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Work, Earnings, and Well-Being after Welfare

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What Do We Know?

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The rapid reduction in Aid to Families with Dependent Children (AFDC) caseloads during its last two years and the continued decline of participation following its replacement by Temporary Assistance for Needy Families (TANF) raise the question of how families who no longer receive cash assistance are faring. What are their economic circumstances? Are they better off after leaving the program than they were as recipients? How many of the mothers are working, and how much do they earn? Do they and their families continue to rely on other, in-kind assistance programs? If so, which ones?

In this paper, we present evidence on the economic fate of single mothers who have left the welfare rolls. We summarize the results of earlier studies and then present findings from three approaches to this topic, one using national survey data, another using administrative data, and a few recent studies that use geographically targeted surveys. We conclude that reliance on administrative data provides the best option for evaluating the impacts of reform in the near future. We also recognize the limitations of these data and the need for survey data to supplement their findings.

An analysis of postwelfare economic well-being requires information on both pre-exit welfare use (to determine when a woman left welfare) and later measures of economic well-being. State administrative records have two main advantages: information on welfare use is accurate, and the data are often quite current. There are serious disadvantages, however. First, data on postwelfare economic well-being is limited. Administrative records typically do not reveal the hourly wage

rates of those working, the family status of those who leave the rolls, or sources of income other than public benefits and earnings reported to public agencies. Important components of well-being, such as total child care costs, the number of children in the postwelfare family, non-public child care subsidies, and nonreported child support or earned income, are likely to be unavailable.¹

A second approach is to use national longitudinal survey data that provide detailed information on family status, the extent of work (e.g., hours worked or weeks worked), and broader measures of economic well-being on all former recipients, including those who move across jurisdictions. However, some items of information are less accurately reported (e.g., information on welfare participation and benefits is self-reported), and the information takes longer to gather and process.

A third approach is to use a targeted survey, collecting data from a particular population that is expected to have been affected by welfare reform. This approach can gather detailed information on both the pre- and postwelfare experiences of the family. Problems with current examples of this approach include small samples that may not be representative, in addition to the information accuracy problems of surveys in general.

In the next section, we summarize some of the early studies of the economic status of women who left welfare. The two sections that follow summarize the results of the two studies of postwelfare economic patterns undertaken at the Institute for Research on Poverty, one using survey data from the National Longitudinal Survey of Youth (NLSY) (Cancian and Meyer 1998; Meyer and Cancian 1996, 1998) and the other using administrative data from Wisconsin (Cancian et al. 1998b, 1999). We then briefly summarize the methods and findings of a number of studies of postwelfare experiences in other states, comparing their findings with those of the Wisconsin study. The final section of this paper presents our conclusions.

PREVIOUS STUDIES OF POSTWELFARE ECONOMIC PROSPECTS

Previous studies have analyzed the postwelfare economic status of former welfare recipients and how a variety of factors influence both exit from reciprocity and the return to welfare having once left it. Some studies (e.g., Gritz and MaCurdy 1991; Cheng 1995) have found that the average earnings of former AFDC recipients grow over time (although they remain fairly low) but others have found that hourly earnings do not increase much over time (Burtless 1995; Harris 1996). Pavetti and Acs (1997) found that only 13 percent of young women who ever received AFDC are in steady employment in a “good job” by age 26–27. Burtless (1995) and Pavetti and Acs (1997) found that many former recipients have somewhat sporadic work patterns, with a low probability of maintaining full-time, full-year work.

A few quantitative studies have analyzed broader indicators of postwelfare economic well-being. Bane and Ellwood (1983) found that nearly 40 percent of those who exited were poor in the year after exit, and a similar number were poor in the following year. Harris (1996), who examined only those who left welfare and stayed off, found that the likelihood of being poor varied substantially with the type of exit. Of those who left through marriage or cohabitation, 28 percent were poor one year after exit, compared with 46 percent of those who left through work and 75 percent of those who left for some other reason.

This research can be briefly summarized as follows: a substantial proportion of women who exited AFDC returned to the rolls, some quite quickly. Even among those who did not return, continued use of food stamps or other means-tested programs is fairly common. The hourly wage rate of the leavers was (or is likely to be) in the \$5–7 range, and slow growth in wage rates is experienced. The income that these leavers obtain is generally insufficient to remove them from poverty, even if they marry. There has been little research on the actual economic well-being of the leavers, perhaps reflecting a view that dependency is a more important issue than poverty or overall well-being.

THE POSTWELFARE EXPERIENCE OF AFDC RECIPIENTS—NATIONAL SURVEY DATA

Longitudinal survey data sets such as the NLSY identify entry and exit from the welfare rolls, and they measure a variety of aspects of the lives and living conditions of recipients during and after they have left welfare. Because the NLSY oversamples the economically disadvantaged and has many years of data, it is possible to draw sufficiently large samples for measuring long-term economic well-being following an exit from AFDC.

The NLSY includes over 5,000 women who were age 14 to 21 in 1979; in 1992, these women were 28 to 35. Hence, five years of post-exit economic status can be observed for AFDC recipients who exited by 1987, when they were 24 to 31 years old.² This sample (see Meyer and Cancian 1996, 1998; Cancian and Meyer 1998) includes women who enter and exit AFDC at a fairly young age (and thus have relatively young children) and is not representative of the full AFDC-reliant population.

