HOW WELFARE REFORM IS AFFECTING WOMEN’S WORK

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Abstract The new welfare system mandates participation in work activity. We review the evolution of the 1996 legislation and how states implement welfare reform. We examine evidence on recipients’ employment, well-being, and future earnings potential to assess the role of welfare in women’s work. Policies rewarding work and penalizing nonwork, such as sanctions, time limits, diversion, and earnings “disregards,” vary across states. While caseloads fell and employment rose, most women who left welfare work in low-wage jobs without benefits. Large minorities report material hardships and face barriers to work including depression, low skills, or no transportation. And disposable income decreased among the poorest female-headed families. Among the important challenges for future research is to differentiate between the effects of welfare reform, the economy, and other policies on women’s work, and to assess how variations in state welfare programs affect caseloads and employment outcomes of recipients.

INTRODUCTION

In August 1996, after years of partisan debate, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) into law. PRWORA (P.L. 104–193) dramatically overhauled the system of cash assistance, abolishing Aid to Families with Dependent Children (AFDC), the program through which eligible families were entitled to cash assistance, and replacing it with Temporary Assistance to Needy Families (TANF), a time-limited, block grant program. TANF is a work-based program that requires recipients to participate in work or work-based activities in order to receive cash assistance. AFDC, legislated in the 1930s as an income maintenance program for widows and children,
and evolved over 60 years into a program that primarily served families headed by divorced, separated, or never-married mothers. In part, PRWORA responded to concerns that AFDC encouraged joblessness (Mead 1992) and out-of-wedlock childbearing (Murray 1993); however, the driving force behind the legislation was the notion that cash assistance should be a temporary stop on the road toward employment (Bane & Ellwood 1994).

In this paper, we review how welfare reform has affected the work options of single mothers. Section one summarizes how PRWORA has changed the welfare system and how states now structure work incentives, work requirements, and employment services for welfare recipients. PRWORA, in addition to other federal policy changes (e.g. the Earned Income Tax Credit) and the booming economy of the 1990s, has greatly changed the employment context for single mothers. Two key assumptions underlying PRWORA are (1) that almost all recipients can get and keep jobs, and (2) that regular work will eventually lead to a living wage and self-sufficiency. The second and third sections of this paper review research concerning these assumptions. We conclude with a discussion of policy and research implications of the evidence to date.

WELFARE POLICY AND WORK EXPECTATIONS FOR SINGLE MOTHERS

Program History

AFDC, originally entitled Aid to Dependent Children, was modeled on mothers’ state pension programs. The 1935 legislation was designed to provide cash relief to destitute widowed mothers so that they could raise their children in their own homes (Garfinkel & McLanahan 1986, Katz 1986, Ellwood 1988). At the time, it was expected the program would phase out as Social Security matured. However, legislation, court rulings, and socioeconomic and demographic changes led to a rapid expansion of AFDC in the 1960s and 1970s. The monthly number of AFDC recipients rose from under 4 million in the early 1960s to 8.4 million in 1970 (US Department of Health and Human Services, Administration for Children and Families 1999). The caseload grew rapidly in the early 1970s, rising to 11.39 million by 1976.

While both presidents Nixon and Carter attempted to revamp the welfare program, neither Nixon’s Family Assistance Plan nor Carter’s Program for Better Jobs and Income came to pass. But, in the late 1960s the Work Incentive (WIN) program provided voluntary work and training options for welfare recipients, and marked the beginning of the trend to tie benefit receipt to work. The number of recipients remained constant for most of the 1970s and was still at about 11 million in 1981, when President Reagan sought to reduce the size and cost of the program. The Omnibus Budget Reconciliation Act (OBRA) of 1981 lowered the income levels for eligibility and the amount a recipient could earn before her benefits were
terminated. These changes reduced the caseload to 10.4 million in 1982 (US Department of Health and Human Services, Administration for Children and Families 1999).

The Family Support Act (FSA) of 1988, designed by Senator Moynihan, passed with bipartisan support. Its centerpiece was the Job Opportunities and Basic Skills (JOBS) program, which required certain categories of recipients to move to self-sufficiency through participation in education, training, and job search activities. This emphasis evolved from randomized research demonstrations that showed increased future earnings and decreased reliance on public benefits for mandatory participants (Gueron & Pauly 1991). However, the change also reflected ideological concerns that without mandate, clients would view participation as “unrewarding” (Mead 1986) and employment and training programs would engage in “creaming” practices, whereby only the most employable of recipients would be served (Riccio & Hasenfeld 1996).

Participation in JOBS remained low during the 1990s, with states achieving at best only 15% participation rates (Bane & Ellwood 1994). Some states were dissatisfied with the many participation exemptions allowed under JOBS and requested waivers from federal rules to require greater participation. Under JOBS, caretakers of children under age 6 were exempted unless child care was guaranteed, while caretakers of children less than 3 years of age (or under age 1, at state option) were always exempt. Pregnancy was another exemption category, as was living in a remote area. From 1992 on, waivers allowing states to modify various aspects of JOBS and the AFDC program took on increasing importance. Some states began to experiment with measures to reduce out-of-wedlock childbearing and interstate migration as well as to increase work (Wiseman 1993). Over time, states showed more interest in time-limiting benefits as a way to promote work (Greenberg & Savner 1995) and stem rising welfare caseloads, which reached a historic peak of 14.2 million people in 1994 (US Department of Health and Human Services, Administration for Children and Families 1999).

President Clinton supported states’ increasing use of welfare waivers and in the 1992 election went further by pledging to “end welfare as we know it.” The original election campaign proposal also included a set of supports to “make work pay,” modeled after the writings of David Ellwood (1988). In Poor Support, Ellwood proposed that with a floor of expanded health insurance, an expanded Earned Income Tax Credit (EITC), and broader child care access and affordability, welfare laws could be modified to reduce long, term reliance and to help single parents to move faster and become more stably engaged in the labor force. However, since the mid-1980s, conservatives had been mounting an assault on welfare dependency itself as the root cause of many of the problems of the poor. From

1 Child support enforcement requirements were also increased in FSA to put more pressure on absent parents to contribute to the financial support of children, thus reducing welfare costs.
crime, to illegitimacy and child morbidity, to joblessness in the inner cities, welfare dependency was blamed as a source of moral and socioeconomic pathology (Novak et al 1987).

In the end, the conservative critique was the most important force shaping the 1996 welfare reform. After the Republicans gained control of the House of Representatives, the primary focus of welfare reform became “ending welfare,” which translated into reducing caseloads, with little regard for whether or not single mothers could earn enough to support their families.

