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**Life after Welfare:
The Economic Well-Being of Women and Children Following an Exit from AFDC**

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Abstract

Much previous research has focused on the length of welfare spells and returns to welfare following an exit. Few quantitative studies have looked at broader indicators of the economic well-being of those who have exited AFDC. In this paper we use data from the National Longitudinal Survey of Youth (NSLY) to trace welfare use, poverty status, and primary sources of income in the five years following an exit from welfare. We find that while there is a trend toward improved economic status over time, 40 percent of women remain poor five years after exit. Women with more advantaged family backgrounds, those with fewer children, or with more education at exit are more likely to consistently escape poverty. Median income increases over the first five years from about \$10,500 to about \$15,000 (1992 dollars). Own earnings are the most prevalent income source, followed by spouse's earnings, and mean-tested transfers.

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INTRODUCTION

The goal of many previous welfare reform proposals has been to move women and children off the welfare rolls. Current proposals go much further, compelling women to forgo welfare after they have received it for a limited time or replacing welfare altogether. Implicit in these proposals is an assumption that leaving welfare moves a family to a life of self-sufficiency. Yet recent research shows that many women who leave welfare return, some of them quite quickly, suggesting that life after welfare is a time of economic insecurity for many women and their children (Blank and Ruggles 1994; Harris 1996; Meyer 1993; Pavetti 1993).

Although women who have left AFDC in the past are likely to be systematically different from those who would be forced to leave under the new policy proposals, their experiences provide some of the best information currently available on the conditions of life after welfare. To date, there is a surprising lack of information on the post-welfare period and little analysis of the extent to which families are able, or not able, to move out of poverty and into a life of self-sufficiency. This paper begins to fill this gap. After reviewing related literature and discussing our data and approach, we provide descriptive information on the economic well-being of women who have left welfare.

I. PRIOR RESEARCH

Returns to Welfare

Several research articles looking at the length of welfare spells have been published since Bane and Ellwood's pathbreaking analysis, "The Dynamics of Dependence," in the early 1980s. However, until recently most of the research focused on entering and exiting the Aid to Families with Dependent

Children program (AFDC), rather than on returning to the program (for a review, see Moffitt 1992). Even less is known about post-exit indicators other than future AFDC use.

Table 1 summarizes return rate estimates from recent research. In an updated analysis, Bane and Ellwood (1994) found that 17 percent of those who leave welfare return after one year off, 23 percent have returned after two years off, and 35 percent within eight. In a similar analysis using a different data source and younger women, Pavetti (1993) finds somewhat higher rates of return, as noted in Table 1. But because these estimates use annual data, they may not accurately classify women who leave and return to AFDC within one year. The second panel of Table 1 shows results of research using monthly data. Pavetti (1993) also calculates the likelihood of returning to welfare after women have been off for one month only and found much higher rates of return than are shown in the annual data: 45 percent return within one year and 77 percent within seven (row 3). Other analyses have also used monthly data but have required more than one consecutive month off AFDC before considering a woman to have exited. Although the percentage who return differs across studies due to different procedures, different time periods, and different data sources, a general finding has been that a substantial proportion of those who exit welfare return. Estimates from various national survey data sets, presented in rows 4–7, show that between 14 percent and 23 percent of those who exit return within six months, about one-third within a year, and about 40 percent within two years. These estimates are much higher than those using annual data but lower than Pavetti's analysis, which included those off AFDC for only a month. Rows 8 and 9 show that estimates using administrative data rather than survey data also find high rates of return, perhaps because women tend not to report a short period off welfare as an exit.

A general finding from this research is that women are most at risk of returning to AFDC immediately after they exit; the likelihood of returning decreases for women who stay off for some time (Bane and Ellwood 1983, 1994; Blank and Ruggles 1994; Brandon 1995; Cao 1996; Gritz and

TABLE 1
Studies of the Prevalence of Returning to Welfare

Author	Data	Sample	Years Studied	<i>Percentage of AFDC Exiters Returning Within</i>			
				6 Months	12 Months	24 Months	Longer Periods
National Studies Using Annual Data							
1) Bane and Ellwood (1994) ^a	PSID	Female household heads with children who received AFDC and then did not receive for an entire calendar year (n = 1438 spells)	1968–1988		17%	23%	35% within 8 years
2) Pavetti (1993) ^b	NLSY	Young women with at least one child who received AFDC and then did not receive for an entire calendar year (n = 1027 spells)	1978–1988		24%	35%	
National Studies Using Monthly Data							
3) Pavetti (1993) ^c	NLSY	Young women with at least one child who received AFDC and then did not receive for one month (n = 1835 spells)	1978–1988		45%	58%	77% within 7 years
4) Blank and Ruggles (1994) ^d	SIPP	Single mothers heading households with children under age 19 who ever received AFDC and then did not receive (n = 473 spells)	1985–1989	23%	32%	37%	
5) Cao (1996) ^e	NLSY	Young women who first gave birth after January 1978 who received AFDC and then did not receive for two consecutive months (n = 820 women)	1978–1991	15%	33%	41%	64% within 10 years
6) Gritz and MaCurdy (1991) ^f	NLSY	Young women aged 13-15 in 1978 who received AFDC and then did not receive for a month, a quarter, or six months (n = 874–1196 spells)	1978–1987	14%–21%	25%–37%	37%–49%	53%–67% within 8 years
7) Harris (1996) ^g	PSID	Women who have ever received welfare as a single mother and then did not receive for two consecutive months (n = 591 women, 743 spells)	1983–1988	14%	27%	42%	52% within 4 years

(table continues)

TABLE 1, continued

Author	Data	Sample	Years Studied	<i>Percentage of AFDC Exiters Returning Within</i>			
				6 Months	12 Months	24 Months	Longer Periods
State Studies Using Monthly Administrative Data							
8) Friedlander and Burtless (1995) ^b	MDRC	Women (and a few men) in Arkansas, Virginia, Baltimore, and San Diego who received AFDC-R and then did not receive for one month. Information from two groups is included: those eligible for a welfare-to-work program and a group that was not (n approximately 6700)	1982–1989	21%–33%	28%–43%		
9) Cancian and Meyer (1995) ^f	WCRN	Women in Wisconsin who were AFDC-R recipients who did not receive benefits for two consecutive months (n = 1857)	1990–1993		40%	49%	
10) Meyer and Cancian (1996)	NLSY	Young women who received AFDC and then did not receive for three consecutive months and on whom five years of post-exit data exist (n = 878)	1978–1991	15%	37%	50%	70% within 10 years

Acronyms: MDRC = Manpower Demonstration and Research Corporation data; NLSY = National Longitudinal Survey of Youth; PSID = Panel Study of Income Dynamics; SIPP = Survey of Income and Program Participation; WCRN = Wisconsin Computerized Reporting Network.