We summarize the Cancian and Meyer findings for 984 women who exited AFDC before 1987, presenting information for the first five postwelfare calendar years for three measures of well-being: the use of means-tested benefits (AFDC and any other cash or near-cash means-tested benefit, including food stamps, Supplemental Security Income [SSI], and other public assistance); earnings and wages; and family income and poverty.³

Welfare Use following Exit

Many women who leave AFDC (“leavers”) continue to receive some cash or near-cash means-tested benefit, but this percentage declines over time; for example, 60 percent of leavers receive a means-tested benefit in the first year, compared to 45 percent in the fifth year. Food stamps are the most common benefit, received by about half of leavers in the first year, declining to 40 percent in the fifth year. AFDC itself is less common: in each of the first five years post-exit, 28–38 percent of women returned to the program and received some AFDC benefit, with a slight trend toward decreased use between year 2 and year 5.⁴

Looking across the whole five-year period, only 21 percent of leavers never received means-tested benefits and another 17 percent received benefits in only one of the five years, but 27 percent received some benefit in each year. Examining AFDC alone, 39 percent of women never received AFDC, and 16 percent received it in only one year, but 10 percent received some AFDC income in each year.

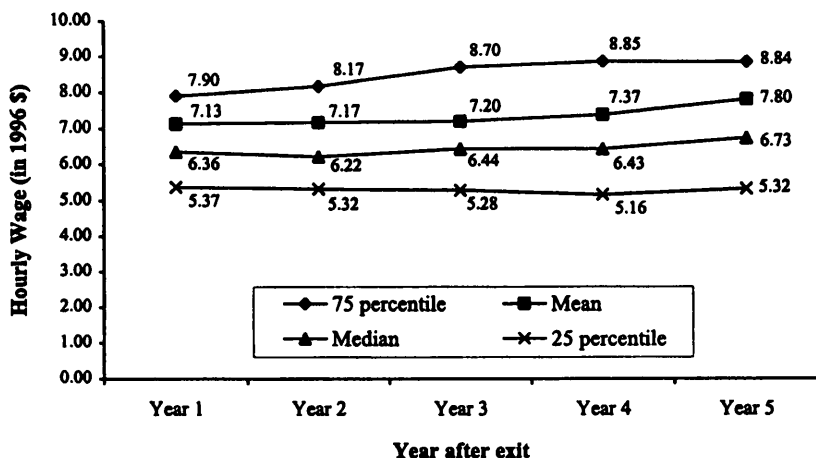
In sum, there is substantial diversity in welfare use after leaving welfare. About 20–40 percent effectively avoid reliance on welfare benefits, and about one-half of the women continue receiving benefits of some form for several years after leaving AFDC.

Hours of Work, Wages, and Earnings following Exit

In each of the five years after exit, about two-thirds of women work. But while the proportion not working stays about the same over this period, there is an increase over time in the intensity of work effort among those who work at all. For example, the proportion working full-time, full-year increases from 13 percent in the first year following an exit to 25 percent in year 5. Over the same period, the proportion working in the lowest-intensity category (part-time, part-year) falls from 21 to 13 percent.

There is also substantial variation in an individual woman's work effort over time. Less than 5 percent of women work full-time, full-year in all 5 years, while 60 percent never work full-time, full-year. On the other hand, only 14 percent never work over the first 5 years after an exit, more than one-half work at least four of the five years, and more than one-third worked in all five years. These patterns suggest that while consistent full-time work is uncommon, so too is consistent joblessness.

Even consistent work may not suffice for self-support if wages are low. Figure 1 shows the trend of average wages in the five years after exit, as well as the quartile cutoffs. Real wages rise over the period, though not for all groups. Median wages grow from \$6.36 to \$6.73 between years 1 and 5 (1996 dollars), an annual rate of 1.5 percent.⁵ Wages for women at the 25th percentile show virtually no change, remaining close to \$5.30 throughout the period.⁶ The relatively modest growth in wages for this sample is inconsistent with the suggestion that even if former welfare recipients start in low-paying jobs, they will

Figure 1 Hourly Wages in the First 5 Years after Exit

Source: Authors' calculations from the NLSY.

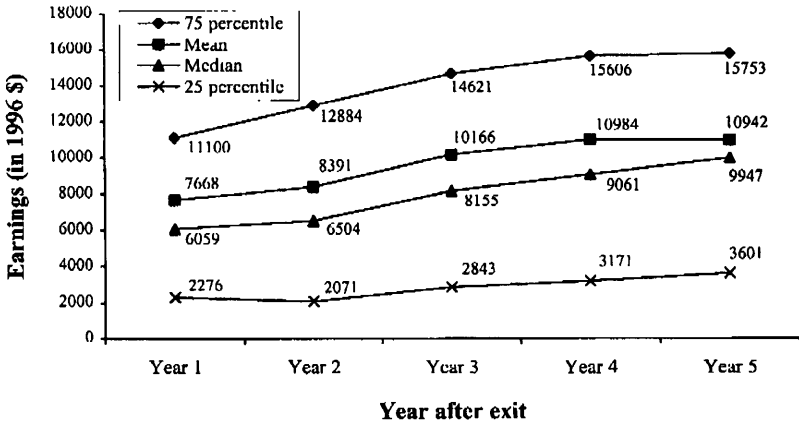
Note: Among workers with observed wages in each year. Unweighted sample sizes in years 1–5 are 566, 544, 539, and 538, respectively.

soon move on to jobs that pay wages that can support a family above the poverty line.

