Leaving Welfare: Long-Term Evidence from Three Cities

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Abstract

Leaving Welfare: Long-Term Evidence from Three Cities

Many studies have shown that welfare “leavers”—women who left welfare after the 1996 welfare reform—had relatively high employment rates of around 60 to 75 percent after exiting welfare. However, these studies only examined those who left welfare shortly after 1996, and little work has examined outcomes for those leaving welfare after 2002. We present evidence from three U.S. cities on early leavers (leaving 1999 to 2002) as well as later leavers (leaving as late as 2005). We find that later leavers were less educated, were in worse health, had lower employment rates and earnings after leaving welfare (42 percent) than early leavers, but received greater Food Stamp and disability benefits. Household incomes rose and poverty rates fell by less for later leavers. We find that the employment rates of early leavers experienced significant declines after leaving welfare, from 70 percent (2001) to 56 percent (2005).
Introduction

The 1996 welfare reform legislation enacted by the U.S. Congress constituted the most important change in the Aid to Families with Dependent Children program since its inception. In addition to changing its name to the Temporary Assistance to Needy Families (TANF) program, the reform imposed credible work requirements on the caseload backed up by strong sanctions for noncompliance, lifetime time limits on benefit receipt, and a host of other related changes. Following the reform, the TANF caseload fell dramatically, declining by about 50 percent and reaching levels lower than those for the previous two decades.

The effects of the reform in the few years after 1996 have been well-studied and have been extensively reviewed (Blank, 2002, 2009; Grogger and Karoly, 2005; Moffitt, 2003). Employment rates of single mothers rose after welfare reform, both absolutely and relative to those of women not affected by welfare reform. Average earnings and average household income rose in the low-income population as a whole. Poverty rates fell as well. Although there is also evidence that some portion of the low-income population was worse off after welfare reform, the overall picture was relatively favorable. One important strand of this literature focuses on welfare “leavers,” women who left welfare in the years after welfare reform. Reviews of the leaver studies (e.g., Acs and Loprest, 2004) show that leavers had relatively high employment rates after exiting welfare, around 60 percent to 70 percent, thus consistent with the mostly positive picture accorded by the larger literature on welfare reform.

This short paper contributes to the evidence on welfare leavers by examining women who left welfare later than the women examined in the prior literature. Most of the evidence on
welfare leavers comes from studies of leavers in the few years after reform, and no study has included women who left welfare after 2002. There is, therefore, a shortage of evidence on the experiences of leaving welfare in more recent years. Longer-term patterns could differ from those in the shorter-term for several reasons. One possibility is that the women remaining on the welfare rolls after the initial drastic decline were more disadvantaged and hence would have worse outcomes after exiting welfare. We examine this question by inspecting the characteristics of women exiting early and exiting late. A related question, however, is whether the rates of leaving welfare have declined, which might be expected if less employable women increasingly remained on welfare. We also examine this issue. Another possibility is that the favorable economic climate in the late 1990s was partly responsible for the relatively high employment rates of early leavers. Our data cover women who left during the recession of 2001 but also women leaving as late as 2005, after the recession had passed, allowing us to partially examine this issue as well.

Our data come from a survey of disadvantaged mothers and their children in three large U.S. cities--Boston, Chicago, and San Antonio--who have been tracked since 1999 and most recently interviewed in 2005. Complete information on welfare receipt, employment, household composition, and household income from all sources and all household members was collected in the survey. We find that women who left welfare later were less educated and in worse health than those who left earlier. Later leavers’ employment rates were also lower, around 42 percent just after leaving, compared to 70 percent for earlier leavers. Later leavers experienced poverty rates of 68 percent just after leaving, compared to 59 percent for earlier leavers. In addition, we find that employment rates of earlier leavers declined over time, from a high of 70 percent in
2001 to 56 percent in 2005. Their incomes also stopped rising because of the decline in earnings, although these declines were partially offset by increases in Food Stamp income and the earnings of other household members. We draw policy and other lessons from these findings in our last section.