NOTES:

^aBane and Ellwood ignore years in which the amount of AFDC reported is less than one full month's worth. Results are from Table 2.3.

^bTwelve month number from Chapter 2, Table 4; 24-month calculated by authors from recidivism rates.

^cFrom Chapter 2, Table 3.

^dBlank and Ruggles ignore spells off welfare of one or two months if there was no measured change in other income or family composition. If there was a change in income or family composition, they consider these as exits. Survival rates calculated by authors from recidivism and censoring rates given in Table 1.

^eFrom Table 5.

^fFrom Table 6.2.

^gFrom Table 2.

^hN estimated from numbers on pp. 51, 66, 171–72. Percentages returning within six months and one year calculated by authors based on Table 6.2.

ⁱFrom Appendix Table 1.

MaCurdy 1991; Harris 1996; Meyer 1993; Pavetti 1993). Findings on the types of women more likely to return are generally consistent with each other and with microeconomic theory; for example, Harris (1996) finds that those most likely to return are young women, those with more children, those with less than a college degree, and those living in urban areas.

Poverty and Income after Leaving Welfare

A few quantitative studies have looked at broader indicators of the economic well-being of those who have exited AFDC. Bane and Ellwood (1983) found that nearly 40 percent of those who exited were poor in the year after exiting and a similar number were poor in the following year. Harris (1996), who examined only those who leave welfare and stay off, found that the likelihood of being poor varies substantially by the type of exit. Of those who left through marriage or cohabitation, 28 percent were poor one year after exit, compared to 46 percent of those leaving through work and 75 percent of those leaving for some other reason. Some research suggests that economic status improves over time; for example, Harris (1996) found poverty rates three years after exit among those who have stayed off being 23 percent, 34 percent, and 62 percent for the three exit types, compared to 28 percent, 46 percent, and 75 percent one year after exit. Similarly, Cheng (1995) found that average family earnings grow over time, although even up to two years after exit average earnings were only 79 percent of poverty.

Some prior research has examined income sources for women who leave AFDC. Most of this work has focused on a woman's own earnings. There is substantial diversity in own earnings after exiting. For example, Bane and Ellwood (1994) reported that 33 percent earn nothing in the year following exit while 14 percent earn over \$15,000 (1992 dollars). Two studies that examine wage growth over time for AFDC recipients (Burtless 1995; Harris 1996) found that hourly earnings do not increase much in real terms over time, but remain at about \$6–\$8/hour (1993 dollars). On the other hand, Gritz and MaCurdy (1991) found that while earnings in the quarter following exit are low, they

increase over the next year. A second potentially important income source is a spouse's or partner's earnings. Although a substantial proportion of exits are associated with a marriage, little empirical attention has been paid to the *level* of a new spouse's income. A third income source that may be important to women who leave AFDC is child support. Meyer (1993) found that the likelihood of returning to welfare in Wisconsin was lower for women who received any amount of child support. Similarly, Brandon (1995) found that irregular child support payments increase the likelihood of returning.

II. DATA AND ANALYSIS STRATEGY

In this paper we use data from the National Longitudinal Survey of Youth (NLSY), a nationally representative survey that includes over five thousand civilian women who were ages 14 to 21 in 1979 and for whom annual data are available through 1992.¹ The NLSY is particularly useful because it includes monthly data on AFDC receipt, making it possible to more accurately track welfare use. In addition, because it oversamples the economically disadvantaged, and because fourteen years of data are available, there is a sufficiently large sample for whom we are able to consider long-term economic well-being following an exit from AFDC.

Our first analysis is based on a sample of 878 women for whom we have at least five years of post-exit data, including consistent data on AFDC receipt. We define a woman as having exited from AFDC if she receives no AFDC for at least three consecutive months following a month in which she received AFDC. We are interested in the economic well-being of women after an exit from AFDC. In particular, we consider subsequent welfare use, poverty status, and primary sources of income in the five years following exit. In analyzing income sources, we restrict our analysis to a subsample of 637

¹Data for 1993 were recently made available and will be used in future work.

women for whom we have sufficiently detailed information on non-AFDC income sources. (See Appendix 1 for details on the sample definitions.)

The NLSY includes women who were 14 to 21 in 1979; in 1992, the final year of data used here, these women were 28 to 35. Two limitations related to the age of the women need to be considered. First, we can observe only five years of post-exit economic status for women who exit by 1987, when these respondents were 24 to 31 years old. Thus, as discussed in the appendix, our sample overrepresents women who enter and exit welfare at an early age (and thus women with relatively young children). Second, we consider the first observed exit from AFDC. This may not be the first exit for some women who began receiving AFDC at very early ages, particularly if they were among the older respondents to the initial survey. Consider, for example, a respondent who first received AFDC from when she was 16 to 18, and then returned for a second spell from 20 to 22. If she were younger than 18 in the first year of the survey, we will observe her first exit and our analysis will be based on the five years following this exit. If, however, she was 19 or older in 1979, the first year of the survey, we will not observe her first exit, and our analysis will include the five-year period following her second exit at age 22.

The first column of Table 2 shows information on our main sample, the 637 women who exited from AFDC for whom we have five years of post-exit income data. About three-fifths of these women are white, about two-fifths black. Many of these women come from disadvantaged backgrounds, with only about half living with both parents at age 14, and more than half having a mother who did not graduate from high school. At the time these women exited from AFDC, they were quite young; about half had one child only; and most had very young children. About two-fifths had not graduated from high school. At exit, about two-fifths were married and two-fifths had never been married.

TABLE 2
Characteristics of Those Exiting AFDC

	<i>All Exitters</i>	<i>Always Poor</i>	<i>Never Poor</i>
<i>Background Characteristics</i>			
Race			
Black	38.0	63.4	26.9
White	57.8	31.2	67.2
Other	4.2	5.4	5.8
Missing	0.7	0.0	3.2
Family Structure at Age 14			
Two-parent	54.3	47.3	59.4
Parent & stepparent	13.2	9.9	13.5
Mother only	23.3	26.7	19.6
Other	9.2	16.1	7.5
Missing	0.1	0.0	0.0
Respondent's Mother's Education			
Less than high school	57.0	70.2	49.4
High school	34.4	29.8	36.9
Greater than high school	8.6	0.0	13.7
Missing	6.8	17.0	3.0
<i>Characteristics at Exit</i>			
Age at Exit			
16–21	28.3	28.4	23.3
22–31	71.7	71.6	76.7
32 or older	0.0	0.0	0.0
Number of Children at Exit			
None	3.8	4.2	0.8
One	52.0	41.8	44.3
Two	31.9	33.7	42.5
More than two	12.3	20.3	12.4
Age of Youngest Child at Exit			
0–1	37.0	40.9	32.8
2–3	41.0	34.8	44.4
4 or older	22.0	24.3	22.8
Missing	3.8	4.2	0.8
Education at Exit			
Less than high school	43.0	59.5	30.6
High school	43.4	36.3	50.5
Greater than high school	13.6	4.2	18.9
Missing	1.6	1.6	1.7
Marital Status at Exit			
Married	37.0	12.3	58.9
Separated, divorced, widowed	24.4	27.9	18.2
Never married	38.6	59.8	22.9
Rural vs. Urban Location at Exit			
Rural	24.4	25.0	25.3
Urban	75.6	75.0	74.7
Missing	4.6	4.4	4.7

Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n= 637, 144 women who were always poor and 126 women who were never poor.)

