

**Failing the Transition from Welfare to Work:  
Women Chronically Disconnected from Work and Cash Welfare <sup>1</sup>**

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**September 2005. To appear in Social Science Quarterly in 2006**

## **Failing the Transition from Welfare to Work: Women Chronically Disconnected from Employment and Cash Welfare<sup>1</sup>**

### *Overview*

The 1996 Personal Responsibility and Work Reconciliation Act (PRWORA) replaced the Aid to Families with Dependent Children program, which had provided an entitlement to cash assistance for poor families with children, with the Temporary Assistance to Needy Families (TANF) program. TANF includes work requirements and places time limits on receipt of cash assistance. The law's supporters assumed that if welfare agencies strictly applied work requirements, many recipients would quickly move from welfare to work. In contrast, the law's critics thought that because many recipients lacked the labor market skills and experiences that employers were demanding or lacked access to locations where employers were hiring, many would not find stable work (e.g., Danziger and Lehman, 1996; Holzer, 1998). Some policy analysts predicted that the law would lead to a substantial rise in child poverty (Edelman, 1997).

In retrospect, it is clear that the critics were too pessimistic about the employment prospects of welfare mothers, as employment among single mothers increased substantially after welfare reform. This occurred in part because the economy boomed in the late-1990s and unemployment rates fell to levels not seen since the late-1960s, in part because welfare reform greatly increased job search behavior, and in part because public policy changes within and outside of welfare increased the economic payoff to leaving cash assistance for employment (Ellwood, 2000; Danziger et al., 2002; Danziger and Wang, 2005).

Among single mothers who completed no more than a high school degree, the percentage who worked at some time during a calendar year fluctuated in a narrow range between 1975 and 1995 (authors' computations from annual March Current Population Survey data). The highest

annual employment rate during these two decades, 66.7 percent, was in 1979, a business cycle peak; the lowest, 59.6 percent, occurred in both 1982 and 1993, two recessionary years. In the short period between 1996 and 2000, the employment rate of such single mothers increased rapidly from 68.3 to 78.0 percent, then fell to 71.8 percent in 2003, the last year for which CPS data are currently available. Thus, despite the recent recession, the annual employment rate of less-educated single mothers was higher in 2003 than it had been in any year between 1975 and 1997.

PRWORA's critics were correct, however, when they suggested that some welfare recipients would fail to secure stable employment. Under the new welfare rules, it is more difficult for women who have left welfare for work to return to cash assistance when they lose jobs and it is more difficult for those who cannot find jobs to remain on the rolls. As a result, a small, but growing, proportion of former recipients have failed to make a successful transition from cash assistance to work.<sup>2</sup> Among single mothers who completed no more than a high school degree, the percentage who received no wages and no cash assistance during an entire calendar year fluctuated in a narrow range between 11 and 15 percent in every year between 1975 and 1995. Following welfare reform and the recent recession, there was an increase in the extent of no work and no welfare receipt for such women to about 20 percent in 2002 and 2003 (authors' computations from March Current Population Survey data). This recession, like previous ones, increased the percentage without earnings; but, because of welfare reform, fewer of these women than during prior recessions entered or returned to the cash welfare caseload.

Several recent studies have noted the growing number of single mothers who have not made a successful transition from welfare to work (Loprest, 2002; Brock et al., 2002; Wood and Rangarjan, 2003; Acs and Loprest, 2004). They show that an increasing proportion of former

welfare recipients have become “disconnected” from employment, cash welfare, and other sources of economic support (such as unemployment insurance, disability income and the earnings of other household members).

In this paper, we add to those studies by examining the extent to which this “disconnection” persists for longer periods of time. Using a unique data set that followed a panel of single mothers from 1997 to 2003, a longer period than that of any other post-welfare reform study, we develop a measure of being chronically disconnected from work and cash welfare. Like previous studies, we find that a small, but increasing percentage of former welfare recipients were disconnected at each successive wave over the study period. We find that most single mothers experience a spell of being disconnected at some point during the panel, but that a small group are disconnected for long periods of time and have multiple spells during the study period. We also analyze the correlates of being chronically disconnected from work and cash assistance and find that these women are more disadvantaged than other respondent on several fronts. We conclude by discussing how state welfare agencies might do a better job providing services to recipients who are at high risk of becoming chronically disconnected.

