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The effects of car access on employment outcomes for welfare recipients ☆

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Abstract

We use four waves of a longitudinal survey of current and former welfare recipients in Tennessee to examine the effects of car access on employment, weekly hours of work, and hourly wages. Contributions include a focus on car access instead of ownership, treatment of urban and rural differences, and controls for the simultaneity of car access and employment outcomes. Results indicate that car access generally increases the probability of being employed and leaving welfare. Car access also leads to more hours of work for welfare recipients with a work requirement and enables participants to find better-paying jobs.

1. Introduction

The imposition of work requirements in 1996 as part of the shift from Aid to Families with Dependent Children (AFDC) to Temporary Assistance for Needy Families (TANF) marked a major change in US welfare policy and prompted states to take a broader approach to welfare assistance. Requiring participants to work meant not only providing cash assistance but also identifying and removing barriers to employment. This broader

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approach was evidenced by both a change in policy and a shift toward more spending on support services and less emphasis on cash benefits. The primary goal of support services is to remove barriers to work by providing such things as transportation, childcare, dental, and optical assistance.

Among barriers to work, participants consistently identify transportation as a significant problem. Consequently, many states provide some form of reimbursement, shuttle, or public transportation to work-related activities. States also permit asset exemptions (for the purposes of calculating eligibility and benefit level) either for one entire vehicle or for a set value amount. Researchers have argued that car ownership allows for job search in a broader area, increased reliability on the job, and shorter commute times that translate into higher employment rates. The recent literature has provided evidence that car ownership does indeed increase the probability of being employed.

However, previous studies suffer from a few key limitations that are potentially important to policy makers. First, they do not always adequately account for the simultaneity of car ownership and employment (i.e., the idea that correlation between car ownership and employment might not indicate causation) or selection bias in the estimation of hours and wages. They also have not fully considered the important differences across urban and rural populations. Finally, they have focused almost exclusively on car ownership rather than access. We address each of these, while also improving upon estimation methods and making use of more diverse panel data, in order to provide a more accurate account of the effects of car access on employment outcomes and welfare participation. We have a rich set of policy related control variables including participation in education and training programs. Our intent is to inform the policy debate over the relative merits of personal vehicle support programs as components of a broad welfare program.

We rely on a unique panel of individual survey data from the state of Tennessee in our analysis. Tennessee's low-income cash assistance program, *Families First* (FF), operates under a waiver from US federal guidelines. Significant features include stricter, more immediate work requirements (40 hours upon entry into the program), shorter interim time limits (18 months at a time followed by three months of ineligibility), and a generous array of non-cash support services (including an allowance of up to 20 hours of the weekly work requirement for education and training activities).[1]

An examination of Tennessee data is useful for a number of reasons. First, Tennessee has recognized the importance of automobile access for welfare recipients. In addition to a standard vehicle asset exemption amount, their unique benefit program, *First Wheels*, provides zero-interest loans for the purchase of a used automobile for program participants and for leavers up to 12 months after cash assistance payments end. Second, Tennessee's gen-

[1] For more details on program rule differences, see Center for Business and Economic Research [8]. Despite the apparent difference in policies, Tennessee's welfare caseload is very similar to the national caseload. A comparison of the 2003 Families First Case Characteristics Study (Center for Business and Economic Research [9]) and the 6th Annual Report to Congress (US Department of Health and Human Services [45]) revealed only a few potentially important differences. Specifically, Tennessee's caseload has more Black and White recipients and fewer Hispanic recipients and recipients of other races. Average monthly TANF benefits are also lower in Tennessee ($170 versus $355 for the US). On the whole, we view the results in this study as broadly applicable to other states.