In Section III we provide descriptive information on the lives of these women after they have left welfare. We provide information on the patterns of use of AFDC and other means-tested transfers following an exit. Our focus, however, is the extent to which women and their children achieve a moderate level of economic well-being after leaving welfare. In particular, we consider patterns of poverty and near-poverty following an exit. Finally, we use the detailed income data available for most of our sample to explore the contribution of own earnings, spouses' and partners' earnings, child support, transfers, and other sources of income after an AFDC exit.

III. RESULTS

Returns to Welfare

One straightforward approach to examining returns to welfare is to calculate the percentage who return within a given interval.² We have added our results as the bottom row on Table 1. We find that 15 percent of women who exit return within six months, 37 percent within a year, and 50 percent within two years. If we look over a longer term, 70 percent return within ten years, results that are generally consistent with other research.

But this type of analysis ignores the fact that some who return exit again and may return again.

A second way to look at later use of AFDC is to count the number of months of receipt out of the first

²The results in this paragraph are from a life-table analysis which corrects for right-censoring. Note that in a life-table analysis one could use a larger sample than in the rest of the analyses reported here because the sample would not have to be limited to women with five years of post-exit history. For simplicity, we present in the table and text only the results from our sample of 878 women with five years of post-exit AFDC information. An analysis using all 1260 women who exit from welfare provides very similar results: 14 percent return within six months, 34 percent within twelve months, 47 percent within twenty-four months, and 67 percent within ten years.

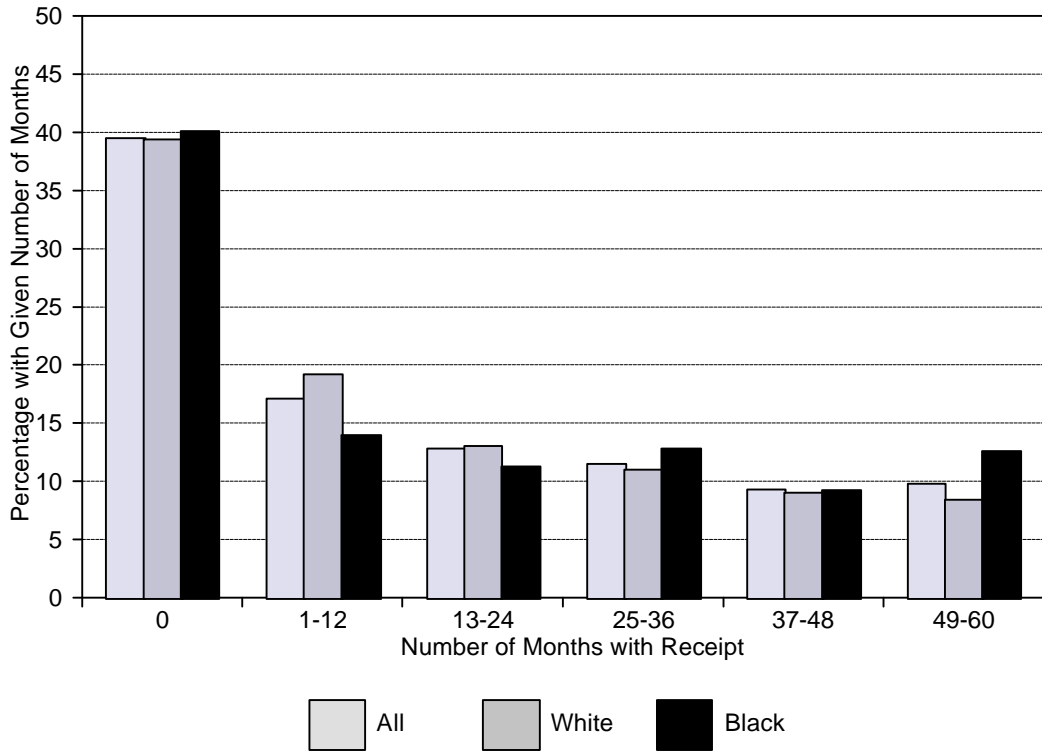
Note also that not all women who leave AFDC are demographically eligible to continue to receive AFDC in each month. Factors that may make a woman ineligible include all children moving away, all children becoming too old, or marrying the father of the children if the primary wage earner is not unemployed. But a woman *is* still demographically eligible if she marries someone other than the father of the children.

five years (Gottschalk and Moffitt 1994). Figure 1 shows the number of months of AFDC receipt over the first five years post-exit. It shows that about 40 percent of all those who exit never receive AFDC again within the next five years. Sixty percent do return, with 17 percent returning for less than one year and 10 percent for more than four of the next five. Figure 1 also shows AFDC information separately for white and black women. Patterns of use are quite similar, with 39 percent of white women and 40 percent of black women never receiving again. White women are somewhat more likely to have less than twelve months and somewhat less likely to have more than four years of receipt.

The extent to which women are able to stay off AFDC is an important—but quite limited—measure of economic well-being. One limitation is that some women who stop using AFDC may continue to receive benefits from other programs for the poor. We examine the number of months in which a woman received any means-tested transfer, including AFDC, food stamps, public assistance, and Supplemental Security Income (SSI), all programs limited to the poor.³ Figure 2 is comparable to Figure 1 but shows the number of months receiving *any* means-tested transfer. Many women who leave AFDC continue to receive other welfare benefits, primarily food stamps. Although 40 percent of the AFDC exiters do not receive AFDC benefits within the first five years (see Figure 1), only 20 percent go the entire five years without using *any* means-tested transfer. More than 20 percent of the women who exited AFDC continued to use means-tested transfers in more than forty-eight of the next sixty months. While there were generally only small differences between white and black women in later AFDC use (see Figure 1), there are substantially larger differences in the use of any means-tested transfers. Black women are much more likely to continue to use means-tested transfers after they leave AFDC, with about 30 percent using means-tested transfers in at least forty-

³Our measure of means-tested transfers does not include housing assistance, Medicaid, free or reduced-price school lunches, or low-income energy assistance.

