thead>
<tr>
<th>Percentage points</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
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<tr>
<td>10</td>
<td></td>
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<tr>
<td>8</td>
<td></td>
<td></td>
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<tr>
<td>6</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td></td>
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<tr>
<td>2</td>
<td></td>
<td></td>
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<tr>
<td>0</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Gennetian, Redcross, and Miller, forthcoming.

Figure 3
Impact of Minnesota MFIP on employment of long-term welfare recipients
The effect of MFIP on rural employment was smaller 2 years after entering the MFIP

<table>
<thead>
<tr>
<th>Difference in average quarterly employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
</tr>
<tr>
<td>Year 1</td>
</tr>
<tr>
<td>Year 2</td>
</tr>
</tbody>
</table>

Source: Gennetian, Redcross, and Miller, forthcoming.

**Have welfare-to-work transitions improved the economic well-being of rural recipients?** National analyses show that welfare reform has clearly moved many poor rural mothers into the labor force and that welfare-to-work transitions have increased earnings for these families. Real annual earnings for poor rural mothers increased from $3,835 in 1989 to $6,131 in 1999. Income rose even higher when including income received from the Earned Income Tax Credit, which provides a refundable tax credit to low-income workers (see Lichter and Jensen, pp 28-35 in this issue).

However, assessments at the State level again point to more limited effects of welfare reform on earnings in rural than in urban areas. The MDRC study of the employment and earnings effects of MFIP, the experimental welfare waiver implemented in Minnesota, found that the program had no effect on the average earnings of rural welfare recipients, although it increased the average earnings of urban recipients (fig. 3). Differences in recipients’ prior marital history and changes in family structure help explain the programs' different effects on rural and urban welfare recipients (Gennetian et al.).
Can former welfare recipients escape poverty through work?
Although most former recipients find employment, many cannot obtain and/or keep full-time, year-round work. As a result, many welfare recipients return to the welfare system for economic support. A multivariate analysis of recidivism in Iowa shows, for example, that metro welfare recipients were less likely to leave the welfare rolls than nonmetro recipients, but once they left, those in metro areas were less likely to return right away. After the first two quarters, there is little metro-nonmetro difference in the likelihood of returning to welfare. Iowa's experience suggested that human capital, child support, and the presence of children were major determinants of welfare dependence and recidivism (Jensen et al.).

The problem for most poor rural welfare recipients is less one of finding a job than of finding a job that pays a living wage. Over one-third of working rural female heads were in poverty in 1998, a rate higher than at any time since 1989. Analysis of the short-term impacts of welfare reform in persistently poor rural areas of central Appalachia, the Mississippi Delta, the Lower Rio Grande Valley, and Native American reservations in South Dakota found that individual adjustments to reform measures buffered the severity of negative impacts predicted by many reform critics. A former welfare recipient might better adjust to life after welfare by participating in informal labor markets and drawing on family support. Some counties have suspended time limits to ease the transition. Many who have left the welfare rolls have likely found work in either the formal or informal labor market, but welfare reform mandates have reduced the opportunity for poor adults to combine welfare assistance with informal work (see Harvey et al.).

In summary, the overall impacts of welfare reform on caseloads, employment, and poverty do not seem to differ greatly between rural and urban areas at the national level. TANF caseloads have declined dramatically in both areas. Employment by single mothers has increased in the short run in both rural and urban places. Public assistance and higher earnings have had a modest effect in moving rural and urban single mothers with children out of poverty. Although still higher than comparable metro rates, nonmetro child poverty has declined substantially since 1993, and nonmetro Black child poverty has reached its lowest level in 10 years. However, the metro-nonmetro dichotomy masks considerable State variation in program operation, the structure of opportunities, and in outcomes. Case studies of individual State welfare programs and specific policy provisions have found smaller welfare reform impacts on employment and earnings in rural areas than in urban areas. These smaller impacts are due largely to the demographic characteristics of recipients and to the poorer job opportunities and lack of critical work supports in rural areas.