**Past Literature on Welfare Reform and Welfare Leavers**

A number of authors have reviewed the results of studies of the effect of the 1996 welfare reform law (Blank, 2002, 2009; Grogger and Karoly, 2005; Moffitt, 2003). Many studies were based on cross-sectional survey data, following the employment, income, and poverty rates of less-educated single mother families before and after 1996; the comparison group of women usually included more-educated single mothers, less educated married women, or less-educated childless women. A related set of studies examined outcomes for low-income single mothers in states that enacted reforms prior to 1996 and in states that did not. The results have generally implied that reform had positive effects on average employment and income, and had negative effects on poverty, even after controlling for the favorable U.S. economy, although the effects appear to have gradually declined over time. However, some research suggests that the most disadvantaged women have seen declining employment rates and increasing poverty, implying that some of the worst-off families in the affected population were made still worse off. More recently, research has emphasized a related finding of the growth in the number of “disconnected” mothers—those with neither welfare support nor earnings from themselves or anyone else in the household (Blank and Kovak, 2009).
A separate literature, also covered in the above-cited literature reviews but more directly relevant to this study, examines the outcomes of welfare “leavers”—women who were initially on welfare but who left after 1996. The majority of these studies combined administrative data drawn from the records of welfare departments with state administrative data on individual earnings to determine whether those women worked after leaving welfare and, if so, their level of earnings. Acs and Loprest (2004) reviewed many of these studies and found that approximately 60 percent of welfare leavers were employed after going off welfare, that their earnings increased by about 10 percent in the fourth quarter after exit, and that their hourly wages were considerably above the minimum wage, approximately $6.50 to $9.00. Grogger and Karoly (2005) summarized the evidence as indicating that 60 to 75 percent of leavers were employed after welfare exit and that earnings increased modestly. These results have been judged to be relatively favorable given warnings by many analysts that welfare recipients would perform poorly in the labor market.

As noted in the Introduction, most of these early welfare leaver studies ended a few years after welfare reform. However, there have been a few subsequent studies of welfare leavers, also using administrative data, with the most recent examining women who had left welfare as late as 2002 (Mueser et al., 2009; Kwon and Meyer, 2009). These studies continue to find relatively high employment rates among welfare leavers, similar to those of the earlier studies, although Kwon and Meyer found that those exiting during an economic downturn had lower employment rates than those exiting during good economic times.

While these studies have been valuable, the limitation of administrative data is that they usually lack information on family composition, earnings of others in the household, and family
income and hence poverty rates. Some administrative systems also lack information on socioeconomic characteristics of individuals, such as their education level or race-ethnicity. However, a few welfare leaver studies have been wholly or partially based on household interviews of women initially on welfare who eventually left, which have more comprehensive data on family income and sociodemographic characteristics (e.g., Acs and Loprest, 2007; Danziger et al., 2002; Moffitt and Winder, 2005). Danziger et al. found that leaving welfare for work led to positive effects on earnings and income through 1999, while Moffitt and Winder found that, through 2001, the positive effects on family income were partly the result of increased earnings of others in the family rather than of the former welfare recipient herself.\(^1\) Acs and Loprest found that those leaving welfare in 1996 had higher employment rates than those leaving welfare in 2001 and that family income tended to decline over time. The recession of 2001 may be responsible for some of these declines, an issue also noted by Kwon and Meyer (2009).\(^2\)

The studies which are methodologically closest to the present study are those that compare outcomes for different “cohorts” of welfare leavers—those who left welfare at different calendar times (the present study, as discussed below, will compare “early” post-1996 leavers with “late” post-1996 leavers). Only one study compared two post-reform leaver cohorts: a

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\(^1\) The Danziger et al. study was based on the Women’s Employment Study, which continued to interview women up through 2003. However, there have been no studies of welfare leavers using those data through that point in time.

\(^2\) Acs and Loprest also examined characteristics of the two leaver cohorts and found a few differences but they were statistically insignificant. The authors also examined welfare leavers from 2000 to 2005 using questions on the Current Population Survey about the receipt of welfare during the 30 days prior to interview. Those results also showed declines in employment rates over time, but this measure of welfare leaving is necessarily quite different from that in the
cohort of women leaving welfare in 1998 and another cohort leaving in 2001 (Kwon and Meyer, 2009). The study found that those leaving in the latter period had worse initial outcomes, which they attributed to the recession of 2001; the authors also found declining employment rates after leaving for both cohorts. The other cohort studies in the literature have instead compared post-reform cohorts of welfare leavers to pre-reform cohorts. The most recent of these studies (Mueser et al., 2009) compared women leaving welfare in 2001-2002 with those leaving welfare prior to reform, finding that employment rates of post-reform leavers were higher than those of pre-reform leavers. Comparisons of earlier post-reform cohorts to pre-reform cohorts were conducted by Loprest (2001) and Cancian et al. (2002), with similar findings.