FIGURE 1
AFDC Use within Five Years Following Exit

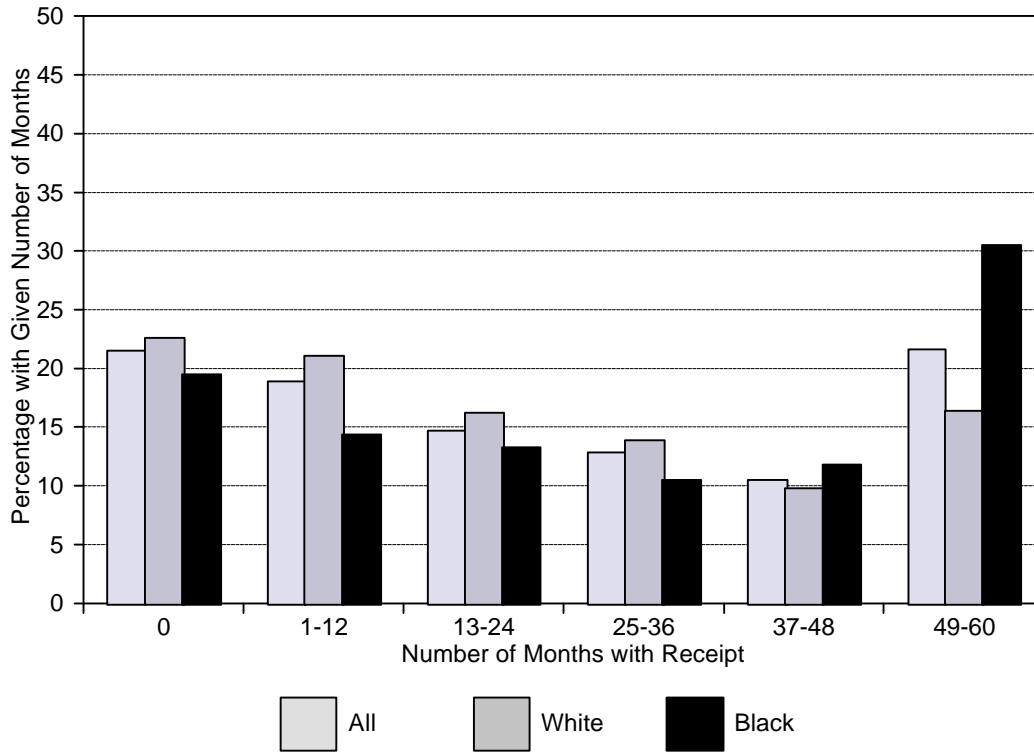


Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit AFDC data are available. (Unweighted n = 878.)

FIGURE 2

Means-Tested Transfer Use within Five Years Following Exit



Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit means-tested transfer data (includes AFDC, food stamps, SSI, and public assistance) are available. (Unweighted n = 876.)

nine months out of the next five years. This is largely a result of the lower incomes of black women: as we document in the next section, even when black women leave AFDC, they are less likely to have incomes high enough to leave the Food Stamp program.

Poverty

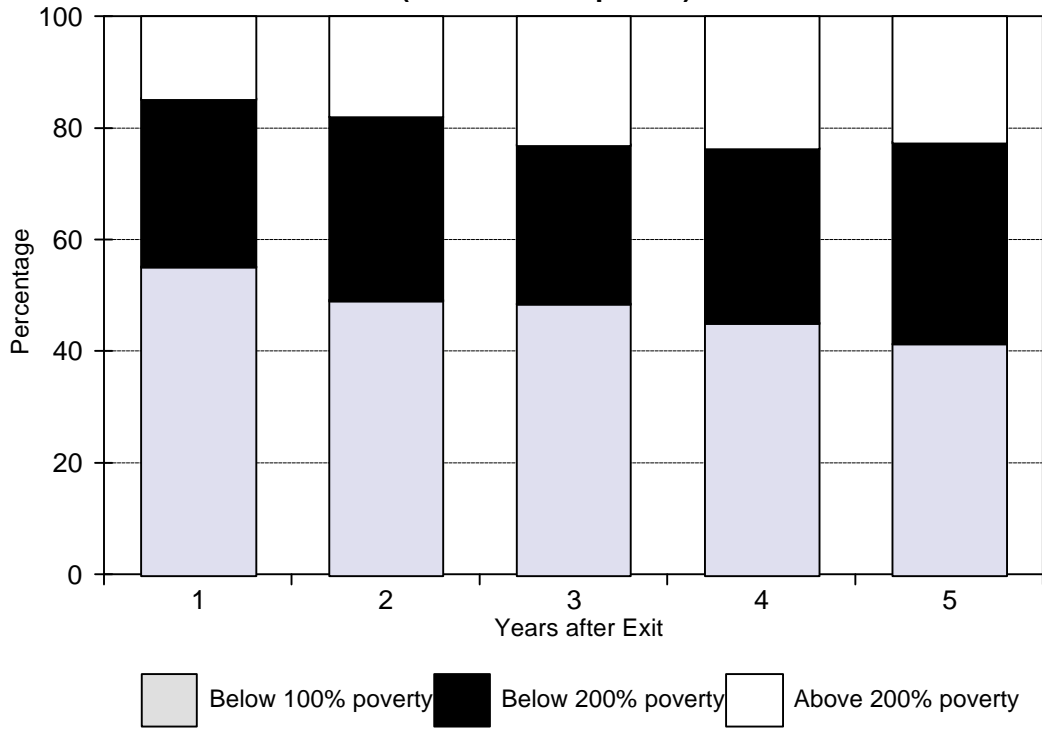
We now turn to an assessment of the poverty status of women who have left welfare. Figure 3 shows that a substantial proportion of women are poor during each year, and a large proportion of the remainder are near-poor (that is, having income between the poverty line and twice the poverty line). There is a trend toward improved economic status over time, with the percentage poor dropping from 55 percent in the first year to about 40 percent in the fifth year, and the proportion who have incomes over two times the poverty line increasing from 15 percent to 22 percent.⁴ Figure 4 compares income-to-poverty ratios for white and black women. The trends are similar but the levels are different: white women are substantially less likely to be poor and more likely than black women to have incomes between one and two times the poverty line or above two times the poverty line. Taken together, these figures suggest that women's economic prospects may improve in the years following an exit. Nonetheless, a substantial portion, particularly of black women, remain poor or near-poor five years after an exit.

