

The Correlates and Consequences of Welfare Exit and Entry:
Evidence from the Three-City Study

Robert Moffitt
Johns Hopkins University

Katie Winder
Johns Hopkins University

January, 2003

WELFARE, CHILDREN, AND FAMILIES: A THREE-CITY STUDY

WORKING PAPER 03-01

The authors would like to thank Andrew Cherlin, Julia Isaacs, James Quane, and Jennifer Roff for comments and Berna Demiralp for initial tabulations. The financial assistance of the National Institute of Child Health and Development and other government organizations and foundations listed in the document is also gratefully acknowledged. This paper is a product of the Three-City Study and has been reviewed by all co-Principal Investigators and research associates. The project Web site, which includes online copies of all publications, is accessible at <http://www.jhu.edu/~welfare>.

Abstract

The dramatic decline in the TANF caseload in the 1990s has focused attention on the process of exit from and, to a lesser extent, entry into, the welfare system. This paper charts the process of turnover in the TANF program (“welfare”) in three major U.S. cities over an 18-month, post-PRWORA period, and documents its income, employment, other-program participation, and demographic correlates. The results show a high rate of turnover and significant increases in employment among all groups--stayers, leavers, and those never on welfare. The findings also indicate that the income gain from leaving welfare is modest, on the order of 11 to 18 percent, for the losses of benefits attendant upon leaving largely cancel out the earnings gains. Because of low benefit reduction rates, staying on welfare and working results in higher income than leaving for many families. Finally, the data suggest that caseload declines may have been as much the result of work and other requirements, and diversion policies, as the financial gain from leaving or entering welfare.

The dramatic decline in the AFDC-TANF caseload in the 1990s has focused attention on the process of exit from welfare and, to a lesser extent, the process of entry onto welfare. Policy-makers and researchers have an interest in learning both the reasons for the decline in the welfare caseload as well as the consequences of the decline for the well-being of former recipients. Most research has focused on welfare leavers, either those just prior to the 1996 PRWORA legislation or subsequent to it (Acs and Loprest, 2001; Bavier, 2001a; Brauner and Loprest, 1999; Devere, 2001; Moffitt, 2002a). Most often these studies have focused on the employment and income outcomes of exit from welfare, and also on participation rates in Food Stamps and Medicaid after exit. The results have shown modest increases in income associated with exit, and more substantial increases in employment. Declines in participation in the Food Stamp and Medicaid programs have also generally been found.

This paper has several related goals. First, it documents the demographic, income, employment, and program-participation correlates of exiting the TANF program in three major U.S. cities--Boston, Chicago, and San Antonio--over an 18-month, post-PRWORA period. Relative to much prior work, this study furnishes a comprehensive picture of income change because it is based on survey data which contain a full enumeration of household income. Second, the analysis includes an examination of those who have entered the TANF program as well as those who have exited it, thereby permitting a more complete analysis of turnover as well. Also included in the data are those who have not come onto welfare--so-called nonentrants--whose employment and income trends can be usefully compared to those who have been on the welfare rolls. Finally, the analysis separates welfare transitions from employment transitions by

studying the consequences of becoming employed while remaining on TANF separately from those of becoming employed while simultaneously leaving TANF. Thus the transition from “welfare to work” so often discussed in recent policy forums is decomposed into the transition from nonemployment to employment while on welfare, on the one hand, and the transition from welfare to off-welfare while working, on the other.¹

Although there are many findings in the paper, perhaps the most basic is that the financial incentive to leave welfare and go to work is not very large in magnitude. This raises the question of whether past successes in moving women off welfare and into work can be sustained, as well as whether those past successes have been more the result of carrots (i.e., financial incentives) or sticks (sanctions, work requirements, and so on). Another issue raised by the findings is whether work while on welfare is not, at least currently, more financially attractive to recipients than work off welfare.

The first section of the paper describes the Three-City Study and the data. The findings on the extent of turnover, its demographic correlates, and its consequences for income, employment, and participation in other transfer programs. A brief discussion of the voluntariness of the entries and exits in the data is also provided. A summary concludes the paper.

The Three-City Study

The Three-City Study (see Appendix A) is a longitudinal survey of approximately 2,400 low-income families with children living in low- and moderate-income neighborhoods in Boston,

¹ See Danziger et al. (2002) for some evidence on this distinction from Michigan.

Chicago, and San Antonio, three large cities in the U.S. with differing populations and located in states with a range of welfare policies. 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 response rates on the two were 74 percent and 88 percent, respectively. The first wave of the survey includes information on welfare and nonwelfare families at the date of interview but also two-year retrospective histories of TANF participation and employment (approximately 1997 to 1999). The survey 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. Both waves of the survey are analyzed here.

The ethnographic component of our study consists of data gathered on a monthly basis since September 1999, from an additional 242 African-American, Hispanic, and non-Hispanic-white families residing in the same low-income neighborhoods as the survey respondents. As in the survey component, all families have household incomes that are below 200 percent of the federal poverty line. Roughly half of these families were receiving TANF benefits at the time they agreed to participate in the study, and most had at least one child 2 to 4 years of age. Families were to be visited over a 12-to 18-month period. The fieldworkers observed family life and conducted a series of semi-structured interviews on topics such as health and use of public assistance programs. These data are not analyzed in this paper.

The economy has improved and the welfare rolls have plummeted in all three states in which our cities are located, as they have nationally. Figure 1 shows the per capita TANF reciprocity rates in our three states from 1990 to 2001 along with that in the nation as a whole. While Illinois had the highest per capita caseload in 1991 and Texas, the lowest, the three have

converged over time and are now approximately the same and are all slightly below the national average. City-specific figures (not shown) indicate that the percentage drops in the TANF caseload from 1994 to 1999 were 46 percent, 53 percent, and 50 percent in Boston, Cook County, and Bexar County, respectively, quite similar to each other (Allen and Kirby, 2000). Figures 2 and 3, which illustrate trends in the unemployment rate and employment-population ratios in our three states, respectively, again show strong similarity, although Massachusetts has had the strongest employment growth and greatest unemployment decline of the three. Also, as for the nation as a whole, unemployment rates are now rising and had begun to do so in 2000 or sometime in 1999 and employment growth rates have slowed or turned negative (this slowdown postdates the data we will analyze in this paper). Our three cities can, therefore, be regarded as not very different from the rest of the country in these broad patterns of caseload and economic growth.

The populations of the three cities are somewhat different from one another, with a greater number of Puerto Rican Hispanics in Boston and a greater number of Mexican-American Hispanic families in Chicago and San Antonio. Since relatively few low-income Non-Hispanic White families live in disadvantaged city neighborhoods in Chicago and San Antonio, we draw most of our families of that group from Boston. Our sample includes Non-Hispanic Black families from all three cities.²

The TANF policies in the three cities also differ (see Appendix B). Massachusetts has one of the shortest time limits in the country (two years out of every five) but, at the same time,

² In the rest of the report, we refer to Non-Hispanic White families as “White” and Non-Hispanic Black families as “Black” for brevity.

exempts a large number of those families from the time limits and also has not, at this writing, imposed a lifetime limit. Massachusetts also has a fairly strict sanction policy and a family cap. Texas is a relatively low-benefit state compared to the nation as a whole and has one-, two-, and three-year time limits (four including a one-year waiting period), though the state does give longer limits for those with greater employment difficulties and allows the "clock" not to start ticking until the recipient has been called by the employment agency and offered a slot. Earnings disregards are the least generous of those in our three states; it is a Work First state, and it has an official diversion policy. Illinois is a medium benefit state that has maintained the federal maximum of five years of benefits but allows families to stop the clock indefinitely by working 30 or more hours per week. Work requirements are not imposed as quickly in Illinois as in the other states, and the state has no official diversion policy.

General characteristics as of Wave 1 of the Three-City sample are shown in Table C-1. The table shows that about one-third of the sample does not have a high school degree or General Equivalency Degree (GED). Most mothers are between 25 and 35 years old, and one-third are married. About one-quarter are in fair or poor health. Across the cities, those women in Chicago are generally the most disadvantaged in terms of education and health, while those in Boston and San Antonio do not differ much in these characteristics (although San Antonio Hispanics report particularly poor levels of health). Across race-ethnic groups, the Hispanic population tends to have the lowest levels of education, followed by the Black population and then the White population (Boston is something of an exception, with a more educated Black

population than White). Hispanic women tend to have the highest marriage rates.^{3 4}

Extent of Turnover

Table 1 shows the welfare turnover rates in our sample between waves 1 and 2.⁵ Of those on TANF in wave 1, almost half were off TANF by wave 2, 18 months later. This is a very high rate of turnover and is consistent with past research generally indicating high turnover rates in both AFDC and TANF populations. In addition, the declines in the welfare caseload over the past decade have been especially high because of welfare reform and the economy. Of those off TANF at wave 1, almost 90 percent were also off the rolls at wave 2. This high percent is largely a function of the income composition of the sample, for, as described in Appendix A, our sample is representative of the population in our three inner cities of families with incomes up to 200 percent of the poverty line. Such an income level necessarily includes a large number of nonrecipients; a lower income threshold would result in a smaller percent of nonrecipients. This will not affect most of our analysis, which will show separate analyses for these groups and examine income, employment, and program participation outcomes for each.

³ These figures are weighted and hence represent the distribution of characteristics in the population that the sample represents, not the distribution of characteristics in the actual unweighted data. The actual unweighted data contain fewer married women and generally more women in poor health and of low education. See Appendix A.

⁴ It would be preferable to disaggregate the Hispanic population by national origin, for different subgroups within the Hispanic population have been shown in past research to have very different characteristics. Unfortunately, our sample sizes do not permit it for this paper. As noted previously, Puerto Rican Hispanics are more represented in Boston and Mexican-American Hispanics are more represented in Chicago and San Antonio.

⁵ All uses of the word “welfare” in this paper refer to TANF. When other welfare programs are discussed, they are referred to by name.

As a result of these changes, the percent of our population on TANF dropped from 32 percent at wave 1 to 25 percent at wave 2. Of those still on TANF at wave 2, 71 percent had been on TANF at wave 1. This reflects the relatively small number of new entrants.

These transition rates allow a decomposition of the decline in the percent on TANF--namely, from 32 percent to 25 percent--into components arising from entry and exit.⁶ The figures in the Table 1 imply that the caseload would have risen by 7.2 percentage points because of entry, but exit forced the caseload down by 14.2 percentage points, resulting in the 7.0 percentage point decline. Thus entry is significant and equals almost half of exit, again reflecting high turnover and movements both on and off the rolls. At these entry and exit rates, the equilibrium percent on welfare is 18.5 percent, which is therefore the participation rate toward which the caseload would head if these entry and exit rates were to continue.