Data

The Three-City Study is a longitudinal survey of approximately 2,400 low-income families living in Boston, Chicago, and San Antonio. When they were first surveyed in 1999, each of the families had a household income below 200 percent of the poverty line, had at least one child 0 to 4 or 10 to 14 years of age, and were living in low- and moderate-income neighborhoods in the cities. Most of the families were headed by a single mother but a few married families were sampled as well. The first wave of data collection took place between March and December 1999, the second wave between September 2000 and May 2001 (which we will call “2001”), and the third wave between February 2005 and February 2006 (which we will call “2005”). The response rates on the three surveys were 74 percent, 90 percent, and 84 percent of the study sample, respectively.
percent, respectively. The survey collected a wide range of information on TANF participation, employment, income, family structure, and characteristics of the caregiver (usually the mother) of the children in the family. There have been a number of studies using these data.3

For this study, we limit the analysis to women under the age of 62 who remained in the sample for all three waves and who were caregivers of at least one child under 18 in all three waves, thereby including women who were subsequently living apart from the original child or with a new child. These restrictions reduce the sample size to 1,555. Weights reflecting the stratified design of the sample and differential attrition are used in all the analyses below.4

The data have several distinctive characteristics that suggest the sample is particularly disadvantaged relative to general samples of the low-income population. About 40 percent of the sample had neither a high school diploma nor a General Equivalency Degree (GED). Almost a quarter of the sample reported their health status as fair or poor, about 14 percent reported a functional disability, and about 8 percent reported symptoms of depression above a clinical cutoff. Almost two-thirds had experienced domestic violence, and less than a half had significant support from social networks. An important characteristic of the sample is that the

3 The studies are listed at http://www.jhu.edu/threecitystudy. While most studies have used data from the first two surveys, two studies have used the third, 2005 survey (Cherlin et al., 2009; Frogner et al., 2009). However, neither of these studies examined leavers separated by date of exit and hence neither compared early to late leavers, the main focus of this study.

4 Prior to the 1999 interviews, a random sample of all families in a random sample of blocks in low-income areas of the three cities were screened. Of those with household incomes less than 200 percent of the poverty rate, oversamples were collected for those receiving welfare and those with less than 100 percent of the poverty line. Undersamples were collected for married-couple families. See Winston et al. (1999) for details of the design. The weights make the sample representative of all families with children in the specified age ranges with incomes less than 200 percent of the poverty line living in low-income areas of the three cities.
vast majority of women (95 percent) are either Hispanic or Non-Hispanic African-American. The low representation of Non-Hispanic White women was a result of very low numbers of such women living in the high-poverty neighborhoods of the three cities; this is a reflection of the greater geographic dispersion of low-income White women. This study should therefore be interpreted primarily as a study of these two race-ethnicity groups.\(^5\)

The data have strengths and limitations. The primary strength is that the data include women who were on welfare in 1999 and who left the welfare rolls from 1999 to 2005, allowing us to separate leavers by the date of leaving welfare.\(^6\) The data also come from a household survey, unlike administrative data, and hence have comprehensive information on family income before and after leaving welfare. These two considerations are the main reason for using these data.

Against these strengths are limitations as well. One is that we do not have information on women who left welfare prior to 1999. We will compare our leavers to the prior literature that did cover those earlier leavers. A second limitation is that the sampling frame includes only low-income women who had a child in 1999, and hence excludes women who had their first child after 1999. Thus the sample is not necessarily representative of all welfare leavers through 2005, which would include such women. The third, more obvious, limitation is that the data pertain

\(^5\) We compared characteristics of the subset of the sample on TANF with those of national TANF samples (Acs and Loprest, 2007, Table 3) and found that our sample is both younger and less educated. Our sample also has much lower educational levels than those of TANF recipients in other welfare leaver studies (Slack et al., 2007, Table 2). Both of these comparisons again suggest that our sample is more disadvantaged than that in the nation as a whole.