Figures 3 and 4 were based on cross-sectional snapshots; Figure 5 explores poverty status from a longitudinal perspective. About one-fifth (22 percent) of all women are never poor in the first five years, and about one-fifth (18 percent) are poor all five of the first five years. The remaining 60 percent are almost evenly distributed, with close to 15 percent living in poverty in one, two, three, or four of the five years following an exit. The second and third bars in Figure 5 show that white

⁴The trend toward improved economic status over time is also apparent if we consider the proportion with income above 50 percent, 75 percent, 125 percent, or 150 percent of the poverty line.

FIGURE 3

Income-to-Poverty Ratios for First Five Years after AFDC Exit
(all AFDC recipients)

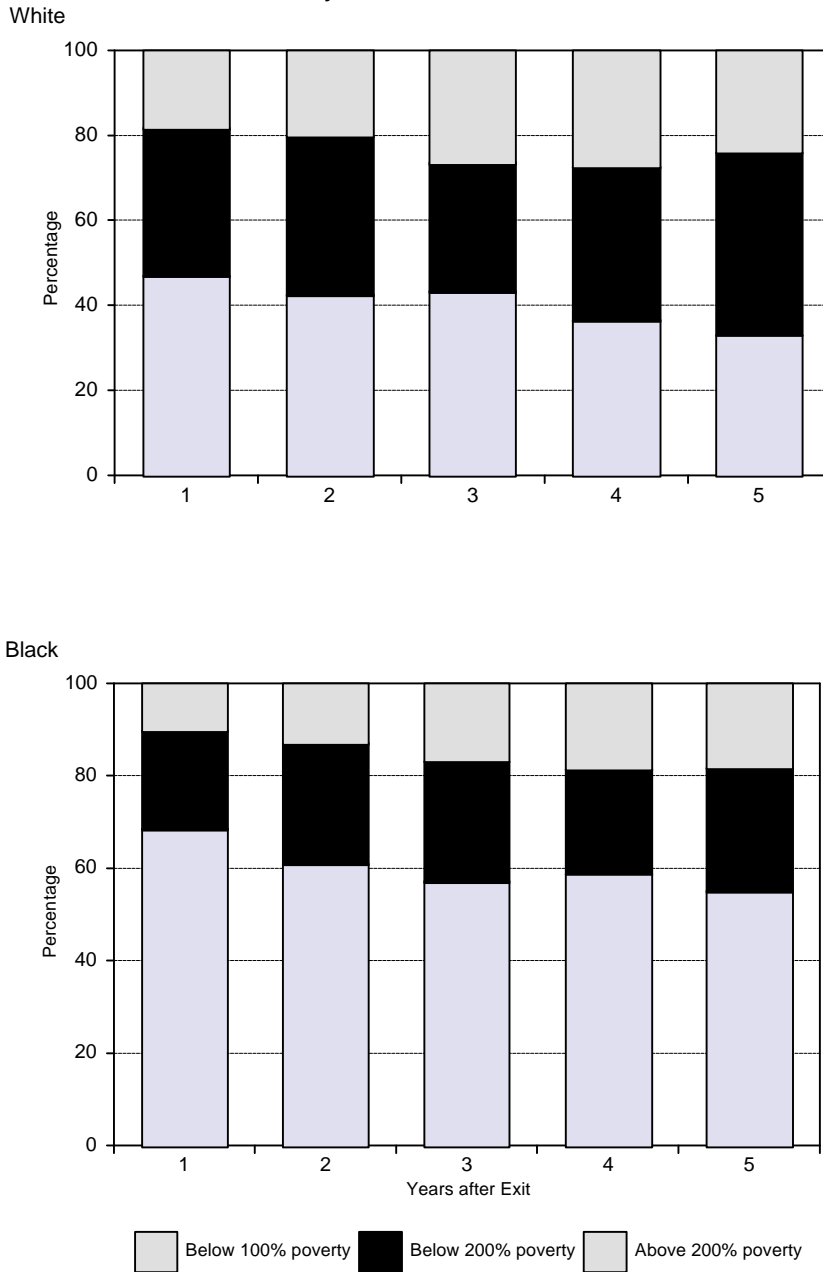


Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n = 637.)

FIGURE 4

Income-to Poverty Ratios for First Five Years after AFDC Exit

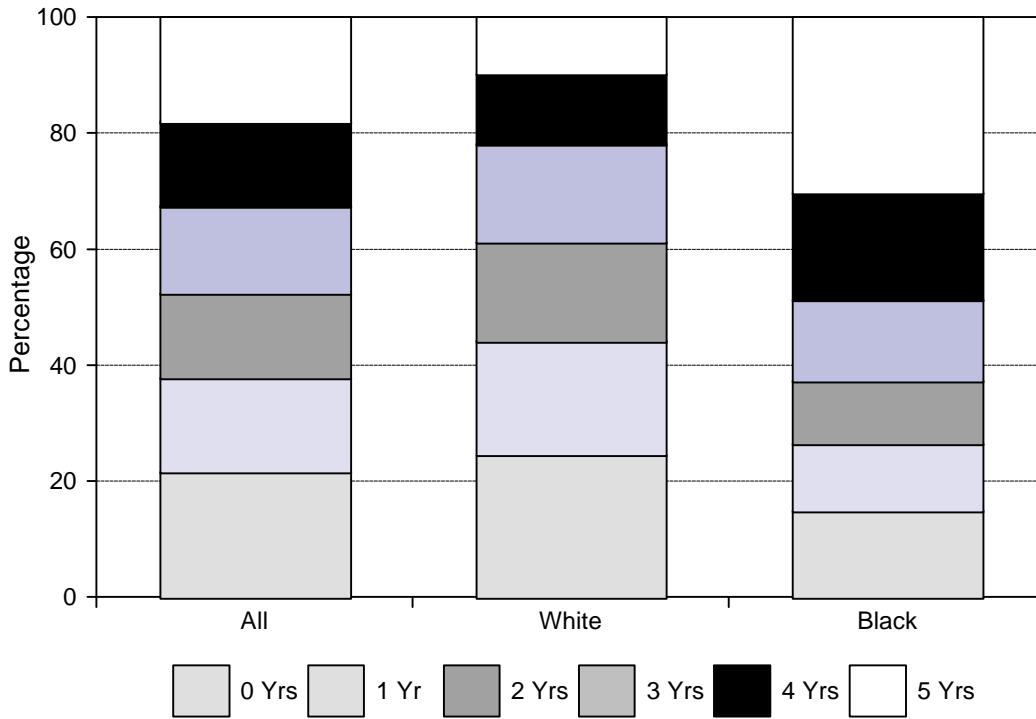


Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n = 296 white women and 299 black women.)

