

Does It Pay to Move from Welfare to Work?

A Comment on Danziger, Heflin, Corcoran,

Oltmans, and Wang

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In a recent article in this journal, Danziger et al. (2002) reported findings from a study of TANF recipients in Michigan who have been followed over time as they either stayed on welfare or left, and either went to work or were not employed after leaving. Danziger et al. reported that the difference in monthly income between “wage reliant” mothers who had left welfare and were working, and “welfare reliant” mothers who had stayed on welfare and were not working, was \$635, equivalent to a large 63 percent gain. Compared to many panel studies of welfare recipients, the Michigan study has the advantage of having comprehensive measures of all income types in the household, not just wage and welfare income obtainable from administrative records as is the case in the majority of other studies.

In this Comment, we report findings from a study of welfare recipients in three cities (Boston, Chicago, and San Antonio) who were likewise followed over time as they moved off welfare or stayed on, and either went to work or did not. Like the Michigan study, our data is based on a survey which gathered a complete enumeration of family income from all sources. Our findings differ from those of the Michigan study. The difference in monthly income between working leavers and nonworking “stayers” ranges from \$150 to \$227, equivalent to only a 14 percent to 21 percent gain. The main reason for the smaller gain in our study compared to the Michigan study is that the women in our sample obtain less additional income from other family members after leaving welfare, not because they themselves have any smaller earnings gains after leaving. Our data also reveal that most of the income gain to be had from leaving welfare and going to work could be had from going to work and staying on welfare; the incremental income gain from leaving welfare, given that the recipient was already working on

welfare, is modest, mainly because welfare income is completely lost. The Michigan study again has different results, showing much larger gains to leaving welfare even if having been working while on welfare; but again the main reason for the difference is that there were greater increases in other family members' income when leaving welfare in the Michigan data. We also examine how income changes when recipients leave welfare but are not employed. In our data, there is a significant drop in income for this group, whereas in the Michigan data income actually rises, again because there are extremely large increases in other family members' income. Thus, our main finding is that the gains or losses from leaving welfare are very sensitive to whether significant additional income comes in from other members of the family. Not all recipients have gains as large as those in Michigan.

We also examine the overall income gain to leaving welfare in our data, taking into account the chance of not working, arguing that it is not legitimate to select only the "winners" who are able to find jobs. In our data, the overall income gain is very small. Further, we argue that there is greater income risk associated with leaving welfare and that, when a dollar figure is assigned to this increased risk, the gain to leaving welfare is negative.

These issues are important for policy. If a major part of the income gain from leaving welfare comes from other family members, policy-makers need to be aware of this and to recognize that not all recipients will have that source of income. If that source of income is small, and if the consequence is that working while on welfare is better for recipients than leaving welfare, then combining work and welfare needs more attention from policy makers. Further, if the overall income gain from leaving welfare is negative, that has major policy implications. We discuss these and other policy issues after presenting our results in more detail.

## The Three-City Study

The Three-City Study is a longitudinal survey of approximately 2,400 low-income families with children living in low- and moderate-income neighborhoods in Boston, Chicago, and San Antonio, three large cities in the U.S. The first wave of data collection took place between March and December 1999 and the second wave took place between September 2000 and May 2001. The first wave of the survey includes information on welfare and nonwelfare families at the date of interview but we only analyze those who were on welfare at that wave, for comparability with Danziger et al.<sup>1</sup> There were approximately 800 such families. Both the first and second wave surveys collected a wide range of information on employment, income, family structure, and characteristics of the caregiver (usually the mother) of the children in the family, including a comprehensive income battery that obtained information on income in the prior month from all sources and for all individuals in the family.

## Main Findings

We first note the Michigan results to which we will compare our results. Table 1 shows a version of the Table 1 in Danziger et al. (2002) with slight modifications for comparability to the tables shown below.<sup>2</sup> The Michigan sample consists of women who were on welfare in

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<sup>1</sup> See Moffitt and Winder (2003) for an analysis of welfare entry of those initially off welfare. All generic references to “welfare” in this paper refer to the Temporary Assistance for Needy Families (TANF) program. General design features of the Three-City Study can be found in Winston et al. (1999) and the characteristics of the individuals and families in the sample are reported in Fomby et al. (2003).