Demographic Correlates

Table 2 shows a few demographic characteristics associated with the four welfare transition groups, measured as of wave 1.⁷ The four groups shown in the four columns of the tables are stayers, leavers, entrants, and those never on welfare. Stayers have the lowest levels of attainment of a high school degree, and leavers and entrants have slightly higher levels. Women never on welfare have an even higher level, as should be expected. Of those with a high school

⁶ If p_t is the fraction on welfare at t ($t=1,2$), and if μ and λ are the entry and exit rates, respectively, then $p_2 - p_1 = \mu(1 - p_1) - \lambda p_1$. The first component is the entry contribution and the second component is the exit contribution.

⁷ For an analysis of TANF stayers and leavers using wave 1 retrospective data in the Three-City Study, see Moffitt and Roff (2000) and Moffitt et al. (2002a, 2002b).

degree (or GED) or better, those never on welfare have the highest levels of education, as expected, and, somewhat surprisingly, stayers and leavers have greater degrees of post-high-school education than entrants. This may indicate that entrants are a particularly disadvantaged group.⁸

An issue that has arisen in the research on welfare reform to date is why the level of disadvantage of the caseload has not risen more, given that those who have left the welfare rolls are presumably less disadvantaged (see Moffitt and Stevens (2001) and Moffitt and Cherlin (2002) for discussions and references). If not having a high school degree or GED is taken as the measure of disadvantage, the figures in Table 2 imply that the percent not having such a level of attainment rose by about 1 percentage point from wave 1 to wave 2 (from about 48 percent to 49 percent). This is an increase in the expected direction, but it is quite small. The reason it is small is that although the percent of leavers not having a high school degree or GED is indeed lower than that of stayers, the difference is quite small; further, entrants have about the same level of attainment. Consequently, despite the fact that stayers increased from 55 percent of the caseload to 70 percent of the caseload from wave 1 to wave 2, this translated only into the 1 percent difference in educational attainment of the caseload, given the small magnitude of the differences between them and leavers and entrants.

The other entries in the table show sizable differences in many other characteristics as well.⁹ Stayers are comprised of both older and younger women than leavers or entrants, while

⁸ A 20 or 22.3 percent rate of post-high-school education may seem high, but it should be noted that this includes all types of vocational and technical school.

⁹ Breaking down Table 2 by city shows that none of the differences in characteristics are caused by a strong effect in a single city, for the most part. There are, however, a few instances

leavers and entrants have more women in the middle age ranges. Stayers have about the same number of children as leavers but both have more children than entrants. Stayers and leavers have about the same number of children under 3, and both have greater numbers of such children as entrants or those never on welfare. Leavers have about the same marriage rates as stayers, while entrants have higher rates and those never on have still higher ones.¹⁰ Cohabitation rates are higher for leavers than stayers, and still higher for those never on welfare, possibly signaling the importance of cohabitation in supporting women off welfare. Stayers have by far the worst levels of health, one of the strongest differences in the table, measured either by self-defined health status (“poor or fair”, versus “good, very good, or excellent”), or by functional disability.¹¹ Black and Hispanic families are approximately equally represented among stayers and leavers, but both are more heavily found in those groups than in entrants or those never on. Stayers and leavers are more frequent in Boston and Chicago than in San Antonio, reflecting the lower

in which one city displays a qualitatively different trend across groups. In both Chicago and San Antonio, leavers report having worse health than those entering welfare (nearly ten percent more leavers report having poor or fair health for each city), whereas in Boston the result is reversed (ten percent more entrants report poor or fair health). Oddly enough, leavers in Boston, although more healthy, are more likely to suffer from depression than entrants, which is the opposite of the other two cities. Another interesting difference between cities is that women in San Antonio are much more likely to be married and less likely to be cohabiting than the other cities, and in particular entrants are almost as likely to be married as those never on welfare (48 percent). This is different from in Boston, where entrants are the least likely to be married (only 7 percent) and in Chicago (17 percent). This may be attributable to the large number of Hispanic women in San Antonio (46 percent) and the correspondingly large number of Catholics (76 percent).

¹⁰ Note that these marriage rates, as all characteristics in the table, are measured at wave 1. Thus the high marriage rates of entrants correspond to the time they were not on TANF. See below for a discussion of their wave 2 rates.

¹¹ Functional disability is defined from two questions which asked the respondent whether she had a health condition that limits work and one which asked if she had a health condition which prevents work.

overall TANF participation rate in the Texas city, but leaving rates per se are not dramatically different across the three.

Some of these differences may be the result of the restriction in our sample that women must have a child already to be in the sample. In particular, the entrants in Table 2 necessarily do not include women who enter TANF when simultaneously having their first child. This may be the reason that entrants are somewhat older, and more likely to be married, than stayers and leavers. In addition, the fact that approximately half the sample of women have children in the 10-14 age range, which is relatively old for the welfare population, may push up the ages and education levels of our sample relative to national ones.

The last three rows of the table show differences in depression, domestic violence, and network support (a measure based upon responses to a question concerning how many individuals could help out in an emergency). Rates of depression are much higher among stayers than among leavers, possibly a correlate of employment potential and therefore ability to leave welfare. But entrants also have high levels of depression. With the departure of leavers with lower depression levels and their partial replacement in the caseload by entrants with higher levels, the overall level of depression in the caseload has risen by about 4 percent points, from 12 percent to 16 percent of the caseload. Experiences with domestic violence, while somewhat different for the four welfare transition groups, are, interestingly, very high--almost two-thirds, on average--in the entire population. While this does not suggest domestic violence as a correlate of welfare exit and entry behavior, it does suggest that it is a correlate of low income. Finally, the measure of network support suggests that stayers have the highest levels. The most likely explanation is that this is a result of being a relatively long term welfare recipient rather

than a cause, for those on welfare typically are the most disadvantaged and are likely to have been required by circumstance to establish more helping connections than others with higher levels of income and other measures of advantage.

Employment and Income Correlates of Exit and Entry

Figure 4 illustrates the employment transitions that accompany the welfare transitions. As expected, those on welfare both periods have the highest percent of women who never worked (60 percent) and those off welfare both waves have the lowest (27 percent). Also, one third (33 percent) of those who left welfare experienced a movement from nonwork to work simultaneously. However, there are many women who did not exhibit these conventional patterns. Of those on welfare both periods, for example, almost one fifth (18 percent) went into employment between the waves, consistent with nationwide upward trends in work among those remaining on welfare; but another 11 percent lost jobs between the waves. Among welfare leavers, over a quarter (30 percent) were working prior to leaving the rolls. In addition, there is a sizable group of nonworking leavers, over one-third of leavers as a whole (36=30+6 percent). Interestingly, entrants are disproportionately composed of women who were not employed even prior to coming onto welfare (50 percent), although perhaps the lack of a job was a cause of their eligibility. Only 20 percent exhibited what might be regarded as the most conventional pattern, having a job before coming onto welfare and not working after having come on. Finally, it is interesting to note that the employment rates of women not on welfare either period also increased significantly over the period. While the increase in employment in this group may

have been partly the result of welfare reform, as women who would have otherwise come onto the rolls stayed off and worked instead, it may also reflect the general improvement in economic conditions.¹²

A surprising fraction of the women in our sample work full time (not shown in the Figure). About 40 percent of stayers and leavers who are working at wave 2, for example, are working full time. More than 60 percent of those never on welfare and working do so full-time, which is naturally higher than would be expected for welfare recipients but serves as a standard of comparison and implies that the welfare stayers and leavers are not very different.

An interesting statistical question is how much of the change in overall mean employment in the whole population between the periods is the result of changes in employment among each of the four groups. This is relevant to much of the past work which has used the CPS, NSAF, or SIPP for tracking employment changes in the low income population but which cannot decompose those changes into welfare transition groups.¹³ For example, the mean employment rate in our sample increased from 47 percent in wave 1 to 56 percent in wave 2, a major improvement in the level of work. However, using the results in Figure 4, it can be shown that the increase in employment among those not on welfare at either wave was of equal quantitative importance in explaining this increase as the increase in employment among those who left

¹² As a result of these transitions, the average employment rate of the four transition groups (stayers, leavers, entrants, and never-ons) changed from 22 to 29 percent, 36 to 64 percent, 46 to 30 percent, and 58 to 65 percent, respectively.

¹³The CPS refers to the Current Population Survey administered by the Bureau of Labor Statistics; the NSAF is the National Survey of America's Families, administered by the Urban Institute; and SIPP is the Survey of Income and Program Participation, administered by the Census Bureau.

welfare. This raises a question of interpretation of trends found in the CPS, NSAF, and SIPP, for the upward trends in employment in the low-income samples of those data sets have been presumed to arise primarily from increases in employment among women on welfare or recently on, and our data show that this is not the case.

Table 3 shows total monthly income and its components for the different welfare transition groups, and presents perhaps the main findings of this report. Those who were on welfare both periods experienced an average increase in monthly income of \$136, an 11 percent gain. This gain was almost entirely the result of increases in earnings, both of the mother and others in the household, consistent with the increases in employment for stayers noted earlier. When an estimate of the potential EITC is added in--that is, estimating the amount for which each family is eligible and assuming 100 percent takeup--income rose by only 12 percent, a sign that the earnings of women working while on welfare are still quite low and do not generate large EITC payments.

The columns of Table 3 pertaining to leavers show an increase in income of \$166 per month, or a 13 percent increase. This is a modest jump in income, and is only slightly greater than the increase for those who remained on TANF. The earnings of leavers rose by a very large amount, tripling in magnitude, but this increase was largely offset by the loss of TANF benefits as well as reductions in Food Stamp benefits. Adding in an estimate of potential EITC income increases the percentage gain from leaving TANF to about 18 percent, a much larger increase. But even this gain must be tempered by other offsetting factors not included in the Table 3 calculations. For example, Medicaid participation falls by about 10 percentage points when leaving TANF. In addition, the significant increase in employment experienced by

leavers is accompanied by increases in work-related expenses for child care and transportation. We asked respondents the amount of their expenditures on these items, and leavers reported child-care expenses of \$103 per month and transportation expenses of \$55 per month, for an average of \$153 per month.¹⁴ Subtracting this from the \$1552 per month of leavers shown in Table 3, and subtracting a comparable figure from the wave 1 household income, implies a net income gain of only 11 percent, essentially completely offsetting the EITC. Thus the net income gain from leaving welfare is small.¹⁵

Comparable figures from other research often show sometimes somewhat higher income gains from leaving and sometimes somewhat lower gains.¹⁶ In randomized trial experiments of welfare reform programs most closely resembling those enacted in PRWORA (e.g., with time limits), there was essentially no income gain whatsoever from the reform (Bloom and Michalopoulos, 2001).¹⁷ However, only administrative data were used for these calculations and neither the EITC nor income from other family members was included. Cancian et al. (2000), in a study also using administrative data only, likewise found very little change in income from before to after leaving the Wisconsin TANF rolls. But Bavier (2001a, 2001b), using nationwide

¹⁴ These figures average in zeroes for those who did not have any expenses. For child care expenses, 31 percent had nonzero amounts and spent an average of \$328 per month, and for transportation expenses, 54 percent had nonzero amounts and spent an average of \$103 per month.