**Theories of Welfare Reform**

Many old themes resurfaced in the 1996 law. Welfare has always been politically vulnerable, unpopular, and subject to attack. Feminist analysts such as Mimi Abramovitz (1988) claim this is because the program offers women an option and protection against accepting untenable wages and/or remaining in or entering into marriages that may offer neither security nor safety. According to this theory, it is politically infeasible to have an income support program be too generous so as to allow too many women a viable alternative to work or marriage.

Other analysts who accept the need for providing cash assistance argue that means-tested programs have an inherent design flaw (Blank 1997a), because they must provide (a) benefit levels that are neither so low as to be damaging to families (b) nor so high as to artificially boost take-up rates and encourage “excess” participation, by virtue of creating (c) work and marriage disincentives. In other words, any means-tested system has inherent conflicts in providing a safety net that can meet needs without attracting the non-needy.

Conservatives have contended that the public’s hostility to welfare has been fueled by its permissiveness. Mead (1997) argues that PRWORA reflects a turn toward paternalism, by demanding more from recipients in return for (or as a condition of) receipt of benefits. Enforcing the work obligation will, according to Mead and others, eventually alleviate more poverty and suffering as the reforms place greater pressure on government to provide services to help get people into the labor market. Progressive analysts consider this view of a more responsive system as naive and symbolic and doubt whether the new reform will have these beneficial effects (Handler & Hasenfeld 1997).

These theories lead to different assumptions about how PRWORA is likely to affect women’s transitions from welfare to work. Conservatives assume that more employment will result from the increased behavioral requirements and that this will lead to greater self-sufficiency. Liberals also expect the reform to push more recipients into the labor market, but they expect that labor market outcomes will be primarily influenced by other factors, such as the state of the economy and public policies external to cash welfare (i.e. tax credits, health coverage, minimum wage, and unemployment policies). They worry that many recipients will be forced off of welfare and left without adequate income replacement. Regardless of theory, the effects of PRWORA will depend on what happens in welfare offices and how the
program changes affect the work behavior of welfare recipients. We now describe the new welfare policies and programmatic variation across states and how reform has been implemented since 1996.

Temporary Assistance to Needy Families (TANF)

Although welfare reform changed a number of social programs (child support, Food Stamps, Supplemental Security Income, child protection, child care, and child nutrition programs), only those concerning the Temporary Assistance to Needy Families program are considered here. TANF differs from AFDC in four important ways (Greenberg & Savner 1996).

**Funding** AFDC was an open-ended matching grant program. Expenditures were shared between the states and the federal government based on a formula taking into account state per capita income. If states spent more (because of caseload increases, for example), the federal government contributed more. Under PRWORA, states receive a block grant of fixed size, the amount of which is based on spending in prior years.2

**Individual Entitlement** As long as a family met eligibility requirements, it was entitled to AFDC benefits. No such guarantee exists under TANF. States may choose any eligibility criteria as long as all applicants receive “fair and equitable treatment” and as long as all geographic areas of the state are served.

**Time Limits** Federal funds may not be used to provide assistance after a family has been on the rolls for 60 months (cumulative) or less, at state option. AFDC had no time limits. States may exempt up to 20% of families from the time limit because of hardships including domestic violence.

**Work Requirements** While JOBS regulations exempted many individuals from participation in work and training activities, nearly all recipients must now be engaged in “work activities” within 2 years of receiving assistance. Furthermore, states must meet work participation requirements—each year, an increasingly larger share of the caseload must be working. Work can include subsidized or unsubsidized employment, community service, on-the-job training, participation in job search or job search readiness activities (limited to 6 weeks in a year and no more than 4 weeks consecutively per participant), or participation in short-term vocational training programs, although no more than 20% of the caseload can participate in the latter and count toward the participation rate.

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2 For any state, the block grant is the higher of FY 1994, FY 1995, or the average of FY 1992–1994 combined federal spending on AFDC benefit and administration costs, JOBS, and Emergency Assistance.
States also have considerably more discretion in designing their TANF programs than they did under AFDC. Supporters of the law praised this increased flexibility; others were alarmed, speculating that states might engage in a “race-to-the-bottom” by cutting benefit levels or dropping nonworking recipients off the rolls in order to meet work requirements (Edelman 1997), leading to an increase in poverty rates (Lehman & Danziger 1997, Super et al 1996). While a variety of other factors, most notably economic conditions and client characteristics, play a large role in determining the success or failure of welfare reform, state policy choices will play a key role.

State Variations in TANF Policies

States have unprecedented flexibility to design their programs, but they are constrained by federal work requirements and by bureaucratic inertia (Blank 1997b). For example, even though most states had waivers under AFDC, by the mid-1990s, most had not implemented radical reforms.3 Many states did adopt a “Work First” approach as their primary strategy (Holcomb et al 1998). Work First programs use a labor force attachment model that assumes that finding a job and developing work skills through direct experience—rather than participating in education and training—is the best way to move recipients off the rolls.

Five aspects of TANF could increase the work effort of recipients: work requirements, time limits, sanctions, diversion, and earnings “disregards.” In addition, some states provide transitional support services and/or counseling for recipients to increase movement into the work force. Here we discuss the choices states are making.

Work Requirements Recipients must engage in work activities within 24 months of receiving assistance or at the time they are deemed “work ready” (Brown & Golonka 1998). States can set a shorter time period, and more than half have taken this option, with many requiring immediate engagement in work or a work-related activity.

Time Limits Nearly two fifths of states have chosen to follow the federal lifetime limit of 60 months of receipt of cash assistance (Gallagher et al 1998, Brown & Golonka 1998). Another 10 states also terminate benefits at this point, but other state provisions limit assistance before the 5-year mark. For example, while Illinois maintains a 5-year cap of receipt of benefits, it also terminates benefits after 24 months of receipt, not allowing families to reapply for assistance until another 24 months have passed. The adult portion of an Arizona family’s grant is eliminated after 24 months, then the entire grant is stopped after 60 months. Another group

3Most states operated their waivers in a few selected geographic areas of the state. Additionally, with a few exceptions, most of these waivers made fairly limited changes to programs.
of 21 states set time limits shorter than 60 months, ranging from 21 months in Connecticut to 48 months in Delaware, Florida, and Georgia. Three states have not established strict lifetime limits, and some states have variable time limits for recipients based on their characteristics (such as education level) or the region of the state in which they reside.

**Sanctions**  Like JOBS, PRWORA stipulates that states must sanction recipients who fail to comply with program requirements (Gallagher et al 1998). Many states have increased the severity of these sanctions: 36 states terminate benefits entirely, either at the initial point of noncompliance or after a period of noncompliance. Seven of these use “lifetime” sanctions against recipients who are in continued noncompliance—in effect, such sanctions function no differently from the time limit, but recipients may face them much sooner and they may end up affecting more families than time limits.