<sup>2</sup> Specifically, instead of showing the percent with positive income and the mean income of those with income of each type, we multiply the two together to obtain a mean income

February 1997 and who were interviewed periodically thereafter; the figures in Table 1 come from an interview in Fall 1999. We will focus initially only on the columns for those who had left welfare and were working (the “wage reliant”) and those remained on welfare and were not working (the “welfare reliant”). Net monthly income for the working leavers is \$1649 compared to \$1014 for the nonworking stayers, a difference of \$635, or 63 percent. Poverty rates for the leavers were 49 percent compared to 91 percent for the stayers, and the mean income-to-needs ratio was 1.2 for the former group and 0.70 for the latter.

Table 2 shows the findings from the Three-City Study. One important data difference is that a full income profile was collected at the initial point (Wave 1), when the families were initially on welfare; the first wave of the Michigan survey was several months after the initial welfare point and some families had already left, and, consequently, the Danziger et al. figures are most comparable to Wave 2 of the Three-City data. Focusing again only on the columns for working leavers and nonworking stayers, and examining only Wave 2 figures for consistency with the Michigan study, we see that monthly net income for working leavers (excluding the EITC and state income taxes for comparability with Danziger et al.) is \$1329, only \$227 above that of nonworking stayers (\$1102), corresponding only to a 21 percent gain. The major reason for the difference is that earnings of other family members is \$634 in Michigan for working leavers and \$262 for nonworking stayers, a large \$372 monthly income gain. This compares to only a \$136 (= \$310 - \$174) gain in such income in the three cities. The earnings of the mother herself are almost identical in the two studies (\$1065 in Michigan and \$1073 in the three cities).

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including zeroes. The total income figures in the table are unaffected by this change because Danziger et al. included zeroes in them.

The other forms of income differ somewhat in the samples, but because about half of the difference in the \$635 Michigan monthly income gain and the \$227 gain in the three cities is accounted for by the greater gain in earnings of other members of the household, this is the largest reason for the difference.

Table 2 allows us to improve on the methodology used by Danziger et al. by measuring the gain to leaving welfare for work not by cross-sectional differences at Wave 2 but rather by the direct income gain from Wave 1 to Wave 2 for each woman. For example, those who moved off welfare and into work experienced an income gain of about \$200 per month ( $=\$1329 - \$1130$ ), slightly less than our prior calculation of \$227. Women who stayed on welfare without working also experienced monthly income gains of \$49 ( $=\$1102 - \$1053$ ). The best measure of the gain to leaving welfare for work is the difference in these two amounts, or the excess gain experienced by working leavers over what nonworking stayers experienced. This gain measure is about \$150, or a 14 percent gain (using the same base as that used for the 21 percent gain figure).<sup>3</sup>

In addition, we calculate EITC and state and state tax amounts for each individual and incorporate those into the income amounts, as shown in Table 2. Total monthly income is now \$419 (37 percent) higher for working leavers at Wave 2 than for nonworking stayers, and the gain using our preferred methodology of comparing changes from Wave 1 to Wave 2 for the two groups yields a \$293 (26 percent) gain, both larger than before. While these are upper bounds

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<sup>3</sup> These income gains could be affected by selection bias. However, positive selection--that is, selection that occurs because those who leave welfare are those who have the greatest income gains, and who would have had high gains even they had not exited--would bias the gain estimates upward, implying that the figures we have calculated should be even lower.

because they assume 100 percent takeup of the EITC, they demonstrate once again that the EITC significantly improves the return to work. But it is still much smaller than that in the Michigan.<sup>4</sup>

The other two groups shown in the tables--working stayers (“combiners”) and nonworking leavers--are both also highly relevant to the issues we have been discussing. The existence of working stayers demonstrates that work and welfare need not be incompatible. Approximately 30 percent of TANF recipients nationwide are now in work or in a work-related activity, an historic high (U.S. DHHS, 2000). In this light, the common policy phrase “from welfare to work” is misleading because an individual need not leave welfare in order to go to work.