FIGURE 5

Years in Poverty by Race (First Five Years after AFDC Exit)



Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n = 637 women, 296 white women, and 299 black women.)

women are substantially more likely than black women to be poor in three or fewer years out of five, about 80 percent to 50 percent.

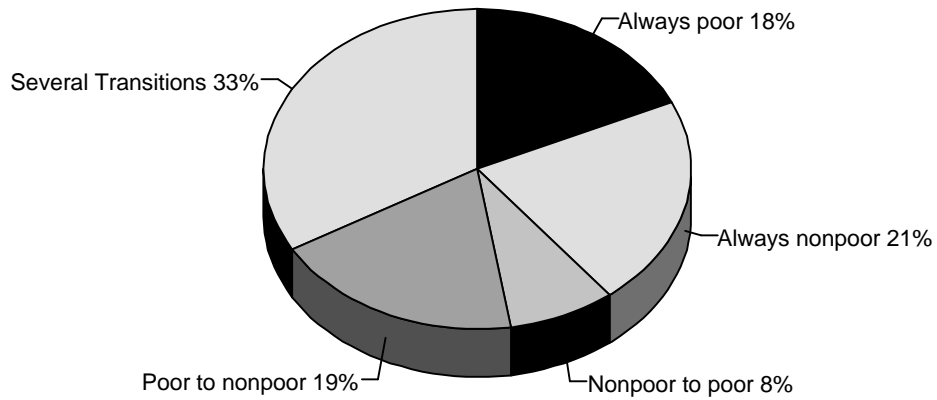
We also examined the extent to which women have incomes above two times the poverty line. We found that fewer than 5 percent of the sample have incomes above two times the poverty line in all five of the five years following an exit, with very little difference between white and black women. More than half (55 percent) of all women never reach that income level in the first five years. Black women are particularly unlikely to have incomes above twice the poverty line: 67 percent never reach this level in any of the first five years following an exit, compared to 48 percent of white women.

Figure 5 showed that about one-fifth of women were always poor and about one-fifth never poor following exit. Descriptive information on these two groups is provided in the last two columns of Table 2. Women who are never poor are more likely to be white, to have lived with both parents at age 14, and to have a mother with higher education. Those who are always poor are more likely to have had more than two children when they exited. Women who are never poor are much more likely to have graduated from high school or to have some college and are much more likely to have been married at exit.⁵

Figure 5 indicated that 18 percent of women leaving welfare are always poor over the next five years and 22 percent are never poor. In Figure 6 we further explore post-exit patterns of poverty. Eight percent began out of poverty but fell into poverty and stayed poor for the rest of the five-year period. Nineteen percent were poor at exit but moved out of poverty and remained nonpoor for the rest of the five-year period. The remaining one-third experienced multiple transitions. For most of

⁵The patterns are qualitatively similar when we compare those women who consistently had incomes below 75 percent of the poverty line with those who consistently had incomes above 75 percent of the poverty line and when we compare those who consistently had incomes below and above 125 percent of the poverty line.

FIGURE 6
Patterns of Poverty
(First Five Years after AFDC Exit)



Source: Authors' calculations using NLSY data.

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n = 637.)

these cases we observe two transitions—either from poverty to nonpoverty and back to poverty (12 percent) or from nonpoverty to poverty and back to nonpoverty (13 percent). Eight percent of cases have three or four transitions in the first five years.

Income Sources

In this section we consider the income sources of the 637 women in our sample for whom we have income data. First we review the level and distribution of alternative sources in the sample as a whole. Then we consider income sources for women who were always poor and those who were never poor in the first five years following an exit.

Table 3 examines all who exit and shows that median incomes increase over the first five years following an exit, from about \$10,500 in the first year to about \$15,000 in year five (1992 constant dollars). In each year, about three-fifths of these women have positive earnings, making own earnings the most prevalent income source. In each year, about 40 percent of the women have income from a spouse or partner; when this source is present, the income is substantial. The only other sources received by more than 20 percent of the women were AFDC, received by 30–40 percent of women with the median amount ranging from \$2000 to \$4000, and food stamps, received by 40–50 percent of women with the median amount ranging from \$1500 to \$2200. Relatively few women (17–19 percent) received child support or alimony; among those who did, median amounts were under \$1500, less than the median AFDC amounts.

Three income sources increase by over \$1000 over the five-year period. Median own earnings among those who had earnings increased dramatically over the period, from \$5500 in year one to \$9000 in year five. Similarly, income from a spouse or partner increased from \$14,100 in year one to \$19,000 in year five. AFDC income also increased, from \$2200 in year one to \$4000 in year five.

Table 4 shows income sources for women who were always poor (18 percent of the women exiting), and Table 5 shows comparable information for women who were never poor (22 percent of

TABLE 3
Income Sources for Women Exiting AFDC

Median Family Income	Period 1		Period 2		Period 3		Period 4		Period 5	
	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0
		\$10,533		\$12,096		\$12,789		\$13,751		\$14,908
Respondent's Earnings	59.7	5,509	64.3	5,558	59.3	7,292	60.1	7,925	63.9	8,961
Respondent's Unemployment	6.7	768	6.4	930	6.2	1,828	5.2	1,252	5.7	984
Partner/Spouse's Income	42.3	14,086	43.3	14,929	42.1	17,290	43.6	18,905	40.2	18,975
VA/Workers' Comp/Disability	3.8	1,087	2.5	409	4.3	1,163	5.0	2,135	6.2	2,399
Child Support/Alimony	17.7	1,454	17.0	1,163	18.0	1,350	16.6	1,131	18.9	1,482
AFDC	28.7	2,186	38.0	3,614	35.9	3,843	34.1	3,864	33.2	4,030
Food Stamps	49.3	1,519	48.6	1,630	43.9	2,000	40.4	1,859	40.2	2,161
SSI/Public Assistance	16.9	3,367	8.8	4,298	8.8	3,970	6.5	1,944	5.1	3,736
Other Sources	10.0	77	11.8	128	11.7	130	12.1	160	12.1	203
Percentage with Partner or Spouse	45.3		47.7		46.1		46.8		47.8	
Percentage with Total Income > 0	97.4		99.2		98.9		99.2		98.6	

Source: Authors' calculations using NLSY data

Sample: Women who exited AFDC for whom five years of post-exit family income data are available. (Unweighted n = 637.)

Note: All dollar amounts are in 1992 constant dollars.