**Diversion**  Some states have intensified efforts to divert applicants from receiving cash welfare in the first place (Maloy et al 1998). This practice, called diversion, may be accomplished through: (1) providing one-time financial assistance, (2) requiring mandatory job search as a condition of eligibility, and/or (3) linking applicants to other services or resources. Three fifths of states use diversion activities, with lump sum payments and/or mandatory upfront job search being the most common. If an applicant accepts a lump sum payment, she faces a subsequent period of ineligibility. Mandatory job search prior to eligibility seeks to divert more job-ready applicants directly into the labor market. Referring applicants to other services in lieu of cash benefits is driven by beliefs that cash assistance should be a last resort and that services provide a better way of promoting work. According to Besharov (1999), the use of diversion in New York City’s “Jobs Centers” reduced enrollment rates of welfare applicants from about 50% to 30%.

**Earned Income Disregards**  Prior to PROWRA, only a small portion of recipients’ earnings were not counted, or “disregarded,” when calculating benefits. After 4 months of work, recipients could expect a nearly dollar-for-dollar reduction in benefits for every dollar earned. To promote work, a number of states expanded this “earned income disregard,” allowing recipients to keep more of their earnings without it affecting their grant amounts. PRWORA allows states to set their own policy in this area. A few have maintained the old policy, but most have implemented more generous policies. For example, Oregon and Pennsylvania disregard 50% of all earnings, and Connecticut disregards earnings below the poverty level (Gallagher et al 1998).

**Service Delivery**  Welfare reform has changed how services are delivered, the role of the welfare office, and the functions of welfare office staff. This transformation has been labeled as “culture change,” as the function of welfare offices shifts from

The flexibility offered in PRWORA and a trend toward reinventing government by contracting out for services (Osborne & Gaebler 1992) have led a number of states to increasingly privatize parts of the welfare system. Some states would increase the involvement of private agencies, even in the welfare applications process⁴ and other activities traditionally performed by state employees (Pindus et al 1998).

Implementation

Most states have enumerated situations that would exempt families from or grant families extensions to time limits. Under some extension/exemption policies, women who show a “good faith” effort to find work or are ill receive an exemption or extension. Caseworkers now have greater discretion than prior to 1996. Early evidence indicates that many clients have been granted extensions to time limits (Walters 1999). Despite this, caseloads are falling rapidly—by 38% since PRWORA was passed. While in many localities caseloads began to decline in 1994, much of the post-reform decline could result from strict enforcement of sanctions. In Delaware, for example, over two fifths of the caseload had received at least one sanction, and most of the sanctioned group either had their case closed because of continued noncompliance or left the rolls for some other reason. The probability of being sanctioned even within the state, however, varied significantly by local office (Fein & Wang 1999).

How any diversion policy is carried out will be important to know, since clients may be discouraged, rather than diverted, from applying for assistance. In states with upfront job search requirements, little or no assistance during that search may result in clients’ giving up during the application process. Research on the former (Kane 1990, Hagen 1994, Hasenfeld & Weaver 1996, Meyers et al 1998) and current (Seefeldt et al 1998, Seefeldt et al 1999) system indicates that not all welfare staff are able to take on these functions since they were trained primarily to perform eligibility determination and income maintenance work. Finally, the involvement of private agencies in the new welfare system could have far-reaching consequences for clients; for example, because different contractors provide employment-related services in different areas of a state, clients could receive dissimilar services based solely on where they live (Nightingale & Pindus 1997).

Other Policy Changes and Economy

PRWORA was implemented under nearly ideal conditions. A long economic recovery has been underway, and the unemployment rate fell to a 30-year low. Policy changes, most notably the 1993 expansion of the Earned Income Tax Credit (EITC),

⁴ This action was deemed unallowable, though, since PRWORA does not give states the authority to contract out Food Stamp and Medicaid eligibility functions.
have increased the relative attractiveness of work versus nonwork for low-wage single mothers. Some changes in health care such as the Child Health Insurance Program (CHIP) have made health coverage more affordable to some families, thus making jobs that do not provide this coverage more attractive. And because the federal block grant is tied to 1994 funding levels, and welfare enrollments in virtually all states have sharply declined since 1994, states have ample funds to encourage and support recipients as they move from welfare to work. Ellwood (1999) argues that these broader policy changes have decreased the work disincentives that welfare mothers have faced in the past, beyond the change in the penalties within the program. Consider, for instance, the situation of a single mother earning $10,000 (1996 dollars) per year. In 1986, her expected disposable income (after adjusting for taxes, Food Stamps, and work expenses) would have been $10,188, and she might not have had health insurance for her children; in 1996, her expected disposable income would be $14,523 and her children would be eligible for federally subsidized health insurance (Ellwood 1999, pp. 45–46).

**CAN WELFARE RECIPIENTS GET AND KEEP JOBS?**

If these welfare reforms are to both reduce welfare caseloads and improve recipient well-being, then two goals must be met. First, recipients must get jobs and maintain stable employment. Second, recipients eventually need to earn a “living wage.” In this section, we examine what past research tells us about the likelihood that the first goal will be met. We review research on the job stability and economic situations of recipients pre-PRWORA. Then we examine research on recipients’ employment and economic situations post-PRWORA. We also review results from surveys that ask employers about their hiring practices and willingness to hire welfare mothers.

**Job Stability and Economic Well-Being of Recipients Pre-PRWORA**

**Work and Poverty** There is considerable volatility in recipients’ work trajectories, but most can find a job. National longitudinal data show that about half of all AFDC mothers worked at some point while receiving welfare, with work accounting for about one half to two thirds of all welfare exits (Harris 1993, 1996, Pavetti 1993, Cancian et al 1999). Evaluations of welfare demonstrations typically find that most participants get jobs (Hershey & Pavetti 1997, Kalil et al 1998).

Thornton & Hershey 1990). This volatility means that only a minority of recipients establish long-term full-time work patterns. Cancian et al (1999) found that only 13% of women who left AFDC after taking a job worked full-time year-round in first year following their exit, and only 25% worked full-time year-round in year 5. Many of these former recipients remained poor: 55% of those who left were poor in the first year following an exit, and 42% were poor 5 years later.

**Barriers to Stable Employment** For PRWORA to do more than reduce caseloads, the job stability of former welfare recipients must improve. Unfortunately, national surveys provide limited information about the causes of job instability for low-income women. Women with prior work experience, more than 12 years of schooling, and fewer than three children are more likely to remain employed and less likely to return to welfare, but these factors leave much of the instability in recipients’ work patterns unexplained (Harris 1996, Cancian et al 1999).