¹⁵ However, some portion of the work expenses of working families are subsidized. About 14 percent of our families who had positive child care expenses reported receiving some subsidy, and 63 percent of our families on TANF reported help with transportation. We did not request that our respondents provide us with dollar amounts of the subsidies.

¹⁶ See Moffitt (2002a) for a review.

¹⁷ These are the year 3 results for FTP, Connecticut, and Vermont.

SIPP data and a comprehensive measure of income (albeit still excluding the EITC), found about a 20 percent increase in income for leavers two years after leaving the TANF rolls. However, the bulk of the income gain came not from an excess of earnings gains over benefit losses, but rather gains from income brought in by other family members. At least in Boston, Chicago, and San Antonio, gains from this source are small in magnitude, according to Table 3.¹⁸ Danziger et al. (2002, Table 1), in a study of TANF leavers in Michigan, also found gains in income from leaving but, once again, substantially composed of increases in income brought in by other family members. No doubt the importance of other family member income varies from area to area and there is no reason to expect it to be equally important everywhere.

The rest of Table 3 shows income changes associated with entering the TANF rolls and never being on welfare. Those entering welfare experience about a 9 percent reduction in income, suggesting that entry is not a result of earnings being lower than benefits--one traditional perspective--as much as reductions in earnings exceeding the gain in benefits from coming onto welfare. The changes in earnings, TANF benefits, and Food Stamp benefits are all essentially symmetric with those of leavers. Wave 2 tabulations of the demographic characteristics shown in Table 2 for these entrants show a major change in one of those characteristics, health. The number reporting only poor or fair health rose from 13.5 percent to 28 percent, while the number reporting a functional disability rose from 6.1 percent to 19 percent. This may indicate health reasons for going onto TANF.

¹⁸ Separate tabulations show as well that there was no increase in the percent of leavers who were married, but rather a decline from 16.7 percent (see Table 2) at wave 1 to 12 percent at wave 2. However, there was an increase in cohabitation from 5.2 percent to 10 percent among leavers, although cohabitation rose for other welfare-transition groups as well.

Finally, Table 3 shows that those who were off welfare both periods experienced the largest gains in income, almost \$700 per month, and the largest declines in poverty. It is instructive again to consider the implications of these figures for the CPS and other independent household surveys, which generally have shown upward trends in earnings and income among the low income population. A decomposition of the source of the change in mean income over all groups between the two waves--a mean increase of about \$450 per month--reveals that the income gains of those not on welfare in either period accounts for 83 percent of this increase, the lion's share. Thus it is possible that little of the income gains in the low income population observed in the CPS are arising from transitions on and off welfare. Although some fraction of the women never on welfare were no doubt deterred from going on, and thus experienced income gains indirectly resulting from welfare reform, it seems unlikely that that is the major reason for the change in income of the group.¹⁹

Financial Incentives to Work on Welfare vs. off Welfare

In addition to showing that income gains from moving off welfare are modest, Table 4

¹⁹ This conclusion needs to be qualified in two ways. First, the income growth in these data should be larger than that in the CPS because of regression-to-the-mean effects, or, put differently, our data necessarily exclude those whose income at wave 1 was greater than 200 percent of the poverty line but less than that at wave 2 (we thank Michael Wiseman for noting this). Second, our sample is a cohort of women with children 0-4 and 10-14 at the initial point, and above-average income growth may be associated with families as children age (we thank Julia Isaacs for this point). While both are these points are correct, we should also note that they may affect the overall income growth in our data, and not necessarily the relative growth rates of the four welfare transition groups, which is what determines the share decomposition we are discussing. The share composition might be affected, however, for the second reason, for the age distribution of the children and the mothers are different in the different groups.

has implications for the relative financial incentives for working on welfare versus working off welfare. The fact that the income gains from remaining on welfare are approximately the same as the income gains from leaving welfare implies that the *incremental* income gain from moving off welfare is approximately zero, given that recipients can work while on the rolls and not experience major benefit reductions. This result underscores a phenomenon known from past research on earnings disregards, which is that such disregards discourage families from leaving welfare, holding all else fixed. By all else fixed, we mean that if the income levels obtainable off welfare, such as the EITC and other subsidies, are held fixed, and if the welfare benefits to nonworking recipients are held fixed as well, then the income gain from moving from on-welfare-and-not-working to off-welfare-and-working is fixed as well. In that circumstance, an increase in work incentives for welfare recipients of X dollars necessarily reduces the incremental, additional incentives to leave welfare by the same X dollars. Any additional work incentives for welfare recipients necessarily reduce the incentives to leave welfare, and there is no way to avoid this tradeoff (unless the total gain were increased--either by lowering income for welfare nonworkers or increasing it for off-welfare workers). In this circumstance, policy-makers must decide whether it is working or being off welfare that is the higher priority; they do not go together and, in fact, they work at cross purposes.

Our data can be used to examine this phenomenon further by disaggregating some of the groups shown in Table 3 specifically into workers and nonworkers. The results of this finer breakdown are shown in Table 4, which shows the income changes associated with moving from nonemployment to employment, first for the subset of stayers who experience this transition and then for the subset of leavers who do. The results for stayers show large increases in income,

about a 73 percent increase relative to the wave 1 values. Thus, selecting the “successful” families in this way (recall that only 18 percent of stayers made this transition) shows that significant income gains are possible. The key to the income increases is that the gains in earnings from working are not offset to any significant degree by benefit reductions, allowing total income to rise.²⁰ Leavers who move from nonwork to work, however, experience smaller income gains, about a 60 percent increase, despite larger earnings gains because benefits are also lost. Viewed in this way, leaving welfare for work actually makes a family worse off than if it were to remain on welfare and work on the rolls.²¹

Risk of Nonemployment After Leaving Welfare

The income gains from leaving welfare, viewed from a single individual’s perspective, depend upon how certain the individual knows her likely employment status off welfare. For a woman who knows she will be able to work after going off, the figures in Table 4 are relevant, showing monthly income gains of around \$600 per month. But for a woman who is not sure of her employment status, or who is aware that there is a risk of nonemployment, the figures in Table 3 are more relevant, because those show the average, or expected, income gains taking into account the chance of having no job. Those figures show income gains of \$166 per month.

The large difference between these figures reflects the fact that there is a 30 percent

²⁰ The small benefit reduction rate for stayers implied by Table 3 (about 10 percent) is no doubt a result of exemptions and set-aside amounts in addition to traditional earnings disregards.

²¹ The reason that the gains for leavers are smaller than for stayers in Table 4, but not in Table 3, is that leaving welfare is accompanied by an increase in the fraction who work. This is reflected in the Table 3 figures but not those in Table 4.

chance of a very large income loss when going off. The loss is shown in Table 5, which shows the change in income for those who leave welfare and are not employed thereafter. Income falls by about \$300 per month, which is not surprising because the family loses TANF benefits and the mother does not have any earnings gain to compensate. These families survive by relying on the earnings of others in the household, Food Stamp benefits (which nevertheless are lower than when on TANF), SSI, and a collection of income sources of other types (child support, help from friends and relatives, etc.).

The result of the large decline in income attendant upon leaving welfare and ending up without a job is that the variance of income among leavers is quite high, certainly higher than among stayers. As illustrated in Figure 5, the income gap between employed leavers and nonemployed leavers is much greater than the gap between employed stayers and nonemployed stayers. The same finding is reflected in the standard deviation of the change in monthly income of leavers, which is approximately 900, as compared to that of stayers, which is approximately 700. About 40 percent of leavers had income declines of over more than 10 percent.²²

This high variance of income change has a discouraging effect on leaving welfare which is separate from, and in addition to, the modest positive change in average income attendant upon leaving. The chance of a significant decline in income makes leaving welfare a risky event, to use the language of economics, and most individuals prefer to avoid such risk. A valuation can be put on the size of this risk, using formulas from the literature on risk aversion, by calculating

²² About 46 percent of leavers had reductions in income upon leaving overall, which is comparable to national figures showing that about 50 percent of leavers have income declines and 50 percent have income gains (Bavier, 2001a).

the amount of average income that would be necessary to compensate the individual for the risk. Applying these formulas to our data imply that the risk of income change is equivalent to between about \$180-\$550 in average income, a large amount relative to the small actual gain in average income.²³

Although the risks associated with leaving welfare seem to be large when compared to working while on welfare, for welfare recipients faced with time limits there is the potential benefit to leaving of “banking” welfare benefits for when they are most needed. This creates a safety net of welfare benefits for leavers not enjoyed by stayers facing time limits. There is some evidence in our data that respondents did indeed bank welfare benefits: in San Antonio and Boston, where time limits for workers are in effect, 36 percent and 11 percent of eligible respondents (respectively) report having left welfare to save up benefits at some time in the last three years. Having such a safety net may mitigate some of the risks involved with leaving welfare.

²³ 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 ρ represents the person’s attitude towards risk—a larger value of ρ means that a person is more averse to taking risk. Plausible estimates of ρ 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 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 estimates given in the text are the difference between waves of this amount, evaluated at $\rho=2$ and $\rho=5$. 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 .

Participation in Other Programs

Table 6 shows how participation in non-TANF programs changes with exit and entry from TANF from wave 1 to wave 2. As found in much prior research, leavers experience declines in several benefits, including Food Stamps and Medicaid. However, Medicaid receipt among leavers is relatively higher in our data, for almost 85 percent are covered after leaving, though this is no doubt largely coverage of children (our question asked about coverage of either mother or children). This coverage is important because only 11 percent of leavers are covered by private health insurance after leaving, and only 16 percent of employed leavers are so covered (results not shown in Table 6), indicating the low rate of health insurance coverage on the jobs held by welfare leavers.

Interestingly, TANF entrants experience increases in these benefits while going on, supporting the interpretation that it is easier to obtain these benefits while on TANF than off. However, the data also show that entrants had higher Food Stamp participation rates when off TANF than TANF leavers do after departing the rolls. One possible explanation for this result is that there is a lag in learning about how to obtain benefits after leaving the rolls, and that entrants who have been off welfare a sufficient period of time have learned how to obtain benefits.