A combination of increased work effort and modest increases in hourly wages, however, results in significant growth in annual earnings over the five years. Figure 2 shows the trend in earnings among those who had earnings. Earnings grow substantially across the distribution. Median earnings among earners rise from \$6,059 to \$9,947 over the five-year period, and even those at the 25th percentile experience increases in own earnings from \$2,276 to \$3,601, or about 12 percent per year.

Income and Poverty following Exit

Among the leavers, median family income (not shown in the figures) grows from about \$12,000 to \$16,000–\$17,000 from years 1 to 5.⁷ Income increases across the distribution, with the 25th percentile increasing from about \$6,500 to about \$9,800.

Figure 2 Earnings among Workers in the First 5 Years after Exit

Source: Authors' calculations from the NSLY.

Note: Among workers with observed earnings in each year. Unweighted sample sizes in years 1–5 are 580, 586, 554, 551, and 548, respectively.

Two of the main sources of family income are means-tested transfers and own earnings. While both sources are received by substantial numbers of leavers, the pattern differs: in year 1, each source is received by about 60 percent of the leavers; by year 5, the proportion with earnings is still about 60 percent, while the proportion with means-tested benefits has dropped to about 45 percent.

Income from a spouse or partner is a third important component of family income. Spousal income is received by about 40 percent of women in each of the five years. Income from a spouse or partner, when available, is fairly high, with medians of about \$16,000 in the first year, rising to about \$21,000 in the fifth year. Finally, child support is received by less than one-fifth of the sample, with median annual amounts among recipients around \$1,500.

These estimates make it clear that measures of income that include only the income from a woman's own earnings and means-tested benefits may substantially understate family income, especially for those who have a spouse or partner. This has important implications for the interpretation of the results of the administrative data analysis discussed below.

Does the income received by the families of these leavers allow them to escape poverty? Fifty-five percent of all women are poor in the first year following an exit; by the fifth year, this has fallen to 42 percent. Especially in the early years, most of the remainder of leavers have incomes that are near the poverty level; for example, only 15 percent have income above 200 percent of the poverty line in the first year. However, by the third year after exit, 22 percent of women have incomes more than twice the poverty line. The NLSY allows us to consider both total family income and a woman's own income (not including the earnings and benefits of any spouse or partner). If we compare a woman's own income to the poverty line, a much higher proportion of women are poor: 79 percent in the first year, decreasing to 64 percent in the fifth.

When we examine family income poverty over the whole period, we find that only 19 percent are poor during *all* of the first five years. On the other hand, whereas during each of the first five years 45–59 percent are above the poverty level, only 22 percent are able to escape poverty during *all* five years. Only about 5–10 percent have own income high enough to be above the poverty line during all years.

In sum, the patterns we have described show great diversity in the economic outcomes for former recipients. Moreover, while “success” is recorded in terms of reductions in dependence on AFDC (about two-thirds of the women do not receive benefits each year), poverty-oriented measures and measures that require consistently positive outcomes over the whole period indicate less progress.

Discussion

We have also examined the factors that seem to be related to several of these measures of postwelfare economic success using multivariate statistical methods. Our results indicate that there are several paths to economic “success.” Having more education and fewer children, getting and staying married, landing a “good” job and keeping it, or changing jobs several times (perhaps in order to progress) all seem to be avenues to success.

Interestingly, these statistical analyses have not found a strong effect of macroeconomic conditions on success. For example, the unemployment rate in the county of residence at the time of AFDC exit

has little effect on later family income. While there is a negative relationship between unemployment rates at the time of exit and later wages, it is weak. Perhaps economic conditions are more related to whether a woman exits from AFDC and the type of exit she makes than to how she fares after leaving.⁸ Alternatively, measures of overall county unemployment rates may not provide a very accurate picture of job prospects for low-skilled women (Hoynes 1996).

THE POSTWELFARE EXPERIENCE IN WISCONSIN—ADMINISTRATIVE DATA

A second research strategy is to employ administrative data on welfare recipients both while they are on the rolls and in the years after they have left. The most extensive of such studies (Cancian et al. 1998b, 1999) make use of Wisconsin administrative data to analyze the benefit use, income, and employment of women who left AFDC.

These data follow all recipients, not just a random sample. Because they are linked longitudinally, the recipients can be studied over a relatively long period of time.⁹ Moreover, the data allow the postwelfare circumstances of those who leave welfare to be compared to the circumstances of those who remain recipients.

We use Wisconsin administrative data for single women with children who received AFDC-Regular benefits in July 1995. We define “leavers” as those who received no AFDC benefits for two consecutive months over the next year (from August 1995 to July 1996). The sample includes 26,047 leavers and 28,471 who stayed on AFDC.¹⁰ We tracked those who left for a period of 15 months from the date they left and those who stayed from August 1996 to December 1997.

The state’s data system provides much information on these 55,000 cases while they were receiving AFDC: the mother’s age, educational level, and race; the number of children in the household and the age of the youngest child; whether or not other adults were also in the household; whether the mother or a child received SSI; the mother’s AFDC status and whether or not she was an immigrant; and the county of residence. The state’s unemployment insurance (UI) sys-

tem provides information on the mother's quarterly earnings and employer.