There is some evidence that job instability is due to physical and mental health problems, substance abuse, family stresses, employer discrimination, violence by a partner, and inappropriate workplace behaviors. Riccio & Freedman (1995) conclude that serious health and personal problems made continuous employment impossible for a substantial minority of participants in a California program: almost 30% had been deferred at some point for a medically verified illness, and 27% had been deferred for a severe family crisis. Health problems accounted for 9–13% of all job losses in programs in New Jersey and Massachusetts (Hershey & Pavetti 1997).

Mothers reporting high levels of parental stresses were less likely to complete training programs (Orthner & Neenan 1996). Raphael (1996) reports that among participants in an employment training program in Chicago, those who dropped out before meeting their educational or employment goals experienced more domestic violence than participants who met their goals.

Berg et al (1991) report that a primary reason participants in a Chicago program lost jobs was that many failed to understand the importance of punctuality and the seriousness of absenteeism, and resented or misunderstood the lines of authority and responsibility in the workplace. They noted that several supervisors seemed to treat workers unfairly and to be impatient or prejudiced. Some supervisors also reported that they suspected workers were abusing drugs or alcohol. Employers may thus discriminate and/or perceive former recipients’ workplace behaviors as inappropriate, and this could increase the risk of job loss among former recipients.

The evidence on these potential barriers from evaluation studies is mainly indirect, and most is based on small, localized studies. To provide more generalized estimates of their prevalence, Olson & Pavetti (1996) analyzed data from the 1991 National Longitudinal Survey of Youth (NLSY) and found that 30% of welfare recipients had one or more of the following problems: mothers’ and children’s poor health, alcohol and drug problems, depression, and low basic skills.
Work Expenses  Edin & Lein’s (1997) pre-reform qualitative study of current and former AFDC recipients emphasizes that the costs associated with going to work outweigh their benefits for many recipients. Most of their respondents could get jobs (83% had some formal work experience), but many had a hard time making ends meet because of increased costs in child care, medical care, transportation, housing, and work clothing. The wages they earned were not sufficient to cover these costs. The women who worked steadily tended to benefit from special circumstances, including co-residence with relatives or boyfriends, free child care provided by relatives or friends, receipt of regular and substantial child support, and access to transportation.

How Much More Can They Work?  Welfare mothers in the post-reform era face a radically different set of incentives and penalties for working than did AFDC mothers. One way to predict recipients’ future work effort under TANF is to examine the work effort of women with similar characteristics (race and ethnicity, education, basic skills, family characteristics) who did not receive welfare (Pavetti 1999). Using the NLSY, Pavetti (1999) tracked employment paths of comparable women as they age from 18 to 27 years old and found that “women on welfare would work 30% more if their employment paths matched those of similar women who did not receive welfare.” Although this increase is substantial, many recipients would still experience considerable joblessness; Pavetti predicts that only 61% would be steadily employed by age 27. This estimate could even be too high, as welfare mothers tend to have unmeasured barriers to work. The estimate, however, could be too low, as economic changes and policy changes (e.g. EITC) increased the availability of work and attractiveness of work since the mid-1990s.

Welfare, Work, and Economic Well-Being Post-PRWORA

Studies of welfare mothers’ work behaviors after August 1996 provide initial evidence on the consequences of welfare reform. Researchers have analyzed several kinds of data: caseload data, the Current Population Surveys (CPS), state leavers studies, state time-limit studies, and surveys of TANF recipients.

Caseload Data and CPS Analyses  On two criteria, PRWORA is a success to date across the states. Caseloads are down, and employment of welfare mothers is up. Prior to 1996, more than half of the states had instituted work requirements for some portion of the welfare caseload under the JOBS program, and 31 states had received waivers to experiment with time limits. Between FY 1994 and FY 1996, the average AFDC caseload dropped by 14%. After PRWORA was passed, between August 1996 and June 1998, caseloads declined by 35%. As stated above, by March of 1999, there were only 7.3 million recipients in the program (US Department of Health and Human Services, Administration for Children and Families 1999).
Using Current Population Survey data (CPS), Rolston (1999) examined employment rates of recipients pre- and post-PRWORA. Thirty-four percent of women who had received welfare in 1996 were employed in 1997. Only 20% of women who had received welfare in 1992 were employed in 1993. O’Neill (1999), using CPS data, found that employment rates of unmarried single mothers increased from 58.5% in March 1994 to 69.2% in 1998.

But how much is the policy change versus the economic boom responsible for these caseload reductions and employment increases? Analysts who have used annual administrative data to assess the impact of economic conditions on caseload reductions between 1994 to 1996 typically find that declines in unemployment rates accounted for about one third to one half of the caseload reductions (Blank 1997c, Council of Economic Advisors 1997, Figlio & Ziliak 1999, Levine & Whitmore 1998, Wallace & Blank 1999, Ziliak et al 1997). But when Wallace & Blank (1999) used different model specifications and examined monthly caseload reductions over a longer period, 1994 to 1998, they found that declines in unemployment rates accounted for 8–12% of caseload reductions.

Evidence on changes in income and well-being following welfare reform is also mixed. On the positive side, CPS data indicate that the number of people in female-headed families whose pre-welfare incomes were below the poverty line fell by 5.4% (0.8 million people) between 1995 and 1997 (Primus 1999). On the negative side, caseload declines over this period far exceeded declines in poverty: the number of people receiving TANF/AFDC benefits dropped by 22.6% (3.0 million people). According to Primus et al (1999), the average disposable income of the poorest 20% of single mothers fell by 7.6%, and the average disposable income of the poorest 10% fell by 15.2%.

While it is tempting to attribute much of the employment and earnings growth to welfare reform, the research indicates that the booming economy and other policy reforms have also changed the work context of welfare mothers. Future studies need to assess the independent effects of each of these factors on recipients’ employment. If the strong economy played the largest role in promoting the observed increases in employment, then employment rates of recipients may decline during the next recession (Danziger 1999).

Results from State-Based Leavers Studies  Most states have begun studies of “leavers,” i.e. families who have left welfare or who have been sanctioned post-PRWORA. These studies provide preliminary evidence about employment and well-being that are consistent across studies and with the CPS data (Brauner & Loprest 1999). Combining sanctioned and nonsanctioned leavers, point-in-time employment rates range from 51% to 69%. “Durational estimates” (i.e. the percentage of leavers who worked at any time during a given period following a welfare exit) yield employment rates of 68–88% during the year after an exit. According to Tweedie et al (1999), the work rate is 5–10% higher than for recipients who left welfare for jobs under AFDC.
State TANF studies, like earlier AFDC studies, indicate that most recipients can find a job. Why someone leaves welfare, however, is strongly associated with subsequent employment status. Sanctioned recipients were not as likely to be employed as were other leavers: their rates of employment ranged from 20% to 50%.