Table 6 also shows that receipt of a number of other benefits is affected by being on or off TANF. WIC benefits fall when leaving TANF and rise when entering TANF, but they also fall both for those on TANF both periods and off TANF both periods. This is probably the result of the aging of the children in our sample and the consequent decline in eligibility and participation in WIC, which is aimed at pregnant women and very young children. SSI benefits do not change greatly for any of the groups except entrants, a pattern noted in Table 3 as well and possibly the

result of loss of SSI partly inducing TANF entry. Interestingly, receipt of emergency food or free clothing falls for all groups, but falls the most for entrants, possibly because they were more in need of such assistance prior to receiving TANF benefits than subsequently. There is little change in public or subsidizing housing receipt except, again, for entrants, who experience increases in such subsidies. This is likely to be a result of TANF entry rather than a cause of it.

Non-Financial Factors in Exit and Entry

A natural question to which this analysis gives rise is why the exits from TANF shown in Table 1 were so large in magnitude if the income gains from moving off welfare were as small as they appear to be. There are a large number of possible explanations, very few of which can be formally tested with our data. One is that the undesirability of being on welfare has risen, or the desirability of being off welfare has risen, as welfare reform has sought to change the attitudes of low income mothers from one in which welfare receipt is natural and accepted to one in which being off welfare is more valued. An increase in welfare stigma is one term that some use to describe such a phenomenon. Another is that the short run income gains from moving off welfare which we have documented understate the long run gains, if those off welfare have significant growth in income that would not occur if they had stayed on welfare. However, the existing evidence on wage growth subsequent to leaving welfare is quite mixed, and there is no strong evidence to date of significant income growth after leaving welfare. A third possibility is that women are leaving welfare to bank their welfare benefits in the light of time limits. In response to a question in our wave 2 survey, 21 percent of those who had been on welfare and had recently left (even if only temporarily) gave this as a reason for having left.

Other explanations relate to the difficulty of working while on welfare, despite the financial incentives to do so. For example, welfare eligibility workers may find dealing with TANF recipients who have earnings difficult because of the additional paperwork and because of the detailed documentation of fluctuating earnings and expenses and the complicated sets of deductions that state law often require. A related explanation is that welfare mothers themselves may be uncertain of the benefit consequences of working, given the complexity of the benefit formula and possibly the discretionary nature of some of the deductions involved, and are afraid to work lest they lose their eligibility for benefits. In either of these cases, the option of working while on TANF is devalued relative to working off TANF, implying that a recipient may have to exit the rolls in order to work.²⁴

A category of explanation which we can explore with our data, however, is that non-financial factors such as work and other requirements, and diversion policies, have had effects on exit and entry, respectively, that are independent of the financial gains from those transitions. We can examine these questions because the women in our sample were asked a series of questions on work and other requirements (and whether sanctions were imposed for violations) and diversion.²⁵ Table 7, for example, shows the answers to a question asking whether

²⁴ Another, purely statistical, explanation is that the income gains we have calculated are affected by selection bias, i.e., the gains we have calculated for each transition group do not apply to the other groups. However, positive selection--that is, selection that occurs because those who take an action are those who have the most to gain from it--would have resulted in excessive income gains for welfare leavers relative to what they are for welfare stayers, yet the opposite is the case in our data.

²⁵ For a more detailed analysis of these questions, see Moffitt (2002b). The questions were asked in both waves 1 and 2, and the tables which follow report the pooled answers to these questions. Some women are consequently included twice in the tabulations, but not all. E.g., questions about welfare experiences are asked of women on welfare at the time of the question or

recipients were told they would face a work requirement. Over all three cities, over half (55 percent) of the women stated that they had been told of a work requirement. In Chicago, almost two-thirds said that they had been. About 86 percent of these women, on average, actually fulfilled the requirement, with a high of 91 percent in Chicago. The table also shows the reasons given for exemption. Of those who were told that work was not required, 60 percent stated that it was because of poor health, almost one-fifth (18.7 percent) stated that their children were too young, and 4 percent gave caring for a disabled person as the reason.²⁶ The youth of children was more commonly a reason in SanAntonio, and poor health was more common in Boston and Chicago.

The same mothers were then asked if they had been told of four other types of requirements they had to meet. As shown in Table 8, two-thirds or more of respondents said that they had been told of a requirement for child immunization, cooperation with child support enforcement, school attendance, and living at home with parents. Immunization requirements were given much less frequently in Chicago (43.7 percent) than in the other two cities. The other requirements were uniformly highly reported in all three cities.

Violation of these requirements resulted in the imposition of sanctions. Table 9 shows

recently, but because women move on and off welfare, some women were asked the question in one wave but not another. The percent of observations in the tables below which pertain to the same woman range from a low of 6 percent to a high of 33 percent. In addition, even when a woman is included twice in the tabulation, the questions never refer to overlapping periods because the wave 2 questions explicitly asked about experiences subsequent to the wave 1 interview date. Some other reports (e.g., Moffitt, 2002c) report only the answers to the wave 2 questions and hence report different figures than those shown here.

²⁶ Other reasons given by the respondents are not shown in the table because their percents were smaller than any of the three shown.

the answers to questions about the consequences of having “broken the rules.”²⁷ Having broken the rules may include administrative case closings as well as formal sanctions, so this is a broader definition than often used. One indirect question asked all those who had recently left the TANF rolls their reason for their leaving, with having “broken the rules” as one alternative, while another question asked if their benefits had been only partially reduced for this reason.. As the table shows, about 20 percent of recipients experienced sanctions or administrative case closings, with a high of 29 percent in Chicago and a low of 11 percent in Boston. Most were partial sanctions. Those who experienced these events—whether full or partial sanctions--were asked whether they were notified by the welfare office first, whether they tried to get their benefits back, and whether they were successful in doing so. Only about 38 percent of families stated that they received prenotification of the action. This ranged considerably across cities, however, with almost two-thirds saying that they had received such notice in San Antonio but only a quarter (26 percent) in Boston. The majority of sanctioned families in Boston and Chicago said that they tried to get their benefits back, but less than a third in San Antonio. In all three cities, about two-thirds were successful in getting their benefits restored.²⁸

The women who were sanctioned were also asked the reason for the sanction. On average across all cities, the most common reason given was having missed an appointment, with failure to file paperwork the second most common reason. Together, these accounted for almost

²⁷ For a prior and more detailed analysis of the wave 1 answers to these questions, see Cherlin et al. (2002).

²⁸ The women were asked what they did to attempt to get their benefits back. The percentage saying that they attempted to come back into compliance were 37, 18, and 20 in Boston, Chicago, and San Antonio, respectively.

half of the reasons for the sanctions. Noncompliance with work and other requirements constituted most of the other reasons given. The first two reasons were most commonly cited in Texas, where about three-fourths (52.7+22.5) of those sanctioned gave missed appointments and failure to file paperwork as the reason, and in Chicago, where almost two-thirds gave one of these two reasons. School non-attendance was the most common reason in Boston.

The answers to these questions about reasons are, however, difficult to interpret. The reason for the appointment that was missed, or the paperwork that was not filed, could have been related to violation of one of the requirements. Thus the percent of sanctions that are for one of the rules violations that we have discussed is almost certainly much larger than implied by the percent of answers that directly cited a particular rule violation as the reason for sanctions.

The implication of the sanction data is that the work and other requirements were enforced and that noncompliance with those requirements frequently resulted in full or partial sanctions. Thus the requirements have indeed been implemented to a large degree and should be expected therefore to affect recipients' decisions on whether to stay on welfare or exit.

Table 10 shows explicitly how exit rates indeed differ for those who faced, and did not face, three of the requirements--those for work, immunization, and child support enforcement cooperation.²⁹ The results show that those who were told they faced work requirements or child support enforcement requirements had higher rates of subsequent exit than those who were not so told. However, the opposite is the case for those told of immunization requirements, who had lower subsequent exit rates than those who were not so told, although the difference is small. It

²⁹ We do not calculate exit rates for the last two requirements shown in Table 8--school attendance and living at home--because these were only asked of minors and the sample sizes are too small for reliable estimation of exit rates.

is possible that those who were told of immunization requirements who those with younger children, who would have lower exit rates independently.³⁰

Turning to the effect of non-financial factors on entry rates, Table 11 shows the answers to questions about the experiences of those who applied for TANF, who were asked what they were told upon application. Over half (57.7 percent) stated that they were told that they would have to fulfill a work requirement prior to application, almost one-third (32.3 percent) said they were required to discuss with the caseworker a plan to get by without welfare, over a quarter (27.2) percent said that they were given a temporary cash payment, and a smaller number (16.3 percent) stated that they were told to apply for a different program. For three out of four of these items, the most frequent occurrence was in Texas, which is the only state of our three which has a formal diversion policy. Being told of work requirements, discussions of a plan to get by without welfare, and being told to apply for a different program were all most commonly cited there. However, the fraction of applicants experiencing these diversion-like instructions were quite common in Boston and Chicago as well. This demonstrates that informal diversion policies can operate even in the absence of a formal diversion policy.

Table 12 reports the answers to questions to those who thought about applying but did not do so, asking them why they did not, as well as questions to those who visited the welfare office but did not apply. “Too much hassle” was the dominant reason, on average, but also important were “stigma and embarrassment” and “found a job.” The “too much hassle” reason was most

³⁰ These results must be qualified by the fact that those who faced the requirements and those who did not may have differed in other ways that result in different exit rates. For example, separate tabulations indicate that those who were told of a work requirement were in better health, and were younger, than those who were not so told. A multivariate analysis of exit controlling for these factors can be found in Moffitt (2002c).

commonly given in San Antonio, where over half of those not applying gave this as a reason. San Antonio was also the city where the most women cited discouragement by the caseworker and ill treatment by the welfare office as a factor in not applying. Job-finding, and finding other support, were most common in Boston.

These questions suggest that diversion policies and related entry barriers were significant factors in lowering entry. Of those who considered applying, about one-third did not apply and about two-thirds did (62 percent, on average, across the cities). Thus, once again, non-financial factors are likely to have been important in explaining reduced entry and caseload declines.

Conclusions

We have six findings from our study of welfare turnover and its employment and income correlates and consequences in Boston, Chicago, and San Antonio over the 1999-2001 period.

First, there is a high rate of turnover both off of and onto the TANF rolls. Almost one-half of our recipients left the rolls and almost half of that number entered welfare.

Second, there have been large increases in employment over the period of all groups. Not only have welfare leavers increased their work rates, but so have those who have remaining on the TANF rolls. Part of these trends are probably a result of macroeconomic factors, for strong upward trends in employment also occurred among women never on TANF.