\(^6\) We shall use the term “welfare” interchangeably with “TANF”. When discussing other welfare programs, we shall identify them instead by name.
only to three cities and hence are not nationally representative in terms of welfare caseload trends, economic environment, or TANF policies. However, the three cities are not dissimilar to the nation as a whole with respect to the first two, caseload trends and economic environment, as illustrated in Figures 1-3. Figure 1 shows that the decline in the TANF caseload in all three states mirrored the pattern of the U.S. as a whole although Illinois had a sharper decline. Likewise, Figure 2 shows that Food Stamp caseloads fell through approximately 2001 and then increased thereafter in Massachusetts and Texas, with Illinois experiencing the turnaround somewhat earlier. Labor market conditions in the three states were very similar to national levels and to each other: unemployment rates fell through 2000, rose through 2003, and fell again from 2003 to 2005 (Figure 3). Of the three states, Massachusetts had a somewhat lower level of unemployment. Figure 3, with the dates marked for each Three-City interview, also indicates that the unemployment rate was higher at the second wave than at the first, and higher at the third wave than at the second (although less than at the peak of the recession). Thus, in the context of the three survey points, our sample experienced a generally worsening economic environment. This is in sharp contrast to the period prior to 1999, when the economy was improving, as noted in many previous studies of welfare reform.

With regard to TANF policies, major variation exists across states in how welfare reform was implemented, so no study short of a nationally representative sample could claim representativeness in this respect. The three cities in this sample, however, had markedly different TANF policies that cover many of the types of reforms adopted by other states. Massachusetts has a short time limit (two years out of every five) but with generous exemptions from those limits, with no lifetime limit, a fairly strict sanction policy and a family cap. Illinois
has maintained the federal maximum of five years of benefits but allows families to stop the clock indefinitely by working 30 or more hours per week. Also in Illinois, work requirements are not imposed as quickly as in the other states, but it has a fairly strong sanction policy; an official diversion policy was present in 1999 and was strengthened in 2004; and a family cap was in force in 1999 but was dropped in 2004. Texas has one-, two-, and three-year time limits (four including a one-year waiting period) in addition to a five-year lifetime limit, though the state does give longer limits for those with greater employment difficulties and allows the "clock" not to start ticking until the recipient has been called by the employment agency and offered a slot. Earnings disregards in Texas are the least generous among the three states; it is a “work first” state with relatively weak sanctions, and it has an official diversion policy but no family cap. We do not attempt to estimate the effects of the policies in the three states, so the results should be interpreted as reflecting an average of different types of TANF policies.

Results

We use the data from the three interviews to define “early” and “late” leavers in the most natural way, which is to select women who were on TANF in 1999 but off the rolls in 2001 as “early” leavers and to select women who were on TANF in 1999 and in 2001 but off TANF in 2005 as “late” leavers. We should emphasize that these terms are only relative to each other, for many women left welfare prior to 1999 (an alternative terminology would be “late” leavers and “very late” leavers). An aspect of the analysis worth emphasizing is that we do not consider movements on and off welfare that occur between interviews because of incomplete data of these
histories. As a result, our analysis is not comparable to those administrative-data studies that have monthly or quarterly data or to a conventional spell-based analysis. However, we note that the literature using administrative data has shown that reentry rates of welfare leavers back onto TANF are very small, a pattern we confirm when examining reentry onto welfare in our data across interviews. Consequently, the changes in welfare participation status between the interviews should primarily measure the cumulative exit rate over the interval. Thus the effective limitation of the analysis is that the exact date of exit cannot be determined. This does not affect the analysis as long as the different cohorts of leavers are properly interpreted as those leaving within a particular time interval rather than those leaving exactly at the interview dates.

We first present our results on the characteristics of the different leaver groups and rates of leaving for the groups. Following that, we present our main results on outcomes for employment, income, and poverty rates.

**Characteristics and Rates of Leaving Welfare**

Figures 4A and 4B show information on select ed characteristics of early and late leavers in 1999, prior to leaving welfare. Late leavers had lower educational levels than early leavers (49 percent with no High School or GED degree versus 61 percent). There were only small differences in age and marital status (single versus married or cohabiting), and late leavers had slightly more children under 3 than early leavers. Measured by self-defined health status (fair or poor), functional disability, or mental health, early leavers were in better health than late leavers.