For present purposes it is of interest to determine how much of the gain from leaving welfare for work could be had instead by staying on welfare and working. Once again, there is a difference in the Michigan findings and the Three-City findings. Table 1 shows that 70 percent of the Michigan gain of \$635 is a result of the gain from going from combining to wage-reliance ( $\$444 = \$1649 - \$1205$ ). In Table 2, however, whether using the Danziger methodology or our preferred methodology, the gain to going from combining to wage-reliance is actually negative; all the gains come from going from not working on welfare to working on welfare. There are two sources of the difference. By far the largest is in the same category noted previously,

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<sup>4</sup> An interesting question is whether these same findings would result if measures of hardship were used instead of income. Our data contain questions on food security and financial strain which were combined to create indexes of hardship. Working leavers had better food security in Wave 1 compared to non-working stayers but experienced a smaller improvement between waves, so that by Wave 2, they were only slightly better off in this respect than the welfare reliant. The degree of financial strain shows a different pattern, however: here working leavers show a significant improvement relative to the welfare reliant in that the percentage of the former showing high financial strain decreases between the interviews, while that percentage increases for the welfare reliant.

namely, the monthly earnings of other household members, which increases in the Michigan case by \$382 when going off welfare but does not increase at all when going from not working to working on welfare. In the Three-City Study, there is a much smaller gain of this type when going off welfare (\$108=\$310-\$202) and a modest but positive gain when going to work and staying on welfare (\$28=202-174). If the Michigan data showed the same \$108 gain in other family members' earnings when going off welfare from combining which appears in the Three-City sample, the 70 percent share mentioned above would drop to 25 percent. The second source of the difference is that the benefit falls by less when going to work on welfare in the Three City study than in the Michigan study. The implicit benefit reduction rate is about 30 percent in Michigan and 9 percent in the Three City study. This implies, as has been pointed out in other welfare research, that lower benefit reduction rates increase the incentive to stay on welfare and work but reduce the incentive to go off welfare.

Just as the presence of working stayers implies that welfare and work can be combined, the presence of nonworking leavers demonstrates that being off welfare should not be equated with employment. Once again, the Michigan and Three-City Study samples show very different results for this group. In the Michigan data, the total income of nonworking leavers is actually somewhat higher than that of nonworking stayers (\$1193 vs \$1014). But in the Three-City Study sample, the income of nonworking leavers at Wave 2 is the lowest of any of the four groups, and the change in income from Wave 1 to Wave 2 for the group is negative, compared to a positive income change for those who stayed on welfare as nonworkers. The difference between the studies is traceable, once again, to the different amounts of earnings of other family members. While for the Three-City Study the drop in income for this group is mostly a simple

result of losing welfare benefits and not gaining any earnings after leaving welfare, in the Michigan study the earnings of other family members increases by an enormous \$520 per month after leaving, enough to entirely compensate for the loss in benefits and the lack of own earnings.

Once again, therefore, we see that the income consequences of leaving welfare are very sensitive to the magnitude of this source of income and how it changes when going off welfare.

The loss in income resulting from leaving welfare without employment raises the question of how the income gain from leaving welfare should be measured. If individuals are uncertain about their employment prospects if they leave the welfare rolls, it is the average income for working and nonworking leavers combined that is the correct figure to calculate to gauge the incentive to leave welfare. In our data, the net income gain from leaving welfare is zero or negative, whether using the Danziger et al. methodology (i.e., comparing only Wave 2 figures) or our preferred methodology (i.e., the net gain over time of leavers vs stayers). If the EITC and state taxes are included, the Danziger et al. methodology does yield a modest 5 percent gain, however. Still, the Three-City figures suggest that, in the absence of large increases in other family members' earnings, the expected income gain from leaving welfare is either zero or very small (see Moffitt and Winder, 2004, for details).<sup>5</sup>

A further consideration is that leavers face greater income risk after leaving the rolls