Third, the income gain from moving off welfare is modest, ranging from 11 percent to 18 percent depending on whether the EITC is included or excluded, and depending on whether work-related expenses are netted out. Despite strong increases in earnings, the loss of TANF benefits and reduction in Food Stamp benefits largely offsets those increases. In addition, the

risk of a significant decline in income is greater for a family who moves off welfare than a family who remains on, and this risk factor further reduces the financial incentive to leave welfare.

Fourth, nonworking leavers, a group of special policy interest, are shown to survive primarily on the earnings of others in the family, Food Stamp benefits, SSI, and a collection of miscellaneous sources such as child support and help from family and friends. Nevertheless, the income levels of this group are the lowest of any welfare-employment group we have examined.

Fifth, the income gain from moving off welfare is not much larger than the income gain from staying on welfare, since employment rates have risen on welfare as well. As long as benefit reduction rates are low and earnings disregards are significant, financial incentives to stay on welfare will work against the incentive to leave welfare. Policy makers must decide whether it is work per se--including work on welfare--or being off welfare per se that is the more important policy goal, for policies that encourage one tend to discourage the other.

Sixth, the fact that many women have left welfare in the face of the rather modest financial incentives in place may partly be the result of the imposition of work and other requirements, backed up by sanctions, which encourage exit from the rolls; and of the growth of diversion policies, which discourage entry. This is an important issue for the future, for the history of welfare policy suggests that financial incentives to leave welfare play a strong role in individual decisions, and there is some question of whether the caseload reductions can be sustained without them.

Appendix A

The Three-City Study

Welfare, Children, and Families: A Three-City Study is an ongoing research project in Boston, Chicago, and San Antonio to evaluate the consequences of welfare reform for the well-being of children and families and to follow these families as welfare reform evolves. The study comprises three interrelated components: (1) a longitudinal in-person survey of approximately 2,500 families with children in low-income neighborhoods, about 40 percent of whom were receiving cash welfare payments when they were interviewed in 1999. Seventy-seven percent of the families have incomes below the poverty line. Seventy-three percent are headed by single mothers, and 23 percent are headed by two parents. They should be thought of as a random sample in each city of poor and near-poor families who live in low-income neighborhoods.³¹ Extensive baseline information was obtained on one child per household and his or her caregiver (usually the mother). The caregivers and children were reinterviewed from

³¹ Families of different income levels, marital statuses, and welfare reciprocity were sampled at different rates. Typically, women who were living in families of higher income levels (between 100 percent and 200 percent of the poverty line), were married, and who were not on welfare were undersampled, and women in families who had incomes below the poverty line, were single mothers, and were on welfare were oversampled. These differential sampling rates reflect the aim of having the largest number of observations among low-income single mother families on welfare, the main group of interest for our study, but allowing us to have observations on women of other income levels, family types, and welfare statuses for comparison. We have survey weights which allow us to generalize our sample to the total population of families with incomes below 200 percent of the poverty line living in low-income neighborhoods in our three cities. We employ these survey weights in all the tabulations reported in this paper. See Winston et al. (1999) for details on weights and sampling.

September, 2000 to May, 2001. (2) an embedded developmental study of a subset of about 630 children age 2 to 4 in 1999 and their caregivers, consisting of videotaped assessments of children's behaviors and caregiver-child interactions, observations of child-care settings, and interviews with fathers. (3) an ethnographic study of about 215 families residing in the same neighborhoods as the survey families who will be followed for 12 to 18 months, and periodically thereafter, using in-depth interviewing and participant observation. About 45 of the families in the ethnography include a child with a physical or mental disability. A detailed description of the research design can be found in Winston et al. (1999), available at jhu.edu/~welfare or in hardcopy upon request.

The principal investigators are Ronald Angel, University of Texas; Linda Burton, Pennsylvania State University; P. Lindsay Chase-Lansdale, Northwestern University; Andrew Cherlin, Johns Hopkins University; Robert Moffitt, Johns Hopkins University; and William Julius Wilson, Harvard University.

Support of the following organizations is gratefully acknowledged. Government agencies: National Institute of Child Health and Human Development, Office of the Assistant Secretary for Planning and Evaluation, Administration on Developmental Disabilities, Administration for Children and Families, Social Security Administration, and National Institute of Mental Health. Foundations: The Boston Foundation, The Annie E. Casey Foundation, The Edna McConnell Clark Foundation, The Lloyd A. Fry Foundation, Hogg Foundation for Mental Health, The Robert Wood Johnson Foundation, The Joyce Foundation, The Henry J. Kaiser Family Foundation, W. K. Kellogg Foundation, Kronkosky Charitable Foundation, The John D. and Catherine T. MacArthur Foundation, Charles Stewart Mott Foundation, The David and

Lucile Packard Foundation, and Woods Fund of Chicago.

Appendix B

Welfare Policies in the Three Cities

Massachusetts is operating under its HHS waiver, which is approved through September 2005. Under its waiver plan, it has a time limit of two out of every five years but relatively generous exemptions from those limits and fairly high cash benefits and income eligibility limits compared to the other two states. Massachusetts has no formal diversion policy but does have a family cap and provisions for both full and partial family sanctions.

Texas is also operating under HHS waiver authority. Texas has one-, two-, or three-year time limits (four including a one-year waiting period) assigned on the basis of employability, but it had no lifetime limit as of the time of our interviews (since then Texas has imposed the federal guideline of a five-year lifetime limit). The one-, two-, and three-year time limits do not begin until the recipient is offered an opening in the state employment program. The state has fairly low cash benefit levels and income eligibility limits as well as the least generous earnings disregards of our three states. Texas has less strict sanctions than the other two states and does not have provision for a full family sanction, nor does it have a family cap. Unlike Massachusetts or Illinois, Texas has a diversion policy involving onetime payment and mandatory job search.

Illinois is operating under an approved PRWORA plan with an official five-year lifetime time limit but pays benefits out of state funds for all months in which recipients work or go to school for more than 30 hours per week, effectively stopping the clock. The state has cash

benefit levels and income eligibility limits between those of Massachusetts and Texas but has the most generous earnings disregards of the three. Its sanction policy is less strict than that of Massachusetts, and it does not have a diversion policy. Illinois has the longest time period before work requirements are imposed (24 months).

References

- Acs, G. and P. Loprest. 2001. "Final Synthesis Report of the Findings from ASPE's 'Leavers' Grants." Washington: Urban Institute.
- Allen, K. and M. Kirby. 2000. "Unfinished Business: Why Cities Matter to Welfare Reform." Washington: Brookings Institution.
- Bavier, Richard. 2001a. "Welfare Reform Data from the Survey of Income and Program Participation." Monthly Labor Review 124 (July): 13-24.
- Bavier, Richard. 2001b. "Welfare Reform in Wave Files from the 1996 Panel of the Survey of Income and Program Participation." Presented at the ACF Conference, May.
- Bloom, Dan and Charles Michalopoulos. 2001. "How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research." NY: MDRC.
- Brauner, S. and P. Loprest. 1999. "Where Are They Now? What States' Studies of People Who Left Welfare Tell Us." ANF Paper Series A, No. A-32. Washington: The Urban Institute.
- Cancian, Maria; Robert Haveman; Daniel Meyer; and Barbara Wolfe. 2000. "Before and After TANF: The Economic Well-Being of Women Leaving Welfare." Special Report #77. Madison: Institute for Research on Poverty, University of Wisconsin.
- Cherlin, A.; K. Bogen; J. Quane; and L. Burton. 2002. "Operating within the Rules: Welfare Recipients' Experiences with Sanctions and Case Closings for Noncompliance." Social Service Review 76: 387-405.
- Danziger, S.; C. Heflin; M. Corcoran; E. Oltmans; and H. Wang. 2002. "Does It Pay to Move from Welfare to Work?" Journal of Policy Analysis and Management 21 (Fall): 671-692.
- Devere, C. 2001. "Welfare Reform Research: What Do We Know About Those Who Leave Welfare?" Washington: Congressional Research Service.
- Moffitt, R. 2002a. "From Welfare to Work: What The Evidence Shows." Policy Brief 13. Washington: Brookings Institution. Available at http://www.brookings.org/dybdocroot/wrb/wrb_hp.htm
- Moffitt, R. 2002b. "A Report on Welfare Experiences of TANF Recipients and Applicants in Boston, Chicago, and San Antonio, 1999-2001." Three-City Working Paper. Baltimore: Johns Hopkins University.
- Moffitt, R. 2002c. "The Role of Non-Financial Factors in Exit and Entry in the TANF Program."

Baltimore: Johns Hopkins University.

Moffitt, R. and A. Cherlin. 2002. "Disadvantage Among Families Remaining on Welfare." Paper presented at the JCPR Conference on the Hard-to-Employ and Welfare Reform. Available at <http://www.jcpr.org>.

Moffitt, R.; A. Cherlin; L. Burton; M. King; and J. Roff. 2002a. "The Characteristics of Families Remaining on Welfare." Policy Brief 02-02. Baltimore: Johns Hopkins University. Available at <http://www.jhu.edu/~welfare>.

Moffitt, R.; A. Cherlin; L. Burton; M. King; and J. Roff. 2002b. "The Characteristics of Families Remaining on Welfare: Background Paper to Policy Brief 02-02." Working Paper 02-2. Baltimore: Johns Hopkins University. Available at <http://www.jhu.edu/~welfare>.

Moffitt, R. and J. Roff. 2000. "The Diversity of Welfare Leavers." Policy Brief 00-2. Baltimore: Johns Hopkins University. Available at <http://www.jhu.edu/~welfare>.

Moffitt, R. and D. Stevens. 2001. "Changing Caseloads: Macro Influences and Micro Composition ." Economic Policy Review. New York: Federal Reserve Bank. Available at <http://www.econ.jhu.edu/People/Moffitt>.

U.S. General Accounting Office. 2000. "Welfare Reform: State Sanction Policies and Number of Families Affected." Washington: Government Printing Office.

Winston, P.; R. Angel; L. Burton; P. L. Chase-Lansdale; A. Cherlin; R. Moffitt; and W.J. Wilson. 1999. Welfare, Children, and Families: A Three City Study. Overview and Design. Baltimore: Johns Hopkins University. Available at <http://www.jhu.edu/~welfare>.