Although these data provide much information on economic and social outcomes, they reflect only public assistance and covered earnings received in Wisconsin. We have no measures for individuals who moved out of state, no measures of earnings for those who remained in the state but were self-employed or in other employment not covered by UI, and no measures of a spouse or partner's earnings or other income. Furthermore, because we cannot accurately trace individuals who leave the state for all or part of the period, we cannot distinguish those who have income from benefits or earnings outside Wisconsin from those who receive no such income.¹¹

Welfare Use following Exit

The use of public assistance steadily declined among all groups of leavers. Table 1 shows the use of means-tested benefits by leavers, continuous leavers (those leavers who did not return within 15 months), and stayers (those cases active in July 1995 who did not have two consecutive months without benefits in the next year). In the quarter immediately following exit, 11 percent of leavers and 14 percent of continuous leavers had ceased receiving public assistance (food stamps, Medicaid, or AFDC). Fifteen months after exit, these figures had more than doubled: about 30 percent of all leavers and 41 percent of the continuous leavers were receiving no public assistance. However, the majority of leavers continued to be enrolled in some form of public assistance over the entire period, mainly Medicaid. By definition, all stayers received some assistance in the first quarter measured (July–September 1996). Even a year later, only 7 percent received no benefits.

In general, we found that AFDC leavers who had greater human capital, fewer and older children, and who lived in an area where unemployment was lower were more likely to have ceased the receipt of public assistance than those without these advantages (see Cancian et al. 1999, Table 7).

These results are not dissimilar to those in the previous section based on the NLSY data. Those data indicated that during the first year after exit, about 60 percent of the women continued to receive some

Table 1 Percentage of Persons Not Receiving Means-Tested Benefits^a after AFDC Exit^b

Category	1st Quarter after exit	2nd Quarter after exit	3rd Quarter after exit	4th Quarter after exit	5th Quarter after exit
All leavers	10.8 (N=22,726)	16.1 (N=22,079)	19.1 (N=21,791)	21.6 (N=21,604)	29.7 (N=21,151)
Continuous leavers	14.1 (N=15,451)	22.4 (N=14,692)	27.1 (N=14,365)	30.1 (N=14,216)	40.8 (N=13,889)
All stayers ^c	– (N=28,471)	1.3 (N=27,980)	2.9 (N=27,463)	4.5 (N=27,094)	6.6 (N=26,701)

^a Not receiving AFDC, food stamps, or Medicaid.

^b The sample in each quarter includes all cases which appear in at least one administrative database during that quarter.

^c For stayers, first quarter after exit is the third quarter of 1996.

means-tested benefit (although the NLSY analysis did not include Medicaid).

Hours of Work, Wages, and Earnings following Exit

Most women who left the AFDC rolls worked.¹² During the first year after leaving, about two-thirds of leavers worked, a figure that is nearly identical to the proportion of leavers who worked in the first year in the NLSY data.¹³ Women whose youngest child was older than 12 years and women who had earnings in the two years before they left welfare were significantly more likely to work and earn. However, neither education nor the number of children had a statistically discernable impact on the probability of employment in this model (though earnings did increase with education, as discussed below). Women on SSI, women who had been sanctioned, minority women, and (surprisingly) women who had shorter welfare spells were significantly less likely to be employed.

The average county unemployment rate over the quarters during the year after exit has a marginally significant ($t = 1.8$) but quantitatively small negative effect on employment. Each 1-percentage-point increase in the local unemployment rate decreased by less than 1 percent the probability of working in the year after exiting welfare. The modest impact of the county unemployment rate parallels the results for the NLSY. As mentioned above in those results, the limited impact of unemployment may be due to the inadequacy of this measure as an indicator of local labor market conditions for this population.

About 86 percent of those leavers who were working earned more than \$2,000 during the year after exit. Median annual earnings were about \$7,800.¹⁴ Women who had greater human capital (i.e., more education and prior work experience) and who were living in a county with a low unemployment rate tended to have higher earnings, as did legal immigrants and women with older children. Women who had been sanctioned, received SSI, or had a child on SSI had lower earnings.

The average county unemployment rate over the quarters during the year after exit has a statistically significant negative effect on earnings. Each 1-percentage-point increase in the local unemployment rate decreased annual earnings by about \$250 in the year after exiting wel-

fare. Again, the modest impact of the county unemployment rate may be due to its limitations as a measure of local labor market opportunities for this population.

For all leavers, in all of the socioeconomic categories, median earnings among workers increased with the length of time off welfare. For leavers working in a given quarter, earnings increased from less than \$2,400 to more than \$2,600 over this period, an annual growth rate of about 10.4 percent.¹⁵ We also had information on the industry in which these women who worked found employment and hence could calculate earnings growth by industrial categories as well.¹⁶ From the first to the fifth quarters, median earnings for leavers rose in all industrial classifications except one. Indeed, in more than half of the classifications, leavers in their fifth quarter after exit had earnings over 10 percent higher than leavers in their first quarter after exit. The only exception was leavers who were employed in temporary agencies, where fifth-quarter earnings were 12 percent lower than first-quarter earnings.