### *Previous Studies*

Many studies conducted prior to welfare reform documented that some welfare mothers cycled on and off welfare repeatedly (e.g., Bane and Ellwood, 1983; Ellwood, 1986; Pavetti, 1993, 1995; Harris, 1996; Gittleman, 2001). Little attention was given to the issue of being without both wages and cash assistance because single mothers were entitled to return to welfare whenever their income was below a state’s eligibility limit. After welfare reform, most recipients must find employment or engage in work-related activities within a short period of entering welfare. States must sanction or penalize recipients who fail to meet these and other

requirements. In most states, a sanction results in the termination of cash assistance, either immediately or after a specified period of time (Seefeldt, 2002). As a result, it is now more difficult for recipients to remain on the rolls even if they can not find steady employment and more difficult for them to return to cash assistance when they lose a job.

Welfare reform has also changed and complicated the way services are provided. For example, many state welfare agencies rely on community-based organizations and other contractors to provide employment-related services. In some instances, coordination difficulties caused some clients to lose benefits and/or not to receive services (Martinson and Holcomb, 2002). Returning to welfare is more difficult, as some states implemented complex eligibility requirements, including job search as a condition of eligibility or other processes that increase the number of agency visits or other steps a potential client has to complete in order to receive assistance (Martinson and Holcomb, 2002).

Some recipients are more likely to have trouble responding differently to these policy changes than the typical recipient. For example, there is a high prevalence of various barriers to employment among recipients, such as low education, experiences of domestic violence, and physical health and mental health problems (Danziger, et. al, 2000). Some of these barriers may contribute to loss of welfare benefits and/or employment and/or hinder former recipients' ability to return to welfare. For example, women with low education levels or literacy problems may not understand complex welfare program rules, putting them at risk for losing benefits through sanctions or administrative case closings. Some barriers, such as health problems, make it difficult for these mothers to find and/or retain jobs (Seefeldt and Orzol, 2005).

Recent studies have documented that a small, but growing, percentage of former recipients have no wages and no cash assistance at a point in time. MDRC's study of Cuyahoga

County (Cleveland) Ohio shows an increase between 1998 and 2001 in the extent of no-work/no-welfare among welfare leavers from 11 to 20 percent (Brock et al., 2002). Loprest (2002) analyzes the National Survey of America's Families (NSAF) and finds that 9.8 percent of former welfare recipients in 1999 and 13.8 percent in 2001 were "disconnected". She defines the disconnected as women who have not worked recently, were not living with a spouse or partner with earnings, and were not receiving cash welfare or disability income when interviewed (See also, Acs and Loprest, 2004). Compared to other welfare leavers, the disconnected were more likely than working welfare leavers to have health problems, limited work experience, to lack a high school diploma and to have experienced food hardship.

Wood and Rangarajan (2003) defined New Jersey respondents as "least stable" welfare leavers if they had not worked in the three months prior to the interview, did not live with an employed spouse or partner, and did not receive unemployment insurance or Supplemental Security Income. About 10 percent of leavers met these criteria at the first interview, but over half were either back on cash assistance or working a year later. They also found that women who were disconnected for longer time periods tended to be more disadvantaged than other leavers. The least stable leavers were more likely than other leavers to have had long histories of welfare receipt and to lack specific labor market skills. Compared to TANF recipients, the least stable leavers were more likely to have poor mental health and to lack health insurance.

### *The Women's Employment Study*

We analyze a unique panel data set, the Women's Employment Study (WES), and develop a measure of being "chronically" disconnected from wages and cash welfare. WES is a much longer panel than other post-welfare reform studies, containing 79 months (about 6 ½ years) of data on employment and welfare receipt. WES also includes five reports over the study

period on a broad range of personal attributes, including living arrangements, educational and labor market experiences, health and mental health problems, and experiences of material hardship.

WES respondents were selected with equal probability from the universe of the February 1997 caseload of female cash welfare recipients with children who resided in one urban Michigan county. Eligible respondents were U.S. citizens, between the ages of 18 and 54, and were either Caucasian or African American.<sup>3</sup> The caseload in this county included too few members of other racial/ethnic groups to study their experiences. Respondents were interviewed in their homes five times – in the fall of 1997, 1998, 1999, 2001, and 2003; interviews averaged about one hour at the initial interview and about 85 minutes at later waves.