Table 1
TANF Transition Rates Between Waves 1 and 2
(percent distribution)

Wave 1	Wave 2		
	On TANF	Off TANF	All
On TANF	55.6 71.0	44.4 18.9	32.0
Off TANF	10.7 29.0	89.3 81.1	68.0
All	25.0	75.0	100.0

Notes:

Table entries show row percents on the top and column percents on the bottom.
Last column and last row show marginal percents.
Welfare participation status is as of the date of interview
Sample includes full data set

Table 2

Demographic Characteristics of Welfare Transition Groups

	On TANF Both Waves	On Wave 1, Off Wave 2	Off Wave 1, On Wave 2	Off TANF Both Waves
Education:				
No degree	50.7	45.1	45.6	29.6
HS/GED	29.4	32.5	42.4	38.8
Above HS/GED	20.0	22.3	12.0	31.5
Age:				
25 or younger	31.9	30.2	23.0	19.3
26-35	37.4	44.6	53.1	41.0
36 or more	30.7	25.2	24.0	39.7
Children under 3 in HH	65.6	67.8	50.9	48.7
Married	17.5	16.7	30.4	35.7
Cohabiting	3.4	5.2	1.5	7.8
Number in HH	5.3	5.1	5.0	4.8
Health:				
Poor or Fair	35.0	19.4	13.5	24.8
Functional Disability	30.1	20.0	6.1	11.1
Race-Ethnicity:				
Black	59.1	66.2	30.1	33.3
Hispanic	35.0	30.4	62.0	57.3
White	5.1	2.3	7.3	6.8

Table 2, continued

	On TANF Both Waves	On Wave 1, Off Wave 2	Off Wave 1, On Wave 2	Off TANF Both Waves
City:				
Boston	30.0	29.0	26.9	36.2
Chicago	48.2	56.0	20.2	25.0
San Antonio	21.8	15.0	52.9	38.8
Depression Score Above Clinical Cutoff	16.2	5.9	15.2	5.6
Ever Experienced Domestic Violence	65.8	76.3	55.9	60.6
Network Support Above Median for Sample	53.4	40.2	42.5	44.7

Notes:

All characteristics measured at Wave 1.

Sample includes full data set

Table 3

Income at Waves 1 and 2, by Welfare Transition Group

	On TANF Both Waves		On Wave 1, Off Wave 2		Off Wave 1, On Wave 2		Off TANF Both Waves	
	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2
Total HH Income Not including EITC income	\$1179	\$1315	\$1239	\$1405	\$1419	\$1300	\$1377	\$2035
Including EITC income	\$1236	\$1389	\$1317	\$1552	\$1554	\$1365	\$1515	\$2161
Poverty rate (including EITC income)	0.76	0.70	0.69	0.56	0.55	0.70	0.51	0.33
Earnings								
Individual	138	207	224	682	410	209	585	795
Others in HH	124	171	136	297	543	223	461	813
TANF								
Individual	323	309	357	0	0	306	0	0
Others in HH	18	14	16	1	5	7	2	0
Food Stamps								
Individual	272	264	270	153	204	275	60	62
Others in HH	29	28	14	3	4	7	5	3
SSI								
Individual	146	185	77	89	85	43	90	76
Others in HH	25	14	15	19	67	7	8	23
SSDI								
Individual	20	35	17	17	10	21	14	9
Others in HH	30	27	19	15	26	61	21	16

Table 3, continued

	On TANF Both Waves		On Wave 1, Off Wave 2		Off Wave 1, On Wave 2		Off TANF Both Waves	
	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2
Child Support	15	21	45	47	17	60	58	55
Help from friends and relatives	8	6	14	30	5	8	14	25
Social Security	15	19	18	12	14	7	20	55
Other	17	15	16	45	29	26	39	101
EITC Income (potential)	57	74	78	147	135	65	138	126

Notes:

All amounts pertain to month prior to interview

TANF, Food Stamp, and SSI “individual” amounts include the child benefit for child-only cases

Sample includes full data set

Table 4

Income Composition of Groups Moving from Non-Employment at Wave 1
to Employment at Wave 2, by Stayer-Leaver Status

	On TANF Both Waves (Stayers)		On Wave 1, Off Wave 2 (Leavers)		
	Wave 1	Wave 2	Wave 1	Wave 2	
Total HH Income		\$990	\$1714	\$1054	\$1675
Not including EITC income					
Including EITC income		\$992	\$1931	\$1088	\$1885
Poverty Rate (including EITC income)		0.94	0.48	0.77	0.37
Earnings					
Individual		0	711	0	989
Others in HH		52	234	212	393
TANF					
Individual		332	257	382	0
Others in HH		10	1	19	0
Food Stamps					
Individual		334	293	264	133
Others in HH		6	11	18	4
SSI					
Individual		108	121	28	27
Others in HH		35	13	28	17
SSDI					
Individual		0	15	18	0
Others in HH		35	16	20	24
Child Support		36	16	23	58
Help from friends and relatives		9	2	7	8
Social Security		6	11	0	3
Other		28	12	33	18
EITC Income (potential)		2	217	34	210

Notes: See notes to Table 3.

Sample includes stayers and leavers who were not employed at wave 1 and employed at wave 2

Table 5

Income Composition of Nonworking Leavers

	Wave 1	Wave 2
Total HH Income	\$1251	\$969
Not including EITC income		
Including EITC income	\$1292	\$982
Poverty Rate (including EITC income)	0.74	0.82
Earnings		
Individual	96	0
Others in HH	103	288
TANF		
Individual	394	0
Others in HH	26	3
Food Stamps		
Individual	270	197
Others in HH	20	5
SSI		
Individual	152	165
Others in HH	14	17
SSDI		
Individual	30	47
Others in HH	21	19
Child Support	85	62
Help from friends and relatives	17	64
Social Security	11	26
Other	9	88
EITC Income (potential)	41	13

Notes: See notes to Table 3.

Sample includes those on TANF at wave 1 (employed and not employed) but off TANF and not employed at wave 2.

Table 6

Non-TANF Program Participation Rates, by Welfare Transition Group

	On TANF Both Waves		On Wave 1, Off Wave 2		Off Wave 1, On Wave 2		Off TANF Both Waves	
	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2	Wave1	Wave2
Food Stamps	93.9	92.6	84.2	56.5	67.2	87.8	24.2	21.9
Medicaid	98.6	99.0	95.9	84.9	81.2	93.9	55.7	50.3
WIC	54.5	39.1	45.3	34.7	41.0	54.3	40.1	27.9
SSI	29.1	35.7	15.7	17.7	25.4	9.8	13.7	14.5
Energy Assistance	14.3	23.0	15.2	15.7	7.9	17.2	8.8	9.0
Emergency Food	13.2	8.1	10.1	6.8	13.3	3.6	5.4	4.3
Free Clothing	8.8	4.2	10.1	3.7	11.8	2.5	5.1	3.2
Reduced/Free School Lunch	75.7	88.7	79.4	75.4	76.7	64.0	73.5	77.1
School Breakfast	76.6	84.0	77.0	74.3	66.2	73.2	71.2	72.1
Public Housing	75.2	75.7	66.0	62.0	49.5	60.1	41.4	37.2

Notes:

Respondent and child only.
Sample includes full data set.

Table 7
Experiences with Work Requirements
(percents)

	Full Sample	Boston	Chicago	San Antonio
Were told of a work requirement	55.3	45.1	64.7	50.4
Fulfilled the requirement	85.6	77.8	91.3	80.3
Reason not required to work				
Children too young	18.7	13.2	18.4	33.6
Poor health	60.0	60.8	65.2	46.9
Caring for disabled person	4.0	7.3	0.3	2.9

Notes: Questions were asked of all women on TANF as of the interview date, or who had been on TANF in the last two years (in the wave 1 interview) or since the wave 1 interview (in the wave 2 interview), which was generally about 18 months earlier, and referred to experiences while on TANF. Unweighted sample sizes in the full sample are 2072 for the ‘were told of a work requirement’ question and 209 for the “reason not required to work” question, which was asked only of those who said that they were not required to work, are 209.

Table 8
Other Requirements of which Recipients Were Told
(percents)

	Full Sample	Boston	Chicago	San Antonio
Immunization of children	63.4	74.4	43.7	87.2
Cooperation with child support enforcement ^a	67.4	64.2	66.6	74.0
School attendance ^b	89.1	--	94.3	--
Living at home with parents ^b	74.0	--	90.5	--

Notes: Questions were asked of all women on TANF as of the interview date, or who had been on TANF in the last two years (in the wave 1 interview) or since the wave 1 interview (in the wave 2 interview), which was approximately 18 months earlier, and referred to experiences while on TANF. Maximum unweighted sample size in the full sample is 2062. Cells with no entries have less than 50 observations.

^a Asked of women not living with the fathers of their children.

^b Asked of mothers age 17 and younger.

Table 9

Experience with Sanctions (percents)

	Full Sample	Boston	Chicago	San Antonio
Percent Sanctioned				
Full ^a	4.1	1.9	7.0	1.3
Partial ^b	15.4	8.6	21.5	13.6
Total	19.5	10.5	28.5	14.9
Of those sanctioned				
Welfare office called or met with first	37.7	25.5	31.5	64.1
Tried to get benefits back	60.7	59.5	69.1	31.9
Successful	61.6	62.8	60.2	65.5
Reason for sanction				
Missed appointment	34.3	4.0	45.2	52.7
Failed to file paperwork	13.3	13.2	15.0	22.5
Refused to take a job	3.8	6.0	1.4	0
Didn't show up for work	5.6	2.2	7.7	0
Didn't attend school	7.5	19.4	5.9	0
Didn't cooperate with child support	8.6	5.3	10.3	2.6
Didn't get immunization	2.7	6.8	0	4.9

Notes: Questions asked of all women who were on TANF or who went off TANF in the last two years (wave 1) or since the wave 1 interview (wave 2), and refer to experiences while on TANF. Unweighted full-sample sample sizes for the “percent sanctioned”, “of those sanctioned,” and “reason for sanction” questions are 2030, 405, and 405, respectively (however, the question regarding “Welfare office called” was asked only in wave 2 and hence has a smaller sample).

^a A “full” sanction is defined as a woman having said she went off TANF because of a rule violation, and therefore includes administrative case closings.

^b Only women who had not experienced a departure from the rolls for rules violation reasons were asked about partial sanctions.

Table 10

Exit Rates For Those Facing and Not Facing Requirements

	Exit Rate
<hr/>	
Work requirements	
Were told of requirement	22.5
Were not told of requirement	13.6
Immunization requirement	
Were told of requirement	17.2
Were not told of requirement	21.6
Child support enforcement	
Were told of requirement	24.2
Were not told of requirement	10.0

Notes:

Sample includes all those on welfare at wave 1 or who were on welfare between waves 1 and 2, and hence were asked questions about their experiences with these requirements during their last spell on. The exit rate is defined on the basis of whether the individual was still receiving TANF at the wave 2 interview.