Income and Poverty following Exit

Using our administrative data, we are able to measure two concepts of income: own earnings and income, defined as the sum of own earnings, AFDC, and the cash value of food stamps. Table 2 indicates that leavers were twice as likely to have incomes above the poverty level as stayers.¹⁷ For all groups, the percentages with income above the poverty level are not high; even those who left AFDC and did not return had only about a 27 percent probability of success in escaping poverty by this measure.¹⁸

Few former recipients were able to achieve an income 150 percent or more above the poverty line; even among the continuous leavers, less than 8 percent had cash incomes (including food stamps) sufficient to meet this standard. Larger families were especially unlikely to reach this level: among families with three children, only 1.9 percent of continuous leavers and 1.5 percent of all leavers reached this level.

Table 2 also shows that only about one-third of all leavers obtained the income level they received just before they left AFDC. Only among the groups with the highest postwelfare incomes (continuous leavers and those with fewer children) did more than 40 percent have income in excess of what they received immediately before leaving welfare.

Table 2 Percentage of the AFDC-Regular Caseload at Various Income Levels during Year after Exit^a

	Income as earnings only	Income as cash income plus food stamps
All leavers (<i>N</i> =24,020)		
More than the poverty line	19.5	24.0
More than 150% of the poverty line	5.4	5.8
More than same measure in qtr. before exit	69.3 ^b	36.0
More than maximum AFDC benefit	48.8	–
Continuous leavers ^b (<i>N</i> =16,325)		
More than the poverty line	25.1	27.3
More than 150% of the poverty line	7.4	7.7
More than same measure in qtr. before exit	75.9 ^c	37.5
More than maximum AFDC benefit	54.6	–
All stayers (<i>N</i> =28,471)		
More than the poverty line	4.1	11.7
More than 150% of the poverty line	0.8	1.6
More than maximum AFDC benefit	19.0	–

^a For stayers, the year is the 12 months from 7/96 through 6/97. This table excludes “disappearing,” as defined in endnote 11.

^b Continuous leavers are those who remained off AFDC for at least one year after exit. All reported measures are the average quarterly receipt during the year after exit calculated over the quarters in which the case appears in at least one administrative database.

^c Calculated only for those with earnings in the quarter before exit. For example, the number in the earnings column represents the percentage of households in each category whose average quarterly earnings in the year after exit were higher than its earnings in the quarter before exit.

Summary and Comparison with NLSY

Most states have recently experienced substantial welfare caseload declines just before, and especially after, passage of the 1996 TANF legislation. The implications of these declines depend to a large degree on the ability of families who have left welfare to remain independent and move to self-sustaining employment. The Wisconsin study, while limited by the administrative data used, provides an initial indication of

the economic well-being of individuals who left AFDC during the time of early work-based reforms.¹⁹ It also provides information about the extent of employment and level of earnings, and how this evolves over the first 15 months after leaving assistance.

Compared with those who stayed on AFDC (some of whom also left the rolls in subsequent quarters), the leavers (especially the continuous leavers) were better educated, had fewer children, and were more likely to have had earnings during the two years before they left AFDC.²⁰ For some low-income single parents, work appears to have been fairly constant, even if not always full-time, and their earnings rose or fell in ways that made them sometimes eligible and sometimes ineligible for AFDC.²¹ While employment rates remained stable among all leavers, the proportion of continuous leavers who had any earnings grew substantially over the quarters. Moreover, for all leavers, median earnings (calculated over those who worked in a given quarter) grew at a rate of about 2.5 percent per quarter.

A key question concerns the economic well-being of those who left the AFDC rolls, but as with the NLSY results reported above, there is no unambiguous answer to this question. While some of the ambiguity derives from data limitations, the picture is complex even for those success indicators (earnings and public assistance) that we measure with accuracy. A large majority of women who left AFDC worked in the first year after exit; the median annual earnings for workers were about \$7,800. Those who did not return to AFDC for a 15-month period (or more) had median earnings of \$9,100.

These figures conceal, however, a great deal of variation among groups of recipients. For example, women who lived in counties with an above-average rate of unemployment, who had limited education, who had been sanctioned, or who were on SSI tended to work and/or earn less than other groups of leavers. Indeed, fewer than half of the leavers achieved incomes greater than their income in the last AFDC quarter. And only about 37 percent of those with one child and who remained off the AFDC rolls—and only 17 percent of those with three children—generated incomes that exceeded the poverty line in the first year after they left welfare.

The NLSY and Wisconsin results complement each other in demonstrating the importance of women's own earnings in providing for their postwelfare well-being. In the earlier NLSY data, the average

leaver with any earnings earned about \$6,000–\$7,000 during the first year after exit. There are reasons to anticipate that current leavers will not fare as well; in particular, current reforms may force women with fewer employment prospects to leave welfare. On the other hand, current leavers may do better, given the robust economy, pressures for job search, and the changed “welfare culture.” The Wisconsin leavers had somewhat higher earnings (median about \$7,800 in the first year) after leaving than did the NLSY leavers. It appears that, to a greater extent than in earlier years, most women are working and earning a nontrivial income after leaving welfare. The reasons for this increase in the level of working and earnings after leaving welfare are difficult to discern; it may be that welfare policy changes and a favorable labor market have more than offset any decline in the labor market skills of leavers as more women have been moved off assistance. Another possibility is that because grant amounts are higher in Wisconsin than in much of the rest of the country, it takes a higher level of earnings to exit.

The analyses of NLSY and administrative data suggest that earnings play an important role in post-exit income. The potential role of macroeconomic conditions in accounting for the relative success of recent leavers is important. Erosion of employment opportunities could result in a substantially reduced level of earnings and income from that reported here. Families may be particularly vulnerable to fluctuations in earnings given the more limited access of families to cash assistance.