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7 All results presented in this paper will be shown in graphical form. Tables with the exact numbers shown in the figures, as well as additional numbers referred to in the text, are
although early leavers were more likely to have experienced domestic violence. Thus the bulk of these indicators suggest that late leavers were more disadvantaged than early leavers, consistent with the conventional but largely unexamined expectation that better-off women left welfare earlier than worse-off women.

Figure 5 shows rates of TANF receipt in the sample over the three interviews. Welfare receipt fell from 1999 to 2001 but also from 2001 to 2005, indicating that women continued to move off the welfare rolls even in the latter period (a 9 percentage point decline over the first interval and an 11 percent decline over the latter interval). The implied per-year exit rate is smaller in the latter period because it covers four years rather than two (2.9 percent per year versus 4.6 percent per year); nevertheless, the results suggest that exits continued at an appreciable rate after 2001, and which is consistent with previous figures showing that women exiting after 2001 were more disadvantaged. The figure also shows regression-adjusted participation rates, which take into account the fact that the women in our sample are aging over time, and TANF participation rates are known to fall with age beyond a certain point.\(^8\) Age effects are quite small and have little impact on the trends in welfare receipt, no doubt because the length of time between the first and last interview (6 years) is not enough for many major life-course changes to have occurred.\(^9\)

\(^8\) An OLS regression equation for participation was estimated on the pooled, three-interview sample with independent variables for the age of the mother, the ages of the children, and year dummies. The coefficients on the year dummies, which implicitly hold ages fixed, are plotted in the figure.

\(^9\) Other results (not shown in the tables) indicate that the decline in welfare receipt in both periods was almost entirely the result of exit, not entry, as we noted in a previous section.
Figure 6 shows the employment rates for the two cohorts of leavers. At the interview before exit (1999 for the early leavers and 2001 for the late leavers), when the women were on welfare, the employment rates for the two cohorts were very close to one another (38 percent and 34 percent). For the early leavers, the employment rate in the first interview after leaving welfare (2001) was 70 percent, squarely in the middle of the range found in previous studies of leavers using administrative and survey data. However, for the late leavers, the employment rate in the first interview after leaving welfare (2005) was only 42 percent, over a third lower than for the early leavers (t-statistic on the difference is 3.7).

Once again, we note that employment for the late leavers was observed up to four years after leaving welfare while employment for the early leavers was observed no more than two years after leaving, and if employment rates decline after leaving TANF then the employment rate for the late leavers may have been higher in prior years. This could not have been the entire reason for the difference with early leavers, however; as shown in the last bar in the figure, the employment rate of early leavers had fallen by 2005 but only to 56 percent. Thus, by up to six years after exit, employment rates for the early leavers were still above those for the later leavers up to four years after exit (42 percent). It is clear that there is a difference in the employment rates of the two cohorts even controlling for time-since-leaving-welfare.10

10 If the rate of decline of employment for the late leaver cohort were the same as that for the early cohort, then, since the rate of decline for the latter is 3.5 percent per year, the
We know that the late leavers were more disadvantaged in terms of observable characteristics like education and health, and it is therefore of interest to know how much these characteristics can explain the worse outcomes for the late leavers. We therefore estimate regressions for the employment rates of the two leaver groups, controlling for socioeconomic characteristics. The difference in the employment rates falls only slightly after adding these controls, to 23 percent (t-statistic=3.3) from the unadjusted difference, 28 percent.\textsuperscript{11}

Turning to the differences in income and poverty for the cohorts, we note that a chief issue in the literature on welfare reform is whether the increase in average earnings of welfare leavers was sufficient to outweigh the TANF benefits lost by leaving welfare. With our household survey data, we can also examine whether earnings of others in the household changed after leaving welfare, possibly to compensate for the loss of welfare benefits. Additionally, we can examine how benefits received from other welfare programs changed. The changes in these components of income will then determine how total household income changed.

Figures 7A and 7B show monthly earnings for the welfare recipient herself as well as for other members of the household before and after leaving welfare, for the two leaver cohorts.