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<sup>5</sup> Comparing leavers to stayers (both working and non-working) our measures of food security show that, although leavers have better food security initially, they have about the same level as those on welfare by Wave 2. However, leavers as a whole experience substantial declines in financial strain relative to stayers. But leavers experience the risk of unemployment off welfare as well, and comparing working and non-working leavers shows that the consequences of non-employment are substantial: in Wave 2, three times as many non-working leavers had low food security than did working leavers and many more non-working leavers than leavers experienced high financial strain.

than they would have had they stayed on the rolls. Economists have developed a methodology for putting a dollar value on such increased risk, on the assumption that individuals would prefer less of it (i.e., they are risk-averse), which is, conceptually, the dollar amount they would be willing to pay to have a “certain” income with no variance. When we apply the pertinent formulas to our data, we find that the increased risk associated with leaving welfare is valued as high as -\$122 per month. This makes the implicit gain from leaving welfare almost surely negative.<sup>6</sup>

### Hourly Wages and Fixed Effect Regressions

Another way to examine whether work pays is to calculate the per-hour return to work, which Danziger et al. do in their study and which we here replicate with our data and extend.<sup>7</sup> The traditional definition of an hourly wage for an individual is the ratio of own earnings to hours worked. Using the hours worked data in our Three-City sample for each of the two

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<sup>6</sup> These estimates are obtained by first specifying a plausible utility function, in our case the commonly-used constant-relative-risk-aversion utility function:  $u(c) = c^{1-\rho} / (1-\rho)$ , where  $\rho$  represents the person’s attitude towards risk—a larger value of  $\rho$  means that a person is more averse to taking risk. Plausible estimates of  $\rho$  in the risk-aversion literature are between 2 and 5. For each wave, we use this function to calculate the amount of “certain” income a woman would have to have in order to receive the same utility as she expects to receive, and would prefer to avoid receiving, from the random draws from the actual cross-sectional distribution of income in that wave. The estimate given in the text is the difference between waves of this amount, evaluated at  $\rho=5$ . Technically, if we let  $\bar{y}$  denote the amount that a woman would be willing to accept to avoid the risk in each wave:  $\bar{y} = \exp\left\{\left(\frac{1}{1-\rho}\right) \ln\left(\frac{1}{n} \sum_{i=1}^n w_i y_i^{(1-\rho)}\right)\right\}$ , where  $w_i$  is the sample weight associated with individual  $i$ .

<sup>7</sup> The material in this section is a result of discussions of alternative specifications and results with Sheldon Danziger.

working groups in Table 2, we can estimate this wage by dividing the change in own-earnings from Wave 1 to Wave 2 for each individual by her change in hours worked, and by then averaging these hourly wage estimates over the sample. When we do this, we find that these “average” hourly wages are \$8.89 and \$4.12 and for working leavers and working stayers, respectively.

However, Danziger et al. focus instead on a broader definition of the hourly wage, which is the per-hour return in terms of total monthly income from all sources, not just own earnings, which can be calculated by dividing the change in total monthly income from Wave 1 to Wave 2 for each individual by her change in hours worked. This wage concept asks how average income as a whole changes per hour of work. When we perform this calculation with our data, we find that these hourly “wages” for working leavers and working stayers are \$2.67 and \$2.65, respectively, using income including the EITC and state taxes, and \$2.25 and \$1.37, respectively, using income excluding the EITC and state taxes. These wages are much lower than the wages calculated from earnings alone because benefits and other types of income generally fall as work increases, and these figures are net of those changes (i.e., they are “net wages”). They are quite low even when the EITC is included. In addition, these wages, at least for the combined group as a whole and including the EITC, are about the same for combiners and the wage reliant, a reflection of the greater losses in income that result for the latter group when leaving welfare. Thus, the greater losses in income attendant upon leaving welfare for work make staying on welfare and working about the same on a per-hour basis as leaving welfare for work.