Several states gathered data on leavers’ hours of work, occupations, and economic circumstances. Over half of employed leavers worked 30 or more hours per week, but most were not earning enough to lift their families out of poverty (Brauner & Loprest 1999). Leavers were disproportionately employed in service and sales occupations and in occupations with low median wages. Leavers’ economic well-being varied substantially across the states, reflecting in part state benefit levels and earnings disregards. Former recipients’ average annual income increased after leaving TANF in states with generous benefits and disregards, but did not change in states with low benefits and standard disregards (Rolston 1999).

A few studies examined economic strain, but many of these studies suffer from poor response rates and may have missed families in the worst shape. In Wisconsin and South Carolina, over 50% of leavers claim to be “just getting by” (Brauner & Loprest 1999). In three states, over a third of leavers reported problems providing enough food for their families, and three out of five studies reported that a third or more of respondents had problems paying rent or utility bills (Brauner & Loprest 1999). In one study, former recipients were significantly more likely to report falling behind in house payments and not having enough money to buy food or pay for child care than when they received cash assistance. A concern has been raised that some families who are leaving or being diverted from welfare may also not be receiving Food Stamps and Medicaid even though they continue to be eligible (Primus et al 1999).

Results from Time-Limit Studies State “leaver” studies primarily describe recipients who left the welfare rolls prior to time limits’ taking effect, including both sanctioned recipients and those who left for income or other reasons. However, they provide little or no information about the work and economic situations of recipients who reach time limits. Several states obtained waivers from the federal government to institute and evaluate time-limited welfare programs prior to 1996, and early data on families who reach time limits are now available. These policies and practices differ widely across states and make comparisons difficult. For example, in Escambia County, Florida, nearly everyone who reached the time limit had her or his grant entirely canceled, whereas one half of those who reached Connecticut’s time limit have received at least one 6-month extension (Bloom 1999).

One goal of time limits was to spur recipients toward self-sufficiency early on so that many would leave welfare before time limits took effect. Employment rates (relative to a control group) increased, and welfare receipt decreased in most time-limit waiver programs before recipients had reached the time limits, but it is not
clear whether time limits caused these impacts (Bloom 1999). The Connecticut and Florida evaluations surveyed the well-being of families who reached the time limits and had their benefits canceled. There is both good news and bad news in these data. First, employment status pre- and post-time limits was comparable: those who were employed (or unemployed) in the last month before the time limit were generally employed (unemployed) 6-months later (Bloom 1999). In addition, for the most part, material hardship did not increase when benefits ended, and most respondents did not report severe deprivation either before or after benefits ended (Bloom 1999).

However, 6 months after the time limit, about 21% of respondents reported that in the prior month, they had often “relied on low-cost food to feed the children because I was running out of money.” In contrast, only about 14% said that this had often been true during their last month on welfare. A number of people stopped receiving Food Stamps after the time limit even though they were not employed, perhaps because they incorrectly believed that the time limit applied to their Food Stamp benefits. Future studies will need to monitor over longer time periods the material well-being of families who reach time limits and the strategies they employ to make ends meet.

**Surveys of TANF Recipients**

Many of the studies just reviewed have little or no data on potential barriers to employment such as poor health, psychological dysfunction, substance dependence, and domestic violence. Several new surveys collect data on a wider range of recipient characteristics. These include the National Survey of American Families (NSAF) of The Urban Institute, the Women’s Employment Survey (WES) of the University of Michigan, The Impact Study of the Manpower Demonstration Research Corporation’s Urban Change Project; and the survey component of the Welfare, Children, and Families’ Multi Cities Project of Johns Hopkins University. Preliminary findings are available from the first waves of the NSAF and the WES.5

In both studies, the descriptions of recipients’ employment and economic situations are consistent with results from the leavers studies. In the NSAF, 61% of women who left welfare between 1995 and 1997 were employed. In WES, 58% of women who were on the welfare rolls in February 1997 were employed 20 or more hours per week by Fall 1997 and 62% by Fall 1998. In both samples, a majority of employed recipients worked full-time; disproportionate proportions of recipients worked in service or sales occupations; and a majority of employed recipients

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5The Urban Institute’s NSAF conducted telephone interviews with a nationally representative sample of 40,000 families in 1997 (Loprest 1999). Their response rate was 70%. A new sample be interviewed in 1999. The NSAF collected detailed information on the health, economic, and social characteristics of respondents. The University of Michigan WES surveyed 753 women who represent a random sample of single mothers who received welfare in an urban Michigan county in February 1997. Women were interviewed in Fall 1997, Fall 1998, and Winter 2000. Response rates were 86% for wave 1, 92% for wave 2, and 91% for wave 3.
did not receive employer-provided health insurance (Loprest 1999, Danziger et al 2000a, Danziger et al 2000b). In WES, one third of respondents interviewed in Fall 1998 reported experiencing one or more of the following hardships in the past year: not enough food, eviction, homelessness, and utility cutoff (Danziger et al. 2000b).

Danziger et al (2000a) examined a much wider range of potential barriers to work than have previous researchers. They report that recipients have unusually high levels of physical and mental health problems, domestic violence, and lack of transportation, but relatively low levels of barriers such as drug or alcohol dependence and lack of understanding of work norms; that most recipients have multiple barriers; and that the number of barriers is strongly and negatively associated with employment status. In a multiple regression model that included 14 potential barriers to work, plus a set of demographics, the following variables were negatively associated with employment: residence in a nonurban census tract, age less than 25 years, presence of a child aged 2 or less, no high school diploma, low work experience, knowing fewer than four job skills, perceiving discrimination at work in the past, lack of transportation, meeting the diagnostic criteria for major depression and drug dependence, and having a health problem. These results suggest that low skills are only part of the reason recipients find it difficult to get and keep jobs.

Will Employers Hire and Keep Welfare Recipients?

Another way to assess recipients’ economic prospects is to examine the demand-side of the labor market—i.e. to ask employers what qualities they require of new hires, and to assess how well TANF recipients’ skills and credentials match up with employers’ demands. Several surveys have interviewed employers about these issues.

Skills  Holzer (1996) surveyed 3200 urban employers about entry-level jobs available to workers without a college degree. The typical job required workers to perform several of the following tasks on a daily basis: reading paragraphs, writing paragraphs, arithmetic, dealing with customers, and using a computer. About 75% of entry-level jobs required high school diploma, general experience, and references; 65% required specific experience; 40% required training; and over 50% required applicants to pass a test.