STUDIES OF THE POSTWELFARE EXPERIENCE IN OTHER STATES

The number of AFDC/TANF cases has declined sharply across the nation, from nearly 5.1 million cases in January 1994 to just over 3 million in June 1998. With this steep decline, many states in addition to Wisconsin have sought information on the condition (and sometimes the motivation) of those who have left their AFDC and TANF rolls. Cancian et al. (1998a) discussed recent studies of leavers in nine states: Iowa, Kentucky, Maryland, Michigan, New Mexico, South Carolina, Tennessee, Texas, and Washington. We summarize that discussion here.

These studies share common features but also differ on several dimensions. Most of the studies were performed either by university research centers within the respective state or by the state administrative agency responsible for public assistance; the exceptions were Texas (by the Texas Legislative Council) and Iowa (by Mathematica Policy Research). Most are based primarily on surveys (mail, telephone, in-home, or some combination), but the study in Maryland, like the Wisconsin study, relied on administrative data. In most of the studies, leavers include both families headed by a lone parent and two-parent families. Only the study of leavers in Washington, which focused on single-parent households, and the Wisconsin study, which considered just families headed by single adult women, were more restrictive. Moreover, in most of the states, the samples studied included leavers who exited for any reason.

The length of time off AFDC or TANF to reach “leaver” status differed among the studies. In most studies, nonreceipt of benefits for one month sufficed to create leaver status, although two consecutive months off AFDC was used in one study and six consecutive months in another. Some of the survey-based studies had fairly low response rates, by our calculations:²² response rates ranged from a low of 12 percent (for a mail survey in New Mexico) to a high of 85 percent in the Iowa study. For the projects relying on administrative data in Maryland and Wisconsin, response rates were not, of course, an issue. The following paragraphs briefly describe key findings of the state studies of leavers.

Use of Means-Tested Programs

Only the studies in Maryland and Wisconsin considered the rate of return of leavers to AFDC or TANF, and those rates in the two states were quite close: about 20 percent returned in the first few months and much smaller percentages returned in subsequent months.

In all states which reported on use of food stamps and Medicaid, more leavers appeared to participate in Medicaid than in food stamps.²³ With the exceptions of Kentucky and Washington, at least two-thirds of leavers in each state reported participation in Medicaid, at least for the children in the case. With the exception of Washington, about one-half of leavers received food stamps.

Hours of Work, Wages, and Earnings following Exit

Percentage of Leavers Reported Working at Least Part-Time

In the three states that sampled only leavers whose cases had been closed for noncompliance, the percentage of leavers who were working at least part-time ranged from 42 percent to 53 percent. In states that surveyed all leavers, the percentage working at the time of the survey was generally higher, ranging from 49 percent to 70 percent. The two states that used unemployment insurance records to determine whether someone was working showed quite different findings: 55 percent had earnings in Maryland, compared with 72–75 percent in Wisconsin.

Hours of Work among Leavers Who Reported Working

The studies in Maryland and Wisconsin, which relied on administrative data from state unemployment insurance programs, could report only quarterly earnings, not the number of hours worked. The other states reported hours of work in different ways, which make comparisons among the states difficult. Overall, though, it appears that well over half the respondents who were working were doing so approximately full-time.

Reported Earnings and Wage Rates among Leavers Who Reported Working

States reported earnings in different formats, again making comparisons difficult. Among states reporting earnings, Iowa reported mean weekly earnings of \$170, which would total \$2,210 in quarterly earnings, about 7.5 percent less than the mean quarterly earnings reported in Maryland and some 15 percent less than the quarterly earnings reported in Wisconsin. The lower reported earnings for Iowa may not be surprising, since the sample in Iowa was of cases sanctioned for noncompliance, whereas Maryland and Wisconsin included voluntary leavers, some of whom probably left because they had found a job. The Iowa results are consistent with the Wisconsin results for sanctioned leavers, whose earnings were about 23 percent below the average of all leavers. Three of the states reporting hourly wages based on surveys seemed to cluster around \$6.40 to \$6.60 in mean hourly wages. The study in Washington showed significantly higher mean hourly wages among leavers, at \$8.42.

Type of Employment among Leavers Who Reported Working

Most of the studies made an effort to assess the kinds of jobs leavers found. In classifying jobs, the investigators appeared generally to start with Standard Industrial Classification (SIC) codes, but the tendency of leavers to cluster in certain industries led all the investigators to use more detailed codes for some industries than others, and to do so in ways that probably made sense for that state but do not promote comparisons with other states.

Not surprisingly, most of the state studies reported heavy concentrations of leavers in food service and retail trade. The Washington study, which reported the highest mean wages, showed somewhat higher percentages of leavers who had found clerical/office and general labor/construction jobs (although, again, the different ways states combined SIC codes makes even this comparison conjectural).

CONCLUSION

We have presented a summary of what is known regarding the economic circumstances, employment, and patterns of benefit use among welfare recipients who have left the rolls in recent years. This analysis has drawn upon studies that used a wide variety of techniques for assessing these postwelfare economic circumstances: national longitudinal survey data, state administrative records, and state-based sample surveys. All of these efforts have limitations, and we have attempted to identify these. The various approaches chosen to assess the potential consequences of the 1996 welfare reform legislation are of necessity ad hoc, given the absence of a reliable national research effort for evaluating this policy change.