Although WES included only one county, most welfare reforms pursued by the state and the business cycle conditions in Michigan were broadly representative of those in other states that contained a majority of the post-1996 caseload. An exception is that Michigan was one of the few states that did not adopt the federal 5-year time limit on cash benefits. This, however, made little difference to recipients, as Michigan was as aggressive as other states in moving recipients quickly into jobs. We compared trends in the receipt of cash assistance and employment among WES recipients with trends in a national sample of welfare recipients from the Survey of Income and Program Participation (SIPP) and found that they were quite similar.<sup>4</sup>

In this paper, we focus primarily on mothers who completed all five interviews, for whom we have information on work and receipt of cash assistance for every month between February 1997 and August 2003. WES had very high response rates at each survey wave and there is little evidence that non-random attrition biases the representativeness of the sample.

Pape (2004) evaluated the representativeness of the survey by comparing key variables between the 1997 universe of welfare recipients in the study county and WES respondents in each wave. He estimated propensity score weights for each respondent in each wave and found that there were very small differences between the means of key variables with and without the weights. For example, African Americans represented 55 percent of respondents in Fall 2001 when weights were not used, 56 percent when weights were used, and 54 percent of the February 1997 caseload. Pape also compared coefficients from weighted and unweighted regressions and found small differences. As a result, we use unweighted data in our analyses.

*Defining the Disconnected at a Point in time and those who are Chronically Disconnected*

We begin by presenting three cross-sectional definitions of being disconnected that are similar to those used in previous studies. Because Loprest (2002) treats women who received disability income as having a regular source of economic support, we exclude from our analyses women who received Supplemental Security Income at any point during the panel. We focus on women who were expected to move from cash welfare to work and who might face sanctions for not complying with the new welfare rules.

Our first definition focuses on women who did not work for pay and did not receive cash welfare in the month prior to an interview. The second definition classifies the disconnected as Loprest (2002) does, excluding from the first definition women who lived with a working spouse or partner in the month prior to the interview. The third, most restrictive, definition classifies a respondent as disconnected only if she did not work or receive cash assistance in the month prior to the interview, did not work in the three months prior to the interview (adapted from Wood and Rangarajan, 2003), lived in a household without another earner (even if the earner is someone

other than her spouse or partner), and lived in a household without any recipient of unemployment insurance or workers' compensation in the month prior to the interview.

All cross-sectional definitions include women who are temporarily disconnected. Some of these women may take several months to find new jobs or they may not immediately return to welfare until they have exhausted other forms of economic support. From a policy perspective, we may be less concerned about the well-being of those who are disconnected for only a short time if they subsequently find jobs and/or return to welfare. Therefore, we develop a definition of the "chronically disconnected" based on a woman's work/welfare status over the entire 79-month panel.

A woman is "chronically disconnected" if she received no cash welfare and no wages for at least 25 percent of the months between February 1997 and August 2003 and did not live with another earner or in a household that received unemployment insurance/workers' compensation in the month prior to the interview for at least three of the five survey waves (information on other earners and receipt of unemployment benefits is only collected for the month prior to each interview). While development of any such measure will have some arbitrary aspects to it, we believe our measure of the chronically disconnected captures important elements that could affect well-being. To be "disconnected" in at least 25 months means, at a minimum, that women spent at least 20 months without earnings and without cash welfare. Even if those 20 months were spread out over the six and a half years, families would have spent three months in every year without these important sources of support. At the other extreme, even if all 20 months of disconnection occurred at one time, women would have been disconnected for almost two years. We believe these are significant amounts of time for families to be without important financial resources.

We do not consider receipt of Food Stamp benefits in this measure. The Food Stamp program has long provided benefits to the working poor, as well as to recipients of cash assistance. Because welfare reform focused on ending cash welfare as “we knew it,” we, and other authors, have not considered food stamp receipt when defining the disconnected.<sup>5</sup>

*The Increase in the Extent of Being “Disconnected”: 1997 – 2003*

Figure 1 presents the trend in the proportion of WES respondents without both wages and cash welfare, using the three cross-sectional definitions. By construction, the number of women classified as disconnected population at any wave falls as one moves from Definition 1 to Definition 3. For each definition, the proportion of women without regular sources of economic support increased between 1997 and 2003.

Figure 1 here

The percentage of respondents without earnings and without cash assistance in the month prior to the survey (Definition 1) increased from 4.4 to 18.1 percent between Fall 1997 and Fall 2003. This increase is statistically significant. The increase in the percentage of respondents meeting Definition 2, which considers the earnings of spouses or partners, from 1.7 to 12.5 percent, is also significant. Definition 3 provides includes among the disconnected only respondents a) without wages in all three months prior to the survey, b) without cash assistance in the month prior to the survey and c) living in households with no other earners and no recipients of unemployment insurance or workers’ compensation. This measure also shows a significant increase, from 1.1 percent in 1997 to 8.6 percent in 2003.