\textsuperscript{11} The regressions control for education, age of the caregiver and ages of the children, number in the household, race-ethnicity, city of residence, marital status, and health status, all
While recipient earnings for the two cohorts were about the same before leaving welfare, early leaver earnings were much greater at the first observation after leaving than those for the late leavers ($849 per month versus $419 per month, t-statistic on the difference=3.8). Hours of work and hourly wage rates were lower for the late leavers than for the early leavers. In addition, earnings of other members in early leaver households were slightly above those for the late leavers, and for both cohorts, the earnings of other household members were almost double the levels that had been received prior to leaving welfare. Further investigation reveals that an increase in spousal and partner earnings is the primary reason for the increase in other household earnings. In addition, this increase in spousal-partner earnings after leaving welfare resulted both from an increase in the percentage of households that had spouses as well as an increase in the earnings levels of those spouses that were present. Thus this source of income to the household was an important additional source of compensation for lost welfare benefits.

Figures 8A and 8B show how Food Stamps and disability benefits, respectively, changed after leaving welfare. Late leavers had higher Food Stamp benefits while on TANF than did the early leavers, but the benefits for the early cohort dropped drastically after leaving whereas those for the late cohort did not. To some extent this may be a result of a general rise in the rate of Food Stamp receipt in the nation and, in fact, Food Stamp benefits for early leavers had risen by 2005. As for Figure 8B, we noted previously that the late leavers had worse health even when on measured in 1999.

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12 The t-statistic on the difference in other-household-member earnings is only .56, however, so a typical confidence interval would not exclude zero. This category of earnings has a high variance.
welfare, and this is consistent with greater disability benefits while on TANF.\textsuperscript{13} In addition, however, the late cohort of leavers made much more use of disability benefits after leaving welfare, with income from this source rising by about $125 per month, a 65 percent increase. In fact, the measures of health we noted above worsened after leaving welfare for the later leavers: the percent reporting only fair or poor health rose from 37 to 42 percent; the percent reporting a functional disability rose from 32 to 42 percent; and the percent reporting a heightened depression score rose from 9 to 14 percent. There was virtually no change in these measures for the early leaver cohort after leaving.\textsuperscript{14}

The net effect of these changes in income components on total household income and on poverty rates is shown in Figures 9A and 9B.\textsuperscript{15} Whereas household incomes for the two leaver cohorts were very close prior to leaving TANF, and incomes for both cohorts rose after leaving welfare, those for the early cohort rose by more than those for the late cohort ($284 versus $142 per month). The major reason for the greater income growth for early leavers was the greater level of their own earnings and the accompanying EITC subsidies on those earnings.\textsuperscript{16} The late leavers would have had even less of a gain in income—in fact, would have had losses—had it not been for their greater gains in disability income. The poverty rate figures in Figure 7B

\textsuperscript{13} We should note that TANF and SSI cannot be received by the same person, but both of these figures are household totals, for this was the question asked in the survey. Different individuals in the household could therefore have received different types of benefits.

\textsuperscript{14} The t-statistics on the cohort differences in Food Stamps and disability benefits are 3.7 and 2.9, respectively.

\textsuperscript{15} Our background tables show the changes by year for the other components of income which are smaller in magnitude than the major components we have shown.

\textsuperscript{16} We approximated the EITC rules and calculated the maximum, potential EITC amounts for each earner. We assumed 100 percent participation in the EITC for our income calculations.
corroborate the household income results, showing that poverty rates fell for both cohorts after leaving welfare but of larger magnitude for the early leavers. Poverty rates for both cohorts of leavers remained high at around 60 percent. However, the t-statistics on the cohort differences in household income and poverty rates are 1.1 and 1.3, respectively. Consequently, in general, while we find statistically significant differences in the major components of income between the two leaver groups, the components offset each other to make the aggregate differences in total household income and poverty smaller and less distinguishable from zero.

Finally, we note that these changes in average income mask large variation in changes for individual households. For example, for the early leavers, 56 percent of households experienced a rise in income after leaving welfare and 44 percent experienced a decline. For late leavers, the corresponding figures were 48 and 52 percent. Thus, while income losses were more common among the late leavers than among the early ones, a large fraction of early leavers, almost half, also experienced a loss.