The primary dimensions on which these research approaches differ include 1) limitations in the variables measured, 2) limited response rates (and hence, potential selection biases), 3) attrition problems (and again, potential selection biases), 4) problems of limited sample sizes, and 5) the unreliability of some of the data collected. While national longitudinal survey data have extensive data on each family, there are difficulties in identifying "leavers," the responses regarding the receipt and value of benefits is often questionable, and the sample sizes are

often quite small. Administrative data from states have the most reliable information on benefits received, working, and earnings in reported jobs; however, they lack information on family structure, mobility, hours worked, and income sources apart from the earnings and benefits of the leavers themselves. The administrative data are accurate and available on a very timely basis, however. The state-level sample surveys often have low response rates, and in some cases, the samples selected are not representative of the general population of those who have exited welfare.

In spite of the differences in approach and reliability, it is possible to roughly summarize the findings regarding several important post-welfare economic effects across these studies.

To what extent do leavers continue to use means-tested benefits?

- About two-thirds of the leavers receive some type of welfare benefit (e.g., food stamps, Medicaid) after exiting AFDC in the first year after leaving. Medicaid is the most common type of noncash benefit received, but food stamp receipt is also common. Food stamp and Medicaid use decline as the time since exiting increases.

What proportion of the leavers work after exiting AFDC?

- About two-thirds of the women work after exiting AFDC, but most of them do not work full-time, full-year. In most of the studies, less than one-half of the leavers are full-time workers, although some of the state studies based on survey data suggest higher percentages of full-time workers. The “intensity” of work (hours worked per year) increases over time, as the share working full-time, full-year increases at the expense of part-time or part-year work.

How much do the leavers earn?

- Although the wage rates of leavers differ across states, they generally lie in the range of \$6.50 to \$7.50 per hour. The average wage rates increase with time, although not at rates substantially higher than the rates of increase for women’s wage rates gener-

ally. Given these wage rates, the majority of leavers do not earn enough to support their families above the poverty line. Annual earnings average about \$8,000 to \$9,500, depending on the study; because of the growth in wage rates and especially in the intensity of work, the rate of growth of earnings is 6–10 percent per year.

How much family income do leavers have; are they able to escape poverty?

- Poverty rates were more than 50 percent for the leavers. However, because earnings rise over time and the number of leavers with partners increases over time, the poverty rate also falls over time. A few years after exiting, about 40 percent of the leavers remain poor. If one counts only the income (sum of earnings, cash benefits, and food stamps) of the leavers themselves, the poverty rate would be about 75 percent.

The research we have summarized gives a number of clues, but no definitive answers, about the effect of macroeconomic conditions on post-exit well-being. While higher unemployment is associated with less work and earnings, the coefficients are not always statistically significant and they are often small in magnitude. We speculate that these modest results are due to the inadequacy of county unemployment rates as a measure of the labor market conditions for women leaving welfare.

However, apart from the relationship between local unemployment rates and the economic performance of women who have exited welfare, the most important finding concerns the central role of own earnings in contributing to post-exit well-being. Because women's earnings are typically their most important post-exit income source, any downturn that limits earnings is likely to have a significant negative effect on their already-modest economic well-being.

Our findings underscore the challenges facing those who will leave cash assistance in the coming years. Many leavers remain poor, and many return to means-tested benefits after having attempted to leave. While average earnings grow over time, available evidence suggests this is largely due to increases in work hours rather than substantial

growth in wages. If families are to move from welfare to self-sufficiency, their own earnings are likely to be insufficient.

The research findings that we have reviewed suggests substantial diversity among families leaving welfare in terms of economic performance and well-being. This suggests that high priority be given to expanding both data collection and evaluation; only with reliable cross-state and cross-time information will we be able to ultimately judge the success of current reform efforts and make informed decisions about future policy. Our review suggests that administrative data supplemented by survey findings is the best option for reliable research on post-exit outcomes. Over the next few years, a successful strategy for assessing the well-being of those who leave state TANF programs could combine analyses of state administrative data with improved state survey efforts designed to provide information not available from administrative systems. Some states have undertaken substantive survey efforts designed to enable the assessment of post-exit well-being and have been successful in raising their survey response rates to acceptable levels, at least for interviews of 15–20 minutes.²⁴ If this strategy can be successfully implemented more generally, it should be possible to generate a set of standard questions that have been validated in prior surveys to encourage assessment that is uniform across the states. Such questions could supplement what is generally available in administrative data and be sufficiently parsimonious as to enable the inclusion of other questions of special interest in a 20-minute interview.

Notes

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1. For example, in the Wisconsin results reported below, information on own quarterly earnings, but not on hourly wages, is reported. There is no information on whether the individual is married, and thus measures of family income are quite limited. Further, state databases do not include information on those who move out of state.
2. In this study, we define “exit” from welfare as not receiving AFDC for three consecutive months after a month of receipt.