TABLE 4
Income Sources for Women Exiting AFDC Who Were Poor in All Five Years

Median Family Income	Period 1 \$5,993		Period 2 \$6,457		Period 3 \$6,589		Period 4 \$6,400		Period 5 \$7,686	
	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0
Respondent's Earnings	37.6	3,076	32.8	2,690	32.1	2,372	33.3	1,620	27.4	3,954
Respondent's Unemployment	1.0	1,536	4.1	417	2.0	2,089	0.0	0	2.6	729
Partner/Spouse's Income	11.0	5,779	11.2	4,226	13.4	5,930	7.8	5,998	4.9	11,735
VA/Workers' Comp/Disability	1.3	2,816	0.2	872	1.6	2,826	0.6	1,215	0.6	106
Child Support/Alimony	19.5	1,485	15.5	741	11.0	810	13.7	889	16.0	675
AFDC	31.8	1,978	56.4	3,379	63.9	3,768	67.4	3,651	73.2	3,724
Food Stamps	61.9	2,111	74.4	2,236	74.0	2,471	76.7	2,486	79.8	2,633
SSI/Public Assistance	36.3	3,402	17.7	4,630	15.0	2,931	13.2	3,338	11.5	1,996
Other Sources	4.0	1,389	2.6	93	3.0	141	1.6	237	1.2	1,024
Percentage with Partner or Spouse	16.3		17.0		17.6		13.5		11.6	
Percentage with Total Income > 0	94.4		96.2		98.8		98.1		98.2	

Source: Authors' calculations using NLSY data

Sample: Women who exited AFDC for whom five years of post-exit family income data are available and who were poor in each year. (Unweighted n = 144.)

Note: All dollar amounts are in 1992 constant dollars.

TABLE 5
Income Sources for Women Exiting AFDC Who Were Never Poor

Median Family Income	Period 1		Period 2		Period 3		Period 4		Period 5	
	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0	% > 0	Med. \$ > 0
		\$22,538		\$26,888		\$30,422		\$30,422		\$30,997
Respondent's Earnings	76.8	8,645	85.7	10,431	80.8	12,446	79.4	11,860	84.4	12,361
Respondent's Unemployment	15.0	1,106	12.5	854	9.9	1,828	8.0	1,494	11.6	1,005
Partner/Spouse's Income	76.8	18,255	78.2	20,366	77.6	24,306	78.8	23,719	72.8	22,231
VA/Workers' Comp/Disability	8.0	1,532	4.5	93	8.1	1,043	11.1	1,833	15.3	1,690
Child Support/Alimony	18.8	2,126	19.3	1,850	15.0	2,037	14.2	1,482	15.8	1,545
AFDC	17.6	1,521	11.8	2,204	6.0	5,633	3.5	4,327	5.7	6,612
Food Stamps	29.2	712	12.6	456	6.8	637	5.2	773	6.2	1,017
SSI/Public Assistance	6.1	1,972	0.6	3,611	2.1	2,431	0.6	3,175	0.6	3,550
Other Sources	23.2	70	25.4	96	23.5	130	28.1	119	27.9	566
Percentage with Partner or Spouse	76.8		78.2		77.9		79.1		78.9	
Percentage with Total Income > 0	100.00		100.0		100.0		100.0		100.0	

Source: Authors' calculations using NLSY data

Sample: Women who exited AFDC for whom five years of post-exit family income data are available and who were not poor in any year. (Unweighted n = 126).

Note: All dollar amounts are in 1992 constant dollars.

the sample). Women who were consistently poor were less likely to have their own salary as an income source (27–38 percent) than were women who were never poor (77–86 percent), highlighting the importance of earnings as a way to move out of poverty. When the always-poor women did have earnings, amounts were substantially lower, \$1600–\$4000 compared to \$8600–\$12,400 for the never-poor women. Women who were always poor were also less likely to have income from a spouse or partner (5–11 percent), compared to 73–78 percent for those never poor. When this source was available to the always-poor women, it was fairly low, \$4200–\$11,700, compared to \$18,300–\$24,300 for the never-poor women.⁶

As would be expected, consistently poor women were more likely to have income from AFDC, the Food Stamp program, and SSI or other public assistance than women who were never poor. In contrast, women who were always poor were less likely to receive social insurance payments (unemployment compensation, veterans' benefits, workers' compensation, or Disability Insurance). There is little difference between the women who were always poor and those who were never poor in the likelihood of receiving child support and alimony, but amounts are lower for those always poor.

IV. SUMMARY AND FUTURE RESEARCH

In this analysis, we have found that some women achieve a modest level of economic success after leaving welfare and some do not. In future work, we will analyze the factors behind the substantial diversity in income level following an exit from AFDC. What characteristics of the type of exit or of the individual exiting welfare make economic self-sufficiency more likely? Future work will include multivariate analyses of these questions.

⁶Note that these numbers are based on very small samples: for example, only six always-poor women had income from a spouse or partner in year five.

Exploratory analysis confirms the importance of exit type for later economic status. As mentioned above, previous research has suggested the importance for return rates of marital status and employment changes associated with an exit. Not surprisingly, these factors are also important for poverty status. For example, 30 percent of women who are married and employed around the time of exit are never poor over the next five years compared to 4 percent of women who are neither married nor working. There is also substantial variation in post-exit economic status by family background, educational attainment, and other measures of human capital. For example, 38 percent of women with Armed Forces Qualification Test (AFQT) scores in the bottom quartile are poor in all five years compared to only 4 percent of women with scores in the top quartile.

The relationship of transitions in work, marriage, and welfare receipt and later economic success is a focus of related work in progress. The above discussion of income sources highlights the importance of the level and growth of women's own earnings in determining economic success. We are exploring the role of changes in jobs, hours, and wages for earnings. We are particularly interested in the extent to which women leave AFDC to low-wage jobs but are eventually able to make a living wage. We are also conducting a closer examination of the extent to which women receive child support in the post-welfare period and the role child support does (or could) play in promoting self-sufficiency.

Current welfare reform proposals call for many or all AFDC recipients to work in the paid labor force. The experiences of women who have left welfare voluntarily can give us only limited information on the prospects of families which may be forced to leave AFDC in the future. Microeconomic theory suggests that those women who have left welfare for work are likely to be those with the best economic potential. Similarly, we might expect those who have left voluntarily to include those with the best marriage prospects. Thus the levels of economic success documented here may serve as an upper-bound estimate of the likely economic status of families who may leave welfare under current reforms.