Discussion

The reforms to the cash assistance support system for single parents in the U.S. in the early 1990s, culminating with federal legislation in 1996, constituted the greatest reform to the system since its origin in 1936. Two of the most important reforms were the imposition of significant work requirements backed up by credible sanctions that were often enforced, and the imposition of a federal time limit on the length of time an individual parent could receive benefits over her lifetime. Following the reform, the caseload in the program declined
dramatically, from a level of 12.6 million recipients in the reform year 1996 to 4.6 million recipients in 2005, the last year of data contained in this study, constituting an unprecedented 63 percent decline.

There has been a large volume of research on the causes and consequences of this reform, which has been ably and exhaustively summarized (Blank, 2002, 2009; Grogger and Karoly, 2005; Moffitt, 2003). However, the volume of research dropped off precipitously after 2000 and most of the special data-collection efforts that began after the reform had ended by that year. This was particularly true of studies of welfare leavers—women who left TANF after the reform—which almost all stopped in 2000 or even before. The main data sets available for continued study are nationally representative data sets such as the Current Population Survey (CPS), the Survey of Income and Program Participation (SIPP), and the Michigan Panel Study of Income Dynamics (PSID). Unfortunately, the CPS is only cross-sectional and is not well suited for a study of welfare leavers, the SIPP is too short to examine the long-term consequences of women who left welfare in the few years after the reform, and the PSID has a far too small sample size to permit a reliable welfare leaver study.

This situation is unfortunate because the long-term consequences of the reform could differ from those occurring in the first few years after reform. Women who left welfare early may have done relatively well initially but their fortunes could have declined over time. In addition, although the most dramatic caseload declines had taken place by 2000, when the caseload was down to 5.9 million recipients, the decline over the next five years to 4.6 million was non-negligible. Women have continued to leave welfare, and it is important to know how they have fared off welfare in the early 2000s.
This study is aimed at providing one piece of information from three large American cities on how such “late” welfare leavers have fared off welfare and how their outcomes compare to those of a group of women who left welfare earlier. The results give reason for concern for the women who left later, for they are less educated and have more health problems, and their employment, income, and poverty rates are less favorable than those of women who left welfare earlier. Their relatively low employment rates and earnings levels off welfare have not been adequate to compensate for the loss of welfare benefits, and their incomes would have fallen had it not been for income from Food Stamps, disability programs, and the earnings of other household members received after leaving the rolls. Only 48 percent of these late leavers experienced an increase in household income after leaving welfare; 52 percent experienced a decline.

This finding, together with the finding that employment rates and earnings of early leavers have declined as time off welfare has increased, generates cause for concern. Together with the rise in “disconnected” families—those with no earnings and no welfare benefits (Blank and Kovak, 2009)—it suggests that there is an increasing set of women who have left welfare who are in need of increased social support in one form or another, whether increased work supports, financial support from other programs, or assistance from other programs that can help them regain their footing.

These issues are likely to have continued after 2005. The TANF caseload continued to decline from 2005 to 2008, although it rose back to some extent in 2009 because of the major recession in that year. New federal legislation in 2005 reauthorized the program, but stiffened work requirements and imposed a new rules structure on the states which has made it more
difficult for states to avoid penalties for noncompliance with the law and has given them further incentives to remove families from the caseloads. This legislation is no doubt partly responsible for the continued decline of the caseload.

The study here has limitations that should be noted. It only covers three cities in the U.S. and, while the caseload and unemployment rate experiences of the cities are similar to those of the nation as a whole, comparison of the characteristics of the sample suggests that it is more disadvantaged than national level disadvantaged and welfare-recipient populations. The particularly disadvantaged nature of the sample may be part of the reason that the late leavers in this study have done so poorly off welfare, and there may be other late welfare leavers who had better outcomes. Another limitation of the study is that it only provides snapshots of welfare leavers at three points in time (1999, 2001, and 2005), and a more complete analysis would have more continuous monthly or quarterly data to chart the exact dates of leaving welfare and to determine the detailed path of employment and earnings after leaving welfare. The administrative data sets used in other studies could be extended to examine the late leavers examined here as well as leavers after 2005. While those data necessarily lack important sociodemographic information and cannot be used to examine total household income, they can be used to determine employment and earnings as well as benefits from Food Stamps and other government programs. Such efforts would seem important to mount given the results of this study.
References


Figure 1: Average Monthly Number of TANF Families (in Thousands)

Figure 2: Average Monthly Number of Food Stamp Households (in Thousands)

Figure 3: Annual Unemployment Rates