There is a large gap between the skills that employers demand and those welfare recipients can offer. Seventy percent of long-term welfare recipients score in the bottom quartile of the Armed Forces Qualification Test (AFQT) (Burtless 1995). Many recipients have low literacy levels. Welfare recipients aged 17–21 read, on average, at the sixth-grade level (Barton & Jenkins 1995). The National Adult Literacy Survey (NALS) categorizes individuals into one of five literacy levels. Individuals at level 1 are able to do very simple tasks, such as totaling a
bank deposit slip, but are unable to do level 2 tasks such as locating an intersection on a street map. Individuals at level 2 are unable to perform higher order tasks such as using a bus schedule or using a calculator to determine a 10% discount. About 76% of recipients score at levels 1 or 2. In contrast, more than two thirds of workers score at levels 3 or above (Levenson et al 1999). Many welfare mothers also lack the credentials required by employers. About half of welfare recipients lack a high school diploma or a GED, 10–30% have only a grade school education, and few report recent work experience (Harris 1993, 1996, Olson & Pavetti 1996).

**Location** Skills mismatch is not the only problem recipients face in looking for work. Spatial mismatch is also an issue; Holzer (1996) estimates that about 60% of jobs potentially available to recipients are located in the suburbs, but the majority of recipients live in cities. Holzer & Danziger (1998) conducted simulations that matched workers to jobs on the basis of skill, location, and racial characteristics. They found that the lack of job availability for welfare recipients was nearly three times that of women in general. Levenson et al (1999) compared recipients’ basic skills to occupational skill requirements and concluded that the economy would have to create 6% more jobs with very low basic skills to fully employ all welfare mothers. Cities with large TANF caseloads (e.g. Los Angeles, Washington, DC, Newark) will have to increase the number of jobs with very low basic skills by more than 20%.

Despite the skills and spatial mismatch, many employers, when asked directly, state they would be willing to hire welfare recipients. Regenstein et al (1998) report that most employers in a national survey express a willingness to hire TANF recipients. Holzer (1999a), reporting on surveys with 900 employers in three Michigan metropolitan areas, found that employers claim they are willing to fill 3% of their jobs right away with unskilled TANF recipients and up to 9% over the course of the next year. This is more than the number of household heads expected to be pushed into the labor force under welfare reform. However, Holzer cautions that whether recipients actually get these jobs will depend upon the skills and qualifications of competing applicants, whether jobs are accessible, and whether the current favorable economic conditions hold. Holzer (1999b) also shows that the employment of low-skill workers is very sensitive to economic conditions.

Finally, poor job quality characterizes the labor market that welfare recipients face. Many of the entry-level jobs available to them are low paid, offer few benefits, and involve part-time and unstable work. Two thirds of employers in a national survey report their entry-level employees earn an average of $6.00 or less per hour (Regenstein et al 1998). Although nearly half of employers offer health benefits, most do so after a lengthy waiting period, and 25% offer no benefits (health, paid sick leave, or paid vacation). Almost half of jobs provide only part-time work and, on average, entry-level employees leave their jobs within a year.
DO WAGES GROW ENOUGH TO ACHIEVE SELF-SUFFICIENCY?

Work has increased among recipients since welfare reform, but most women who leave welfare take low-wage, unstable jobs that offer few benefits; a large minority of leavers work part-time; and many have low incomes and experience material hardships. The hope is that if recipients work regularly, they will eventually move on to higher earnings. According to Bonilla (1995), “[A] job, most any job, has shown itself capable of generating the earnings growth which will make welfare reform a reality.” Holcomb et al (1998, p. 13) sum up this reasoning as follows: “the underlying philosophy of these TANF programs begins with the expectation that most recipients are capable of finding work and assume the best way to succeed in the labor market is to join it. It is believed that job advancement and higher wages will come from the experience of working . . . . Hence, employment is both the goal and the expectation even if the only jobs that can be obtained pay low wages and lack benefits.”

Many argue that this perspective is overly optimistic, that many recipients have very low skills and have access only to low-wage, dead-end jobs that offer few promotion opportunities and do not provide the training and work experience necessary to secure better paid jobs. According to Burtless (1995, p. 100): “The earnings capacity of most women who receive welfare is extremely low, and it rises only slowly with age.”

These conflicting views about the future economic prospects of welfare recipients have different implications for the design of welfare programs. If recipients’ wages grow as they acquire work experience, then time limits and short-term transitional support services will be sufficient to enable recipients to escape poverty. If recipients remain stuck in low-wage, dead-end jobs, then, when the mandated time limits are reached, many ex-recipients and their children will remain poor. Long-term supportive policies and/or policies to upgrade recipients’ skills (wage subsidies, child care, guaranteed health care, training and education programs) may be required to enable ex-recipients and their children to become self-sufficient.

There are several reasons to believe that wages will grow for recipients under the new welfare regime. The costs of not working are now much higher given sanctions and time limits. And many states are providing more supports for TANF recipients who work, including reimbursement for some work-related expenses, such as child care expenses and transportation and transitional health insurance. These sanctions and supports should increase work incentives, and as recipients work more over time, they should acquire work experience and enhanced skills and should learn about appropriate workplace behaviors. Work may also improve psychological functioning (e.g. less depression, increased self-efficacy), may reduce stresses, may enable women to leave abusive partners, and may motivate women to seek additional schooling. These changes, in turn, could lead to better jobs and higher wages.
There are also reasons to expect that wages of welfare mothers will be flat over time. As we discussed earlier, many recipients are high school dropouts, lack basic skills, and have little or no work experience. In the 1980s, the wages and benefits associated with entry-level, low-skill jobs declined, and it became increasingly difficult for low-skilled workers to earn enough to support a family at or above the poverty line (Blank 1995, 1997, Danziger & Gottschalk 1995, Wilson 1987, 1996, Holzer 1996). Blank (1995, p. 63) speculates that “changes in the U.S. labor market are not leading to the elimination of jobs for low skilled workers but to the reconfiguration of those jobs into lower-paid positions that provide fewer opportunities for advancement.”


If TANF recipients’ wage growth follows the pattern of the typical woman, and if welfare reform leads recipients to acquire more work experience, especially full-time experience, and to have fewer and shorter periods of nonwork, then the expectation that “job advancement and higher wages will come from the experience of working” may be fulfilled.

But there are some theoretical reasons to suspect that welfare recipients have very different patterns of wage growth compared with the average woman. Recipients have lower skills, and may be less able to benefit from on-the-job training, and more likely to be relegated to jobs that provide little or no training, than the average worker. The experimental evaluation literature suggests that some recipients are not “work-ready,” i.e. do not know appropriate workplace behaviors; this may interfere with investments in on-the-job training. And, as we noted earlier, many TANF recipients have health and mental health problems that may make it difficult for them to keep jobs and to benefit from on-the-job training. Finally, employers may stigmatize recipients, i.e. may label them as “irresponsible” and “shiftless,” and may assign them to jobs that provide few training opportunities (Browne & Kennelly 1999). In the WES study, about 20% of welfare recipients reported having experienced prior employment discrimination because of their welfare status (M Corcoran, CM Heflin, J Levine, unpublished observations).