3. Our definition of “family income” includes the income attributable to a woman, her husband/partner, and related children. For the definition of poverty, we have selected the official poverty threshold, despite its limitations (Citro and Michael 1995), because it is widely used in other research and hence facilitates a comparison of our results to those of others.
4. Another way to measure welfare use is to examine the percentage of family income derived from means-tested benefits: in the first year after exit, 28 percent of women received at least half their family income from means-tested benefits; in the fifth year, the percentage was identical.
5. Mean wages are, as expected, higher than median wages: they grow from \$7.13 to \$7.80 over the five years. This growth in real wages, it should be noted, contrasts with the stagnant wages faced by most men with low levels of education and experience during this period (Acs and Danziger 1993).
6. The figure uses average wages, the average of all wages earned in the year, weighted by hours worked in each job. The pattern is quite similar if we use wages in the most common job (the job in which the woman worked the greatest number of hours in the year). If we use the highest wage, the level is higher but the trend is remarkably similar.
7. Again, median values are lower than mean values. Mean family income grows from about \$15,000 to \$21,000–\$22,000. We present a range of estimates because figures differ depending on the sample used. For example, median income among all those for whom we have income in the first year is \$12,045; among those for whom we have income in all five years post-exit, it is about \$11,742.
8. Recent studies of the impact of macroeconomic conditions on the probability of leaving welfare are reviewed in papers by Figlio and Ziliak and by Blank and Wallace in this volume.
9. In addition, the large sample can be used to analyze the impact of less common (but potentially important) types of recipients, such as women with children on SSI (Supplemental Security Income) and those with a foster child in the home.
10. Families who live in rural areas (66.8 percent) were the most likely to leave, while those in the largest urban area, Milwaukee, were least likely to leave AFDC (36.6 percent). Similarly, families that leave AFDC are likely to be those with the best work and marriage prospects. Throughout the state, women were more likely to leave AFDC if they 1) had higher levels of education; 2) were white, or to a lesser extent, Hispanic, and were U.S. citizens; 3) had fewer children, and there were other adults in the household; 4) did not receive SSI (neither the mother nor any child); and 5) had more work experience and higher total earnings in the two years (July 1993 to June 1995) prior to the July 1995 date when our sample was identified. Mothers who had been “sanctioned” for some failure to comply with the AFDC program were also more likely to leave, while those with a longer current spell of AFDC receipt were less likely to leave. (Sanction status is measured in July 1995 and refers to sanctions on the mother only.)
11. Seventy-three percent of our sample appeared in the data in each of the five quarters after they left AFDC, and about 8 percent never appeared in the database dur-

ing the entire 15 months after they left. These “disappearers” may have left Wisconsin. They also may still live in the state but may, for instance, have married and be relying on a husband’s earnings or support from family and friends, or be in noncovered employment and not using public assistance. Nineteen percent of the sample are “partial disappearers,” those who appear in the administrative data in some, but not all, of the quarters. The disappearers have been excluded from the findings we present here; the partial disappearers have been included only in the quarters for which we have data on them. Excluding cases that do not appear in any data set substantially increases the proportion employed (since disappearers, by definition, would otherwise enter as cases with no employment). Participation rates for AFDC, food stamps, and Medicare would also be higher were disappearers included. For a more detailed discussion of the sensitivity of results to these exclusions see Cancian et al. (1999).

12. “Work” is defined as having earnings that were reported to the Wisconsin Unemployment Insurance system.
13. Eighty-two percent of leavers who did not “disappear” worked in the first year post-exit.
14. Again, mean values are somewhat higher, in this case about \$8,500.
15. Note that these growth rates are not the same as an average of individual rates of earnings growth, since the composition of leavers may be different in each quarter after exit. For some groups, moreover, rates start from a very low base. For example, women on SSI have a very high average quarterly growth rate of 12.4 percent, but start at \$1,053, or about 44 percent of the median overall.
16. The categories are Nondurable Manufacturing; Wholesale Trade, Construction; Durable Manufacturing; Financial, Insurance, and Real Estate; Social Services, Public Administration, and Education; Health Services; Personal Services; Other Services; Agriculture, Forestry, and Mining, Retail Trade; Transportation, Communications, and Public Utilities; Restaurants; Hotels and Lodging; Business Services, and Temporary Agencies.
17. Note that this measure of income does not include income from spouses or cohabitants.
18. Family size matters considerably. Thirty-three percent of all leavers with one child (both those who returned to AFDC and those who did not) had cash incomes above the poverty level, compared with 15 percent of families with three children.
19. The period that we studied was one of substantial change in the Wisconsin AFDC program. From July 1995 to July 1996, single-parent AFDC caseloads in Wisconsin declined sharply, by 23 percent.
20. The best predictor of earnings after exit from AFDC was consistent employment in the two years before exit. Some groups of recipients—those on SSI, those sanctioned, and legal immigrants, for example—were less likely to work; however, the earnings of the immigrants who did work were significantly higher than those of native-born leavers. Those with more than three children were less likely to work than those with fewer children but, among those who worked, their earn-

- ings were no lower. Earnings were lowest for the youngest mothers (18–24), and, to a lesser extent, for the oldest (over 40).
21. Even the one-third of all leavers who returned to AFDC worked a substantial amount after their return.
 22. The response rates discussed here are based on our calculations from reports provided by the studies, and sometimes differ from response rates reported in the studies themselves. See Cancian et al. (1998a) for details.
 23. A possible reason for this is that administrative records record eligibility for, rather than use of, Medicaid.
 24. South Carolina, for example, achieved a 73 percent survey response rate for a sample that had been continuously off its TANF program for at least six months; regionally based employees of the state welfare department checked Medicaid and food stamp administrative records to obtain current phone numbers and addresses and went to the homes of sample members who had not responded after repeated telephone calls.

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