Table 11
Experiences of TANF Applicants
(percents)

	Full Sample	Boston	Chicago	San Antonio
What applicant was informed of upon application:				
Were told would face work req prior to acceptance	57.7	43.3	59.2	66.8
Caseworker discussed a plan to get by without welfare	32.3	25.5	27.1	43.4
Told to apply for a different program	16.3	12.2	14.8	21.1
Were given temporary cash assistance	27.2	30.3	25.2	27.1

Notes:

Questions asked of all those who applied for TANF in the last two years (wave 1 interview) or since wave 1 (wave 2 interview). Unweighted full-sample sample sizes for the two questions in the tables are 1251 and 968.

Table 12

Reasons for Not Applying for TANF
(percents)

	Full Sample	Boston	Chicago	San Antonio
Of those who did not apply but considered applying, reasons for not applying:				
Too much hassle	34.9	29.0	21.6	50.9
Stigma and embarrassment	14.5	18.0	18.5	8.4
Time limits	2.2	0.5	0.2	5.3
Work requirements	9.0	2.8	18.4	5.6
Found a job	13.4	14.5	15.6	10.7
Found other support	10.1	21.9	5.2	5.3
Not eligible	10.6	13.0	12.0	7.5
Of those who visited the welfare office to apply but didn't, reasons for not applying:				
Too much hassle	32.3	13.3	21.8	59.5
Stigma and embarrassment	4.3	3.9	0	9.6
Found a job	24.5	33.9	21.2	21.0
Found other support	5.9	6.6	3.4	8.3
Not eligible	8.7	17.6	1.1	10.7
Caseworker discouraged applying	4.9	0.7	3.3	10.7
Welfare office treated applicant badly	5.6	0.7	4.7	10.4

Notes: Questions asked of those not on TANF in the last two years (wave 1 interview) or since wave 1 (wave 2 interview), and refer to periods not on TANF. Unweighted full-sample sample sizes for the two questions are 196 and 268, respectively. Percents add to more than 100 percent because respondents could answer yes to multiple categories.

Table C-1

Socioeconomic Characteristics of the Three-City Sample at Wave 1

	Total	Boston			Chicago				San Antonio			
		Total	W	B	H	Total	W	B	H	Total	B	H
Education												
Less than HS or GED	34.5	25.4	29.6	17.2	31.6	45.3	25.6	45.0	50.7	33.9	20.5	35.7
HS or GED	49.4	55.9	52.8	59.7	51.6	44.4	47.6	47.3	31.9	46.7	58.1	46.3
More than HS or GED	16.1	18.6	17.6	23.2	16.8	10.3	26.8	7.6	17.4	19.4	21.4	18.0
Age												
Less than 25	25.1	20.5	15.0	22.3	20.0	27.6	21.2	28.2	28.0	28.3	33.1	28.2
25-35	39.6	40.9	29.1	39.9	43.8	34.9	25.6	32.4	43.7	43.3	33.6	43.3
36+	35.2	38.6	55.9	37.8	36.1	37.5	53.2	39.3	28.3	28.4	33.4	28.5
Married	30.6	22.8	31.9	12.9	29.0	23.9	16.6	12.5	64.1	48.4	16.1	50.7
Children under 3 in household	40.3	37.7	32.5	36.2	39.4	44.0	23.7	44.9	40.4	39.6	45.5	38.1

Table C-1 (continued)

	Total	Boston				Chicago				San Antonio		
		Total	W	B	H	Total	W	B	H	Total	B	H
Health												
Excellent or Very Good	43.1	46.4	42.3	52.4	42.2	40.8	42.8	42.6	35.1	41.5	34.8	41.1
Good	33.6	32.0	27.7	27.7	35.6	33.2	29.8	30.9	38.7	36.0	32.1	36.9
Fair or Poor	23.3	21.5	30.0	19.8	22.2	26.0	27.4	26.4	26.2	22.5	33.1	22.0
Family Size	4.5	4.1	4.0	4.0	4.1	4.9	4.1	4.8	5.1	4.7	3.8	4.8
Number of Observations	2458	926	133	330	428	818	69	400	339	714	294	407

Notes:

W=Non-Hispanic White

B=Non-Hispanic Black

H=Hispanic

Figure 1: Per Capita TANF Reciprocity by State and Nationwide, 1991-2001

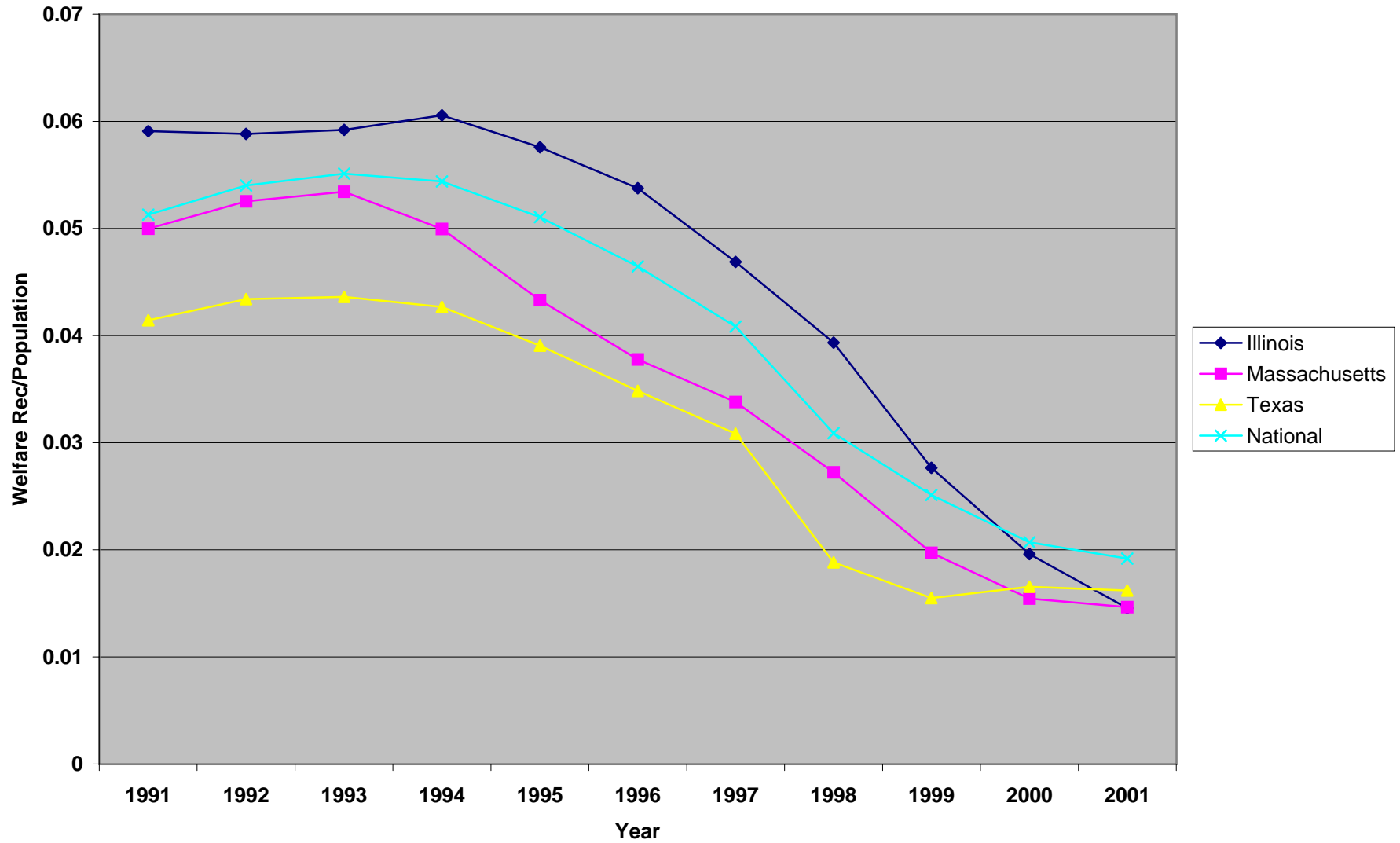


Figure 2: Unemployment Rate by State and Nationwide, 1991-2001

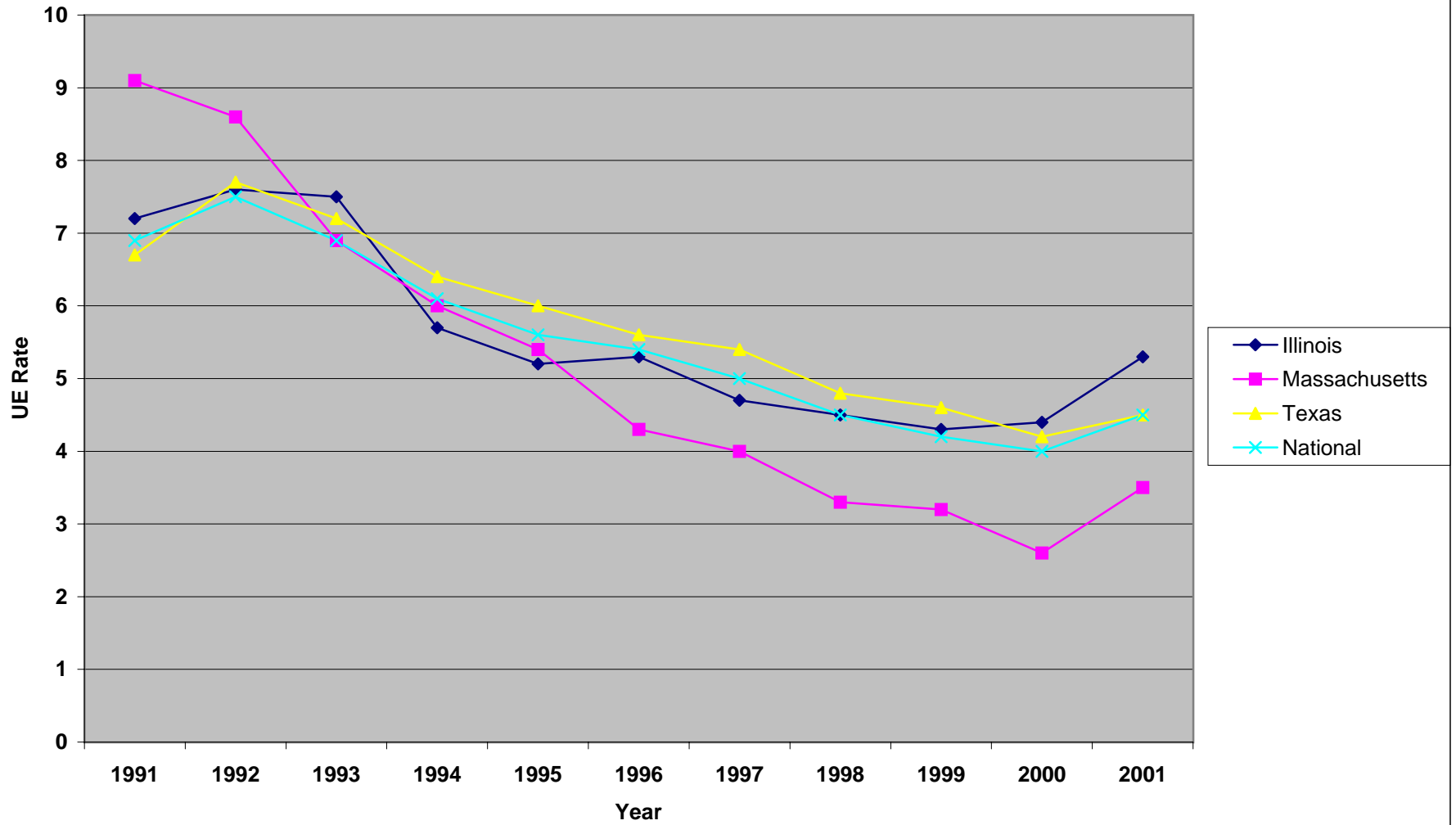


Figure 3: Employment-Population Ratio by State and Nationwide, 1991-2001

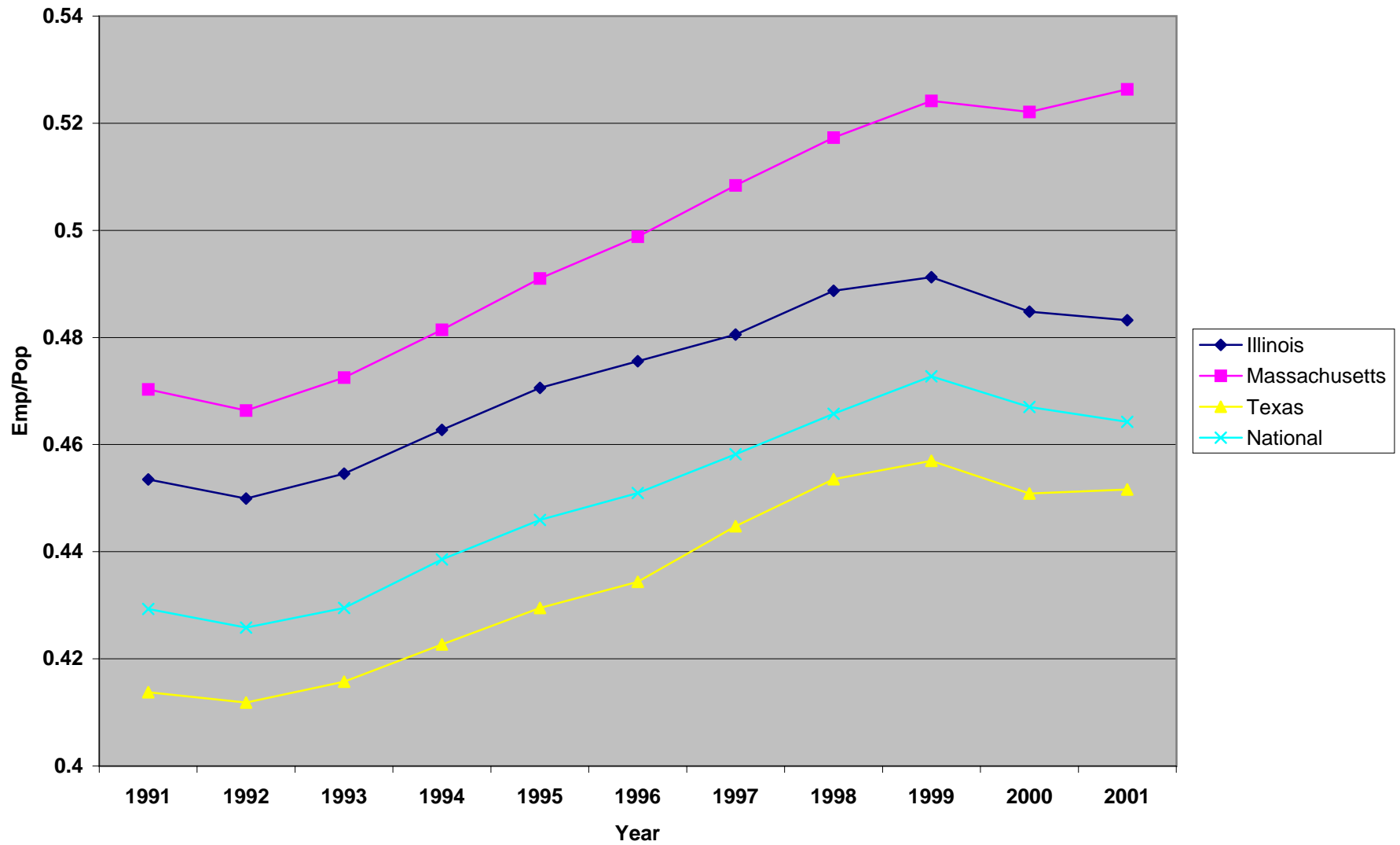


Figure 4: Employment Transitions for Four Welfare Transition Groups

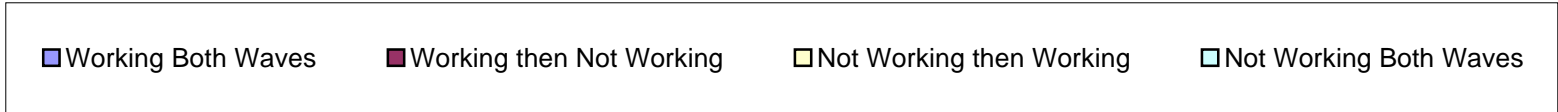
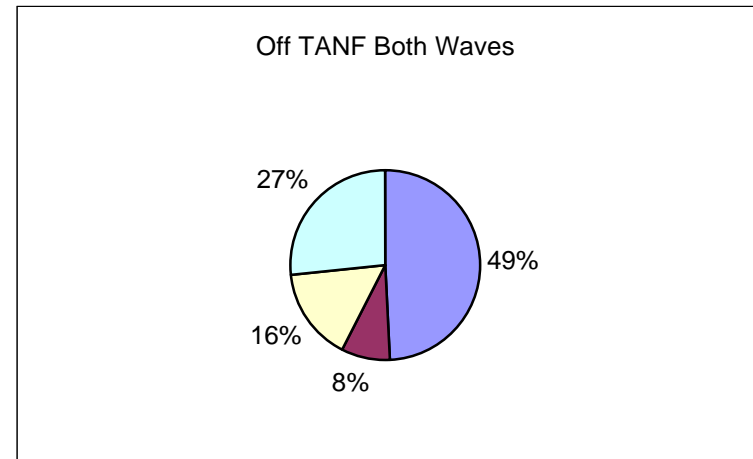
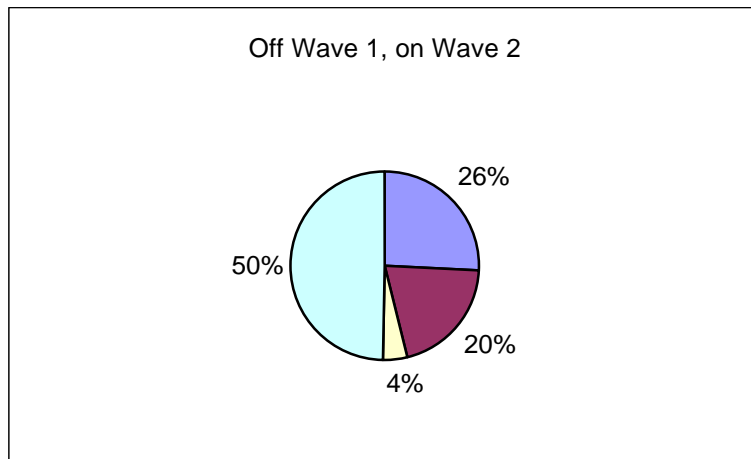
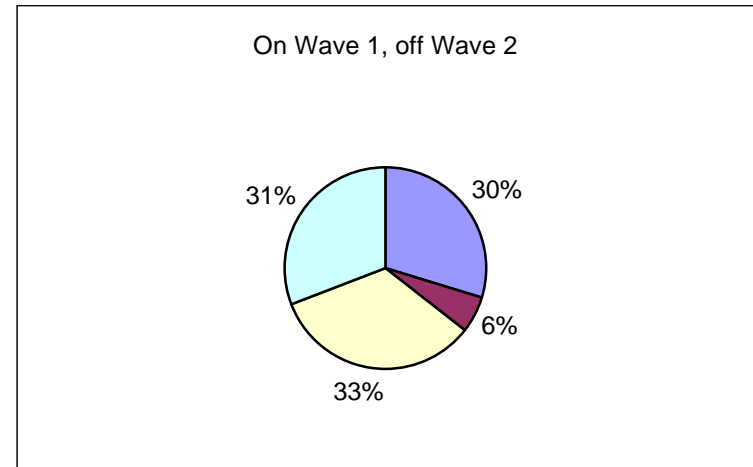
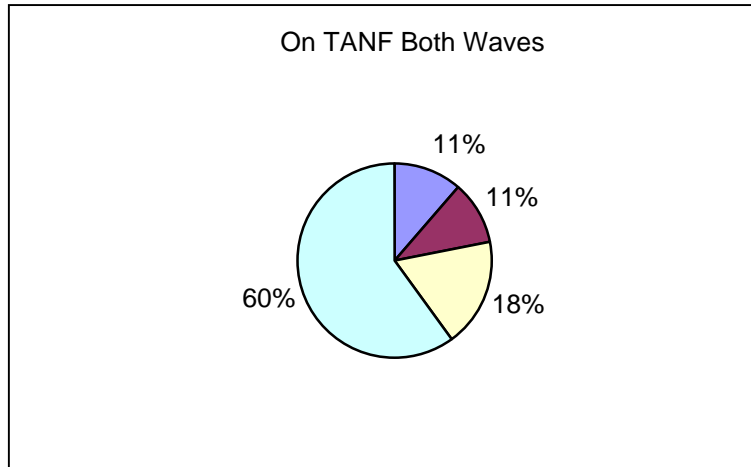


Figure 5: Monthly Household Income by Wave 2 Employment Status for Welfare Stayers and Leavers