Below we review studies on the potential wage and earnings trajectories of TANF recipients as they move from welfare to work. We first review earlier studies that track how AFDC recipients’ wages and earnings grew with age. These provide estimates of how much TANF recipients’ wages might be expected to grow if they worked at the same rate and in the same kinds of jobs that AFDC recipients did in the past (Connolly & Gottschalk 1999). These studies likely underestimate expected wage growth with age for TANF recipients given the new sanctions and
welfare rules. If welfare reform increases work effort among recipients, then their wages may grow faster over time than did those of AFDC recipients. We next review analyses of how much wages grow per year of work experience for AFDC recipients and low-skilled workers.

Rates of Wage Growth with Age

Moffitt & Rangarajan (1989) were among the first to track how AFDC recipients' wages grew over time. They drew a sample of women who were single mothers in at least 1 year between 1968 to 1983 from the Panel Study of Income Dynamics (PSID). Although recent AFDC participation was associated with lower wages, AFDC recipients and nonrecipients had relatively similar rates of wage growth with age (Table 6.4, p. 130). Moffitt and Rangarajan reported that single mothers' wages grew slowly with age, at an average rate of about 2% per year (Connolly & Gottschalk 1999). This is not surprising since many single mothers did not work every year, and many who did worked part-time when they did work. Thus, the rate at which single mothers' wages grew with age likely understates the extent to which their wages would grow with continuous, full-time work experience.

Burtless (1995) used the National Longitudinal Survey of Youth (NLSY) to compare wage growth with age for women who received AFDC (recipients) and those not receiving AFDC (nonrecipients) between 1979 and 1981. Wage growth with age averaged about 4.8% per year in subsequent years for nonrecipients and less than 1% per year for recipients. Burtless also focused on women with skills similar to those of recipients—high school dropouts and women with low cognitive test scores; they, like recipients, also experienced minimal wage growth. This suggests that many welfare mothers may never earn their way out of poverty.

Harris (1996) reports that earnings remained in the $5 to $7 an hour range for most women in the first years after leaving AFDC. Pavetti & Acs (1997) report that only 13% of women who ever received AFDC between the ages 18 of 27 were working full-time at a job that paid a “living wage” (at least $8 per hour) by age 27. Cancian et al (1999) report that median wages for women leaving AFDC grew from $6.36 in the first year to $6.73 in the fifth year.

None of these studies actually calculated how much recipients’ wages grew per year of work experience. Burtless (1995) and Cancian et al (1999) estimated median wage growth in each year only for women employed in that year. Moffitt & Rangarajan (1989) regressed log earnings on age and age-squared, not on experience. But AFDC recipients were less likely to be employed in any given year than were nonrecipients. According to Burtless (1995), the vast majority of nonrecipients (80–90%), but only 45–65% of the recipients, worked in any given year. Cancian et al (1999) reported that only 5% of AFDC leavers worked full-time, full-year during all the 5 years after leaving AFDC. Because recipients worked in fewer years, their lower rate of wage growth with age could mean either that (a) recipients acquired less experience and spent more time out of the labor force than nonrecipients, or (b) recipients’ wages grew slowly, if at all, with work experience.
Wage Growth with Work Experience

Several analysts have directly estimated the extent to which wages grow with work experience for welfare recipients. Acs (1990) used the NLSY to estimate change models of wage growth with work experience between 1979 and 1986 for women aged 17 to 22 years in 1979. Average rates of wage growth per year of full-time work experience were virtually identical for women who never received AFDC between 1979 to 1986 and welfare recipients—about 3.3% per year. But wages of recipients grew much less overall between 1979 and 1986 (5% versus 16%), largely because recipients acquired only half as much experience as did nonrecipients. This suggests that the low rates of wage growth with age for recipients reported by Burtless were due to spending fewer years working and not to lower wage returns to work experience.

Lin (1999) estimated wage change models over a 19-year period, using PSID samples of women between the ages of 18 and 37 in 1973 who were single mothers during at least 1 year between 1973 and 1992. Like Acs (1990), she found little difference in rates of wage growth per year of full-time work experience between recipients and nonrecipients. Rates of wage growth ranged from 4% to 5% for the first observed year of full-time work experience; wages grew more slowly when experience was part-time, and wages dropped by about 4% per year of nonwork (Lin 1999). Rates of wage growth per year of part-time work experience were lower for recipients than for nonrecipients, but this difference was not significant.

Loeb & Corcoran (1999) used the 1979 to 1993 waves of the NLSY to examine wage growth after age 18 years for recipients and nonrecipients using three different specifications: a pooled cross-section, a first-difference analysis, and a between analysis, in which the outcome measure was the average wage change for each individual. They report that wage growth averaged about 6% per year of work for nonrecipients, recipients, short-term recipients, and long-term recipients and that wage growth was slower when work experience was part-time. Average wage growth per year worked was also large for low-skilled workers—6% per year for high school dropouts and high school graduates and 5% per year for women with low cognitive test scores (one standard deviation below the mean on the Armed Forces Qualifying Test, AFQT).

Gladden & Taber (1998) used the NLSY to estimate models of wage growth in the first 12 years after school completion for men and women with 12 or fewer completed years of schooling. They reported that returns to a year of work experience ranged from 3.6% to 6.8% for women and did not vary significantly by number of years of school completed. They further reported that welfare recipients appeared to have higher returns-to-work experience than did other women.

Connolly & Gottschalk (1999) used the data from the Survey of Income and Program Participation (SIPP) to estimate separate wage growth models for women by levels of schooling. Relative to other education groups, white high school
dropouts have below-average wage growth, but nonwhite high school dropouts have above-average wage growth, largely because of wage gains associated with job changes.

With the exception of Connolly & Gottschalk (1999), there is consistency across these studies. Average rates of wage growth per year of work for recipients ranged from 3% to 7%, and average rates of returns per full-time year of work ranged from 3% to 8% per year. There is little evidence that returns to work experience differ for women who have received AFDC and for women who have not. Returns to work experience were also substantial for women with low skills—high school dropouts and women with low test scores. Welfare recipients’ low rates of wage growth with age appear to be due to their meager work experience and not to lower returns to work experience.

There are several caveats here. One is that workers who spent more time working might have had higher wages regardless of experience. This could lead analysts to overestimate wage returns to experience. Acs (1990), Lin (1999), and Loeb & Corcoran (1999) deal with this by estimating difference (wage change) equations. Gladden & Taber (1998) and Connolly & Gottschalk (1999) deal with this by instrumenting experience.