Addressing the Policy Needs of Rural and Urban Low-Income Families
The 2002 reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 will enable adjustments in the Federal welfare regulations and in State programs. The Nation’s leading welfare policy experts, academic poverty researchers, and rural scholars who attended the May 2000 conference on Rural Dimensions of Welfare Reform identified...
four groups of policy options that could help welfare legislation further improve the self-sufficiency and economic well-being of rural and urban families.

Making Work Pay. As TANF caseloads have fallen sharply, most but not all families that leave welfare are gaining at least a temporary foothold in the labor market. However, many families leaving welfare remain poor, and not all are receiving the work-based supports they need to gain permanent economic independence. States and the Federal Government would do well to consider additional efforts to make work pay for low-wage workers. Macroeconomic policy aimed at maintaining a full-employment economy can underpin specific tax and human investment policies. Some of these policy options include:

- Expanding the Federal Earned Income Tax Credit to further support the work efforts of low-income families;
- Initiating or expanding State Earned Income Tax Credit supplements;
- Expanding coverage and encouraging participation in health insurance and childcare assistance programs for low-wage families;
- Increasing the minimum wage to keep up with general wage levels; and
- Taking greater advantage of resources in the Workforce Investment Act of 1998 to help match workers and jobs. This legislation gives state and local officials new authority and flexibility for using Federal job training aid to more closely reflect the realities of changing job markets and simplifies programs under a single, comprehensive system.

In addressing these policy areas, it is important to preserve work incentives for families and job-creation incentives for firms. At the same time, policymakers must take into account the potential cost increases associated with these options. These policy options require a careful analysis of costs and benefits—an analysis that is especially important as State and Federal Governments increasingly seek ways to tighten their budgets and prioritize expenditures.

Addressing the Unique Work Barriers in Sparsely Settled Places. Although the national impact of welfare reform does not seem to differ greatly between metro and nonmetro areas, State welfare programs and specific policy provisions have demonstrated a less favorable impact on employment and earnings in rural areas. People who live in sparsely settled rural areas face unique barriers to working, including long distances to jobs and services and limited options for services such as health and child care. States can facilitate access to various modes of transportation for rural, low-income workers and seek creative ways to provide or subsidize services that are needed for successful transitions to work. Of special importance to rural areas are State welfare reforms that:

- Address the less favorable opportunities (low-wage jobs) and high unemployment of rural labor markets;
- Recognize the transportation needs of rural residents by enabling them to own reliable cars while at the same time maintaining eligibility for assistance programs;
- Address service delivery problems caused by the geographic dispersion of people in need of program services; and
- Increase access to affordable, flexible, and quality child care. Family-based financial incentives for child care are not effective if lack of funding prevents development of formal childcare facilities in rural areas.

Helping Multiple-BARRIER Families. As TANF caseloads fall, those families remaining on the rolls will be increasingly characterized by multiple barriers to work, including low skill levels, drug dependence, mental health problems, and family members with disabilities. States may wish to experiment with intensive demonstration programs aimed at multiple-barrier families. They might assist such families facing TANF work requirements and time limits by rewarding postsecondary schooling and community-service activities, and offering State-financed, low-wage public-sector jobs.

Helping Persistently Poor Areas. Not all places have benefited equally from the strong economy and welfare reforms. Parts of the urban core of major metropolitan areas and rural areas in Appalachia, the Mississippi Delta, and the Rio Grande Valley have suffered from persistently high levels of poverty and unemployment. Recipients in these areas may be more likely to "hit the time limits" and be economically dependent on informal work that is not recognized by
welfare reform mandates. Greater flexibility on time limits and work requirements as well as increased efforts to create additional job opportunities in persistently poor rural areas could greatly ease the welfare-to-work transition of rural welfare recipients.

As we move toward reauthorization of PRWORA in 2002, the policy debate will focus on a variety of critical issues, including funding levels, time limits and sanctions, child care, and the adequacy of provisions for the next economic downturn. The research findings summarized here provide a strong empirical base to better understand the effects of welfare reform and the importance of recognizing rural and urban diversity in welfare policy design.

For Further Reading . . .