Appendix 1

1. SAMPLE DEFINITIONS

Sample 1: AFDC Exiters (n=1260)

We define a woman as having exited from AFDC if she receives no AFDC for at least three consecutive months following a month in which she received AFDC. Of the 1559 women who reported receiving AFDC in at least one month during the previous calendar year in the 1979 to 1992 surveys, 1260 had an observed “exit” by this definition. The remaining 299 women were not included because: (1) the woman never left AFDC for three subsequent months (215 cases); (2) the woman did not give birth to a child before exiting (31 cases); (3) data on AFDC receipt was missing for a period and there was no “exit” before or after the period of missing data (53 cases).⁷

Sample 2: Women with Five Years Post-Exit Information (n=878)

Of the 1260 women who exit welfare, our analysis is limited to 878 women for whom we have at least five years of post-exit data. Post-exit data must include perfect monthly AFDC data for sixty months beginning from the first of three consecutive months with no AFDC receipt.

Sample 3: Women with Full Income Source Data for Five Years Post-Exit (n=637)

For our analysis of income sources we use a subsample of 637 women. In addition to sixty months of perfect post-exit AFDC data, respondents included in this sample must have income source

⁷Although there are not large unexplainable differences in the descriptive statistics of the three samples discussed below, the 53 cases that are excluded due to missing AFDC data appear to have somewhat lower socioeconomic stats than those included in the analysis. For example, the 53 excluded respondents are less likely to come from a two-parent home at age 14 (29 percent relative to 53 percent for Sample 1), somewhat more likely to have a mother with less than a high school education (60 percent relative to 55 percent), and more likely to have below average AFQT scores (62 percent relative to 51 percent). They are also somewhat more likely to be black (46 percent relative to 35 percent for all exiters).

data for the year of exit and the four following calendar years. Although we generally required full income source data, we did not exclude individuals who were missing information on income sources that were generally observed to be relatively small and/or uncommon. In particular, if information on a respondent's and spouse's farm and business income; military or unemployment benefits; VA, workers' compensation, or disability benefits; or "other sources" were missing, they were set to zero; this affected 42 of the 637 respondents.⁸

2. DESCRIPTIVE STATISTICS ON THE SAMPLES

Appendix Table 1 presents descriptive statistics for the three samples. Overall, the samples do not appear to differ substantially except as anticipated. For example, comparing the first two columns shows that the sample with five years of post-exit data (Sample 2, N=878) is less likely to have been very young at the initial survey and is more likely to have exited at an early age and in an early year of the survey. These differences are consistent with the sample restriction, in that in order to observe five years of post-exit data, a respondent must have exited by 1988, at which time even those who were 21 in 1979 were only 30. Similarly, those with five years of post-exit information have fewer children and younger children than all those who exit.

3. INCOME AND POVERTY DEFINITIONS

Family income is defined as the sum of the partner's or spouse's income and the following income categories of the respondent's income: earnings (including wages, military income, and income

⁸From 1990 to 1992, data on partner's income sources were broken down. For these years we set to zero missing information on partner's military, welfare, farm, and business income. We eliminated one respondent because setting missing income sources to zero resulted in zero total yearly income in one year.

from self-employment or a farm), child support and alimony, unemployment compensation, public assistance or SSI, VA benefits, workers' compensation or Disability Insurance, income from others or other sources, AFDC, and food stamps. Family size is defined as the sum of the respondent, spouse or partner, and the respondent's children (biological, adopted, or stepchildren). Poverty status is computed by comparing family income (as defined above) with the appropriate poverty threshold given family size (as defined above). Our treatment differs from the standard Census Bureau procedures in two ways: first, we consider cohabitators to be part of the family and thus count their income and include them in the family size used to determine the appropriate poverty threshold; and second, we do not assume that women living in subfamilies have access to the income of the primary family.

APPENDIX TABLE 1
Characteristics of Those Exiting from AFDC

	<u>Sample 1</u>	<u>Sample 2</u>	<u>Sample 3</u>
	All Exiters (n=1260)	Five Years of Post-Exit AFDC Information (n = 878)	Five Years of Post-Exit Income Information (n = 637)
<i>Age in 1979</i>			
14–16	34.1	29.0	28.7
17–19	36.4	38.4	35.7
20 or older	29.5	32.6	35.6
<i>Year of Exit</i>			
1979–1982	31.2	41.3	43.3
1983–1988	45.4	58.7	56.7
1989–1992	23.4	0.0	0.0
<i>Age at Exit</i>			
16–21	21.7	28.1	28.3
22–31	73.8	71.9	71.7
32 or older	4.4	0.0	0.0
Missing	0.8	0.0	0.0
<i>Months on AFDC in Five Years after Exit</i>			
Mean	NA	4.8	15.6
<i>Race</i>			
Black	35.1	35.8	37.7
White	60.7	60.0	57.8
Other	4.2	4.2	4.2
Missing	0.6	0.7	0.7
<i>Family Structure at Age 14</i>			
Two-parent	53.3	53.4	54.3
Parent and stepparent	13.7	14.0	13.2
Mother only	23.5	22.4	23.3
Other	9.6	10.3	9.2
Missing	0.2	0.3	0.1
<i>Respondent's Mother's Education</i>			
Less than high school	55.3	55.1	57.0
High school	36.5	37.2	34.4
Greater than high school	8.2	7.7	8.6
Missing	6.9	6.6	6.8

(table continues)

APPENDIX TABLE 1, continued

	<u>Sample 1</u>	<u>Sample 2</u>	<u>Sample 3</u>
	All Exiters (n=1260)	Five Years of Post-Exit AFDC Information (n = 878)	Five Years of Post-Exit Income Information (n = 637)
<i>Education at Exit</i>			
Less than high school	44.8	47.4	43.0
High school	40.3	40.5	43.4
Greater than high school	14.9	12.1	13.6
Missing	1.0	1.4	1.6
<i>AFQT Score</i>			
Percentage in bottom half	51.1	49.7	46.6
Percentage in top half	48.9	50.3	53.4
Missing	4.2	2.5	2.0
<i>Marital Status at Exit</i>			
Married	35.8	37.3	37.0
Separated, divorced, widowed	29.5	25.6	24.4
Never married	34.7	37.1	38.6
Missing	0.8	0.0	0.0
<i>Number of Children at Exit</i>			
None	5.0	4.8	3.8
One	45.7	49.1	52.0
Two	34.0	33.8	31.9
More than two	15.4	12.3	12.3
Missing	0.8	0.0	0.0
<i>Age of Youngest Child at Exit</i>			
0–1	33.8	37.8	37.0
2–3	36.4	37.4	41.0
4 or older	29.8	24.8	22.0
Missing	1.1	0.2	3.8
<i>Rural vs. Urban Location at Exit</i>			
Rural	21.7	21.4	24.4
Urban	78.3	78.6	75.6
Missing	4.1	3.8	4.6

Source: Authors' calculations using NLSY data

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