Because all respondents received cash assistance when the WES sample was drawn in February 1997, none were disconnected at that time. Thus, depending on the measure, between 8.6 and 18.1 percent of respondents were disconnected in fall 2003. To put this increase in

context, over the same period, most WES respondents made the transition from being welfare recipients to being working welfare leavers. Those who worked and did not receive cash welfare increased significantly between Fall 1997 and Fall 2003, from 21.6 to 61.3 percent of all respondents.

### *Work, Cash Welfare and The Chronically Disconnected*

The cross-sectional measures do not distinguish between short and long spells of being disconnected, even though there was substantial movement into and out of various work/welfare statuses during the course of the study.<sup>6</sup> For example, among respondents who had no earnings and no cash welfare in the month prior to any survey, about half were working at the next interview and about one-seventh were back on welfare. Only about one-third of those not working and not receiving cash benefits at one survey remained in the no-work/no-welfare status at the next (results available upon request).

To distinguish between short and long spells of no-work/no-welfare, our measure of being chronically disconnected reflects a woman's work/welfare status over the entire 79 month panel. In Table 1, we classify 493 respondents who participated in all five interviews and did not receive Supplemental Security Income (SSI) at any wave into mutually-exclusive groups.<sup>7</sup> We first group them by time spent as nonworking welfare leavers – those who spent two or fewer months without work and cash welfare; those who spent at least three, but less than a quarter of the panel without work and welfare (between 3 to 19 months); and those who spent at least 25 percent of the panel (20 or more months) without work and welfare. We then divide the latter group based on the number of waves at which the mother lived with another earner or unemployment insurance/workers' compensation recipient. The "chronically disconnected" are those who have no earnings and no cash welfare for over 25 percent of the panel and who lived

in a household that had no other earner, no unemployment insurance recipient, and no workers' compensation recipient for at least three of the five survey waves.

Table 1 here

On average, respondents from the Fall 2003 survey spent about 10 months between February 1997 and August 2003 (13 percent of the panel) without wages and cash welfare. Only 41.8 percent (N = 206, col. 2) had wages and/or cash assistance for almost all months; 39.8 percent (N = 196, col. 3) spent 3 to 19 months without wages and cash assistance; and 18.4 percent (N = 91, the sum of the last two columns) lacked wages and cash assistance for more than one quarter of the panel. Among those without work and welfare for at least 20 months, 46 respondents (9.3 percent, col. 4) lived in a household with another earner or a recipient of unemployment insurance or workers' compensation during at least three of the five waves. The other 45 respondents (9.1 percent, col. 5) meet our panel definition of being chronically disconnected. They were without work and cash welfare for at least 20 months and they had no other earner, unemployment insurance recipient, or workers' compensation recipient in their households for at least three waves.

The third cross-sectional definition in Figure 1 and the chronic disconnection measure in the last column of Table 1 show a similar percentage of disconnected respondents – 8.6 percent in 2003 and 9.1 percent using the chronic disconnection measure. However, only about 40 percent of those who were disconnected under the cross-sectional definition at waves two through five (1998-2003) also met the chronic disconnection definition. This is because most respondents were disconnected in at least one month of the panel--for any year, many currently disconnected women were not disconnected in the next year.

Respondents in the last two columns of Table 1 spent more than two-fifths of the panel, about 35 months, without wages and cash welfare (2nd row). “Chronically disconnected” women (last column) were wage reliant (received wages, but no welfare) in significantly fewer months than all respondents (26.9 vs. 51.2 percent, fourth row) and combined work and welfare in significantly fewer months than all respondents (12.4 vs. 20.1 percent, fifth row).

Many respondents cycled between no-work/no-welfare and other work/welfare statuses over the 79-month panel. For example, women who spent between 3 and 19 months without work and welfare (col. 3) experienced, on average, 2.6 spells of no-work/no-welfare (row 6), lasting an average of 4.4 months each (row 7).<sup>8</sup> Chronically disconnected respondents (last column) experienced both a greater number of no-work/no-welfare spells, 4.1, and longer spells of being disconnected, 12.1 months on average (row 7).