Danziger et al. also estimate net wage rates by fixed-effect regressions, regressing

monthly income on hours of work using multiple waves of longitudinal data, including individual

fixed effects and controlling for additional covariates. We mimic this procedure by estimating regressions on our two waves of data of the form:

$$\begin{aligned}
 y_{it} = & \alpha + \beta D(\text{wage-reliant})_i + \gamma D(\text{combiner})_i + \delta D(\text{nonworking leaver})_i & (1) \\
 & + \zeta W_t + \eta W_t * D(\text{wage-reliant})_i + \theta W_t * D(\text{combiner})_i + \kappa W_t * D(\text{nonworking leaver})_i \\
 & + \lambda D(\text{wage-reliant})_i * H_{it} + \mu D(\text{combiner})_i * H_{it} + X_i \pi + W_t X_i \psi + f_i + \epsilon_{it}
 \end{aligned}$$

where  $y_{it}$  is income for individual  $i$  in wave  $t$ , the  $D$  variables are dummies for the welfare-work groups (the welfare-reliant are the omitted group),  $W_t$  is a wave dummy equal to 1 if the second wave and 0 if the first wave,  $H_{it}$  is hours of work for individual  $i$  in wave  $t$ ,  $X_i$  is a set of demographic variables measured at Wave 1,  $f_i$  is an individual fixed effect, and  $\epsilon_{it}$  is an error term.<sup>8</sup> We estimate this equation in first difference form, which is

$$\begin{aligned}
 \Delta y_i = & \zeta + \eta D(\text{wage-reliant})_i + \theta D(\text{combiner})_i + \kappa D(\text{nonworking leaver})_i & (2) \\
 & + \lambda D(\text{wage-reliant})_i * \Delta H_i + \mu D(\text{combiner})_i * \Delta H_i + X_i \psi + v_i
 \end{aligned}$$

This equation decomposes the change in income between the waves into a flat amount and an amount which depends on hours worked. The flat amount, represented by the different intercepts for the welfare-work groups (and demographics), represents the change in income that results from changing welfare or work status that is independent of the actual number of hours worked. In the case of transitions involving going to work, there are fixed costs of work and

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<sup>8</sup> We include demographics measured only at Wave 1 to avoid the danger of endogeneity arising from changes in demographic characteristics that are a response to changes in work or welfare status.

other types of income changes which do not depend on the actual number of hours worked. In going off welfare, there are also changes in income resulting from losses of benefits and other changes in income which are unrelated to hours. Income also changes over time for nonworking stayers because of trends and fluctuations in benefits and other forms of income. When these are controlled for, the coefficients on the variables for the change in hours for the wage-reliant and combiners become what we term the “marginal” net hourly wages--that is, the changes in income, taking into account increases in earnings, decreases in benefits, and changes in other forms of income, resulting from a small change in hours of work, given that it is positive before and after the change.

The marginal wages that result from this exercise--that is, the coefficients on the two hours change variables in the regressions in equation (2)--are even lower than the average wages we have reported. The marginal hourly wage working leavers and working stayers are \$1.41 and \$2.47, respectively, using income including the EITC and state taxes, and \$.89 and \$1.79, respectively, using income excluding the EITC and state taxes (see Moffitt and Winder, 2004, for full regression results). This implies that much of the increase in earnings and income (including, no doubt, much of the income from other household members) occurring when individuals go to work or leave welfare is a flat, fixed amount that does not vary with how much they work. This implies that work “pays” more if one is going to work from nonwork, but much less if one simply works more, given that one is already working.

### Policy Implications

In their article in this journal, Danziger et al. (2002) found that it does indeed pay for

families to move from welfare to work in Michigan. In our study of Boston, Chicago, and San Antonio, we find much weaker evidence that is the case. For recipients in our three cities, household income gains from moving from welfare to work range from 14 to 26 percent, as compared to the 63 percent found in Michigan. We find that the major difference in the two studies is that the earnings of other family members increases much more in the Michigan sample than in our three cities. This casts the finding that “work pays” in a different light, for the term “work pays” implies that it is the earnings of the individual herself that is financially rewarding, not that working has rewards because it is, for some reason, associated with other family members working as well.

We also ask three other questions that are relevant to policy. The first is whether work on welfare pays--not just moving off welfare. In our three cities, working on welfare pays, and pays almost as well as working off welfare. The second is whether it pays to leave welfare when employment is not found--not everyone who leaves welfare goes to work. In our three cities, as expected, it does not pay to leave welfare for nonemployment, for income falls; but for Michigan recipients, it actually rises because other members’ earnings rise so much. The third is whether it pays to leave welfare overall--given the risk of nonemployment. In our three cities, the risk of nonemployment is sufficiently great that leaving welfare offers very little financial reward, if not a financial loss.