Another problem concerns the endogeneity of the work experience in the wage change regressions. Women are likely to work more if they know that this work will lead to wage growth, and are likely to work less if they expect little wage growth. This within-individual variation in expected wage growth could inflate estimates of how much wages will grow with experience. Loeb & Corcoran (1999) dealt with this by estimating a between-analysis in which the dependent variable was the average wage change for individuals with 5 or fewer years of work experience.

The most serious issue is selection bias. Most of these studies use wage-change models and require that recipients have worked during at least 2 years. It is plausible that recipients who either did not work at all or worked only 1 year would have had the lowest wages and wage growth had they been working. Most of the authors reviewed here adjust for selection bias using the Heckman (1979) procedure, but selection bias may still pose a problem if the instruments used are weak ones.

These studies suggest that work experience will pay off for TANF recipients and ex-recipients if they are able to sustain full-time year-round work. Evidence on the extent of work among recipients is less encouraging because both the national longitudinal analyses of welfare-to-work transitions and evaluations of the welfare-to-work demonstrations suggested that many recipients had sporadic work patterns in the years after leaving AFDC and that few recipients worked full-time year-round on a long-term basis. Cancian et al (1999), for instance, report

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6Connolly & Gottschalk’s (1999) results could differ for a variety of reasons. They used SIPP data; they examined wage growth over a shorter period than did other authors; their model specifications differed.
that only 25 percent of recipients were working full-time year-round 5 years after they left AFDC. According to employer surveys, about half of the jobs available to recipients offer only part-time work. Advocates of the new welfare-to-work programs assume that part-time work will enable recipients to make the transition from not working to full-time employment. But when Blank (1998) used the PSID to analyze women’s transitions between part-time work, nonemployment, and full-time work, she concluded that part-time work “is only infrequently used as a steppingstone to full-time work by women who are out of labor market.”

Since PRWORA, welfare reform provides both carrots and sticks to encourage greater work effort. Time limits and sanctions are the sticks, while earned income disregards, transitional services, and work supports (subsidies for child-care and transportation costs, transitional health insurance, counseling and support services, EITCs) are the carrots. Pavetti (1999) predicts that if the new incentives lead recipients to work as much as did women with similar schooling, test scores, and family circumstances who never received welfare, then as many as 61% of recipients may be working regularly by age 27. This prediction is probably too optimistic, as recipients face a number of potential barriers to employment that Pavetti’s prediction did not consider—health problems, mental health problems, substance abuse, perceived discrimination, few work skills, poor work norms, and other barriers (Danziger et al 2000a). Prospects for eventually earning a living wage surely differ across recipients. Those with few barriers to work may do very well, whereas those who face multiple barriers to work are unlikely to work steadily.

SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS

Welfare reform has changed the employment context facing welfare applicants. First, recipients are required to work or to participate in work activities as a condition of receiving assistance. This focus on work will increase over time both because a larger proportion of cases will bump up against time limits and because the federally mandated work participation requirements increase with each year. Second, because states have considerable leeway in designing their TANF programs, there is great diversity across states in work requirements, time limits, sanctions, diversions, and earned income disregard policies. As a result, work incentives, the “hassles” associated with enrolling in welfare, and penalties for nonwork vary considerably by state. Implementation practices also differ within and across states leading to even more variation in the work-related “carrots” and “sticks.”

In addition, a strong economy and expansion of federal assistance for the working poor affect the work choices of welfare mothers. It is easier for low-skilled workers to get jobs when unemployment rates are low. Expansion of the EITC, child care subsidies, and the availability of Medicaid have increased the payoffs to work versus nonwork for low-skilled workers.
It is not surprising, given all these changes, that welfare caseloads have fallen dramatically and that employment rates of single mothers have increased since the mid-1990s. Studies of welfare leavers show that the majority are employed, and that most employed leavers work full-time. Leavers’ employment status varies significantly by their reason for leaving—sanctioned recipients are much less likely to be employed than are other leavers.

When welfare reform was passed, critics warned that child poverty, homelessness, and child neglect could rise precipitously. This has not yet happened—though it is unclear how welfare reform will affect child poverty when the economy goes through a downturn or when the “hard core” welfare cases bump up against time limits. There are also some disturbing patterns. Primus et al (1999) show that the disposable income of the very poorest female-headed families decreased between 1995 and 1997.

Almost all partisans in the welfare debate predicted that recipients would initially work at low-skilled, poorly paid jobs. This seems correct. About two thirds of the jobs available to recipients pay $6.00 or less per hour, many do not provide health benefits, and about half involve part-time work. The average wages of welfare leavers tend to be low, and many do not yet have employer-sponsored health care benefits.

The current research leaves much unanswered because it has only been 3 years since PRWORA became law. One set of questions concerns the causes of decreased caseloads and increased employment and earnings of welfare recipients and single mothers. How much of these improvements are due to welfare reform, to an improved economy, or to federal policies designed to “make work pay” (e.g. EITC, expansion of Medicaid)? What will happen when there is an economic downturn?

Another set of questions focuses on state policies. How much do welfare recipients’ work and economic outcomes vary across states? How much of this variation is due to differences in state policies or implementation practices? What proportion of applicants are diverted from enrolling on welfare, and how are these diverted applicants faring? Are work requirements, anticipation of time limits, or sanctions the primary reason state welfare rolls are falling and single mothers’ employment is up?

A third set of questions focuses on potential barriers to employment. Many welfare recipients have very low skills and low levels of literacy—even relative to women with the same levels of schooling who do not receive welfare. Danziger et al (2000a) report that recipients have high levels of other barriers to work, such as poor physical health, mental health problems, children with health problems, lack of transportation, and domestic violence problems. In addition, a majority of recipients possess multiple barriers, and the number of barriers is strongly associated with employment. Considerably more research is needed to identify the long-term possibly reciprocal relationships between work and well-being, especially in such domains as maternal and child physical and mental health, and domestic abuse.
The most important unanswered questions have to do with the long-term impacts of welfare reform. We have seen that more recipients are getting jobs when the national unemployment rate is below 5%. Will this persist when the economy falls into a recession? Even in a favorable economy, will recipients be able to sustain steady employment and move out of poorly paid jobs and into better paying jobs? Answers await further study and experience under PRWORA.

On the positive side, several studies show that when AFDC recipients, high school dropouts, and women with low test scores work full-time on a steady basis, their average wages grow with experience. This suggests that if recipients have the supports they need to maintain steady employment, their wages might grow over time and foster self-sufficiency. Future studies will need to take into account the effect of the wide variation in welfare programs and services that women are exposed to in this post-reform era.

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