These findings thus speak to many of the central issues of welfare reform--whether work pays, the effect of leaving welfare on economic well-being, how that effect varies across families, the strength of the safety net for families off welfare, and how attractive is the combination of work and welfare, to mention just a few. Consequently, they have relevance to

many key policy issues as well.

Our findings on the importance of other family members' income in the economic well-being of women and children who have left welfare presents a potential challenge to the widespread consensus that it has been an increase in work among former welfare recipients, and among single mothers as a whole, that has caused the increase in income and declines in poverty rates observed subsequent to welfare reform in the 1990s for disadvantaged single mothers. If the findings from our study and that in Michigan generalize to other parts of the country, they suggest that many of the income and poverty gains may have been partly the result of increases in income brought in by other family members. It would be an important finding if, nationwide, it were found that the increases in earnings of the recipient herself were mostly cancelled out by the loss of benefits, leaving income unchanged from these sources alone.

If other family members' income is such a key determinant, it does not lead to clear directions for policy-makers to follow without further information. Most policy efforts as they currently exist naturally focus on the recipient herself, with the role of other members of the family regarded as outside the reach of conventional policy measures. But there are critical questions that one would need to know about this source of income, such as what types of family members are bringing the income in--relatives in the family, older children, or spouses, for example. It would also be very interesting to know how much of this increased income is coming from recipients who marry after leaving welfare or who move into new households, rather than coming from family members who were present when the recipient was on welfare. If changes in family structure are an important source, this would clearly provide some support for policies that are directed at changing that structure. More research is needed on what is

suggested by our results to be a new question that has not been much addressed thus far by the policy research community.

More obviously, our results on the role of other family member income demonstrates that recipients that do not have support from that source are at much greater risk of reductions in economic well-being after leaving welfare. For them, it may be that work-oriented policies are simply not enough to generate increases in income. Whether more intensive work policies are needed for this group or some other types of policies remains to be seen, and it would also be important to obtain some national data which could allow a determination of how many families are in this category.

Our finding that the overall effect of leaving welfare on income is small, and possibly negative when the risk of nonemployment is added in, reinforce traditional concerns about the lack of a safety net for some fraction of those who leave welfare, do not find a job, and do not have financial help from others to counter their losses of benefits (Food Stamp receipt declines significantly for welfare leavers). Additional assistance for families in this category, who must be served by programs for nonwelfare families, would be called for.

Our result demonstrating that recipients may be better off, or no worse off, economically by working while on welfare rather than leaving welfare is an important finding that suggests that combining work and welfare should be encouraged more than it is now. States already have substantial work programs in place, but not all encourage work to the extent that they could. Keeping benefit-reduction rates low provides a financial incentive for this work-welfare combination, for example, and could be supported by our findings. Another policy is to not count months in which the recipient is working against the time limit for that recipient, a policy

followed currently in some states.

The existence of hard time limits makes the work-welfare combination less relevant because eventually the recipient has to give up that combination and go off welfare entirely. However, it still remains unclear at this date the extent to which states will support extensions beyond the time limit, grant extensions and exemptions to those limits, and therefore how often recipients will be required to terminate their work-welfare combinations involuntarily. Our results here suggest that for many families, terminating that combination involuntarily could result in little change in income or else a decline in effective income as perceived by the recipient.

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Table 1

Recalculation of Table 1 in Danziger et al. (Michigan Results)

	Working Leavers (Wage-Reliant)	Working Stayers (Combiners)	Nonworking Stayers (Welfare-Reliant)	Nonworking Leavers
<b>Work-Based Income</b>				
Own earnings	\$1065	\$623	--	--
Earnings of other household members	634	253	262	782
Less estimated federal payroll and income tax	164	69	22	66
<b>Welfare-Based Income</b>				
TANF Cash Assistance	9	149	331	49
Food Stamps	61	214	209	105
SSI, Soc. Security, SSDI, and pension income	86	85	210	194
<b>Network Based Income</b>				
Child Support	56	17	10	65
Cash contributions from friends/family	34	41	24	50
<b>Other Income</b>				
Unemployment insurance/worker's compensation	12	2	6	50
Income from other sources	20	7	20	6

Table 1 (continued)

	Working Leavers (Wage-Reliant)	Working Stayers (Combiners)	Nonworking Stayers (Welfare-Reliant)	Nonworking Leavers
Less work-related transportation expenses	79	47	--	--
Less child care expenses	85	69	30	39
<b>Mean monthly net income</b>	1649	1205	1014	1193
Poverty rate based on net monthly income	49.1%	77.2%	90.8%	71.8%
Mean income-to-needs ratio based on net monthly income	1.2	0.85	0.70	0.79
Sample size	346	114	87	85

Notes:

EITC and state taxes not included.

Group membership definitions:

Wage-reliant: on welfare at baseline but not in 1999, working in 1999

Combiners: on welfare at baseline and in 1999, working in 1999

Welfare-reliant: on welfare at baseline and in 1999, not working in 1999

Nonworking leavers: on welfare at baseline but not in 1999, not working in 1999

Table 2

## Income of Respondents by Welfare and Work Status: Three-City Results

	Working Leavers (Wage-Reliant)		Working Stayers (Combiners)		Nonworking Stayers (Welfare-Reliant)		Nonworking Leavers	
	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2
<b>Work-Based Income</b>								
Own earnings	\$297	\$1073	\$196	\$702	\$109	\$0	\$96	\$0
Earnings of other household members	166	310	111	202	135	174	106	299
Less estimated federal, state, and payroll taxes	25	116	15	58	8	-5	10	0
Plus estimated EITC	99	224	78	211	46	23	40	13
<b>Welfare-Based Income</b>								
TANF Cash Assistance	337	0	308	254	330	319	394	0
Food Stamps	270	127	323	296	252	264	270	197
SSI, Soc. Security, SSDI, and pension income	43	45	117	139	182	253	191	215
<b>Network Based Income</b>								
Child Support	14	12	13	1	4	7	32	38
Cash contributions from friends/family	11	10	12	4	5	6	17	63
<b>Other Income</b>								
Unemployment insurance/worker's compensation	0	10	0	0	0	1	6	6
Income from other sources	95	68	90	56	140	142	139	151

Table 2 (continued)

	Working Leavers (Wage-Reliant)		Working Stayers (Combiners)		Nonworking Stayers (Welfare-Reliant)		Nonworking Leavers	
	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2	Wave 1	Wave 2
Less work-related transportation expenses	38	83	14	69	9	0	7	0
Less child care expenses	43	140	29	119	87	71	18	21
<b>Mean monthly net income (excluding EITC and state taxes)</b>	1130	1329	1112	1408	1053	1102	1218	955
Poverty rate based on net monthly income (excluding EITC and state taxes)	78.7%	72.5%	87.0%	79.5%	86.3%	80.3%	76.2%	80.8%
Mean income-to-needs ratio based on net monthly income (excluding EITC and state taxes)	70.6	86.1	66.2	80.9	65.7	70.8	77.3	58.6
<b>Mean monthly net income (including EITC and state taxes)</b>	1225	1543	1189	1619	1099	1124	1258	967
Poverty rate based on net monthly income (including EITC and state taxes)	74.7%	52.5%	83.5%	68.6%	78.2%	80.2%	75.1%	80.8%
Mean income-to-needs ratio based on net monthly income (including EITC and state taxes)	76.8	1.00	71.0	93.5	68.4	71.9	79.9	59.3

Notes: State taxes calculated using TAXSIM, available at [www.nber.org/taxsim/](http://www.nber.org/taxsim/). See Feenberg and Coutts (1993).

Group membership definitions (W1=wave 1, W2=wave 2):

Wage-reliant: on welfare in W1 but not in W2, working in W2

Combiners: on welfare in W1 and W2, working in W2

Welfare-reliant: on welfare in W1 and W2, not working in W2

Nonworking leavers: on welfare in W1 but not in W2, not working in W2