Most women entered a spell of no-work/no-welfare when a job ended (last three rows, Table 1). For all respondents (col. 1) who experienced at least one spell, 68.4 percent were working and not receiving welfare prior to the spell, 27.7 percent were receiving welfare but not working, and 3.9 percent were combining work and welfare. The chronically disconnected differ most significantly from other mothers in the extent of their work behavior (data available from authors). For example, the chronically disconnected worked in 39 percent of the study months, significantly less than the 75 percent of the months worked by all others; they received welfare in 31 percent of the study months not significantly different from the 36 percent for other respondents. The average length of an employment spell was 10 months for the chronically disabled, significantly less than the 33 months of employment for other respondents.

Thus, an inability to retain employment, rather than loss of cash assistance due to sanctions or other case closings, is the most likely trigger for a spell of being disconnected and

the factor that distinguishes the chronically disconnected from women who experience only a few months of being disconnected. Changes to the welfare system, which now requires work or participation in work-related activities as a requirement for receipt of benefits, also contributed to some women becoming chronically disconnected, as they left welfare for unstable jobs or without the supports needed to retain employment.

#### *Economic and Demographic Characteristics of the Chronically Disconnected*

The chronically disconnected were more economically disadvantaged than other respondents. Table 2 (col. 5) shows that their gross annual income-to-needs ratio (annual income from all household members and all income sources divided by the poverty line for the size of the respondent's household) was significantly smaller than that of all respondents (0.80 vs. 1.23 times the poverty line, row 2). Their 2002 mean household gross annual income and mean own annual earnings were significantly lower — \$13,439 vs. \$20,242 (row 3) and \$2,884 vs. \$10,814 (row 4). Receipt of food stamps (row 5) did not differ significantly between the chronically disconnected and other respondents.

Table 2 here

Women who were disconnected for fewer than three months (col. 2) had a significantly higher income-to-needs ratio than all respondents (1.41 vs. 1.23) and significantly higher earnings (\$22,263 vs. \$20,242). Women who were disconnected for more than a quarter of the panel, but reported living with another earner in at least three waves (col. 4), were married or cohabiting in more waves than the sample average (3.93 vs. 1.73, row 6). Despite spending more than a quarter of the panel without both wages and cash welfare and reporting significantly lower own earnings (\$3,957 vs. \$10,814), their gross household income was significantly higher than that of the entire sample (\$24,857 vs. \$20,242). For these women, other household

members provided a substantial source of economic support. The chronically disconnected were much more likely to be African-American than the sample as a whole (69.9 vs. 55.8 percent), primarily because they were so much less likely to be married than white respondents.

A greater percentage of the chronically disconnected no longer had a child living with them in 2003 (22.2 vs. 15.8 percent, last row, Table 2), although this difference was not statistically significant. Because eligibility for cash welfare is contingent on living with a child, one route to becoming disconnected is the aging of a respondent's youngest child. Our results do not differ, however, when we measure a respondent's work/welfare status when she last had a child under 18 in her household, rather than her status in Fall 2003. For example, if a respondent reported a child under 18 in 2001, but no child in 2003, we use her work/welfare status and presence of other earners/unemployment insurance/workers' compensation recipients over the first four survey waves. If she did not have a child under 18 in her household after the second wave, we exclude her from the sample. Using a chi-square test to compare these two samples, the percentage of respondents belonging to each of the four categories was not significantly different from that shown in Table 2 (results available upon request).

Additionally, about half of the chronically disconnected without children in their households at the 2003 interview had children between the ages of 1 and 3 at the interview prior to their becoming a childless household. Thus, it does not seem likely that these women became long-term disconnected due to the aging of their children. Rather the factors that led to their being chronically disconnected may have also contributed to their children being moved into other households.

Table 3 shows that the chronically disconnected also had more barriers to work than other respondents (Danziger and Seefeldt, 2002, discuss barriers to employment).<sup>9</sup> On average,

chronically disconnected women had 3.18 of the nine barriers listed in the table, compared to 2.18 for all respondents (row 1), and were significantly more likely to have more than 3 barriers (40 vs. 19.5 percent, row 2). The chronically disconnected were significantly more likely to have a learning disability (26.7 vs. 14.2 percent, row 4), low work skills<sup>10</sup> (31.1 vs. 19.5 percent, row 5), a physical health limitation (64.4 vs. 45.1 percent, row 7), no car or drivers' license (68.9 vs. 42.0 percent, row 8), and to use illegal drugs or to be alcohol dependent (35.6 vs. 22.5 percent, row 10).

Table 3 here

Because these human capital, health and mental health problems have been shown to be negatively correlated with employment (Danziger and Seefeldt, 2002) and because being disconnected is more likely to result from job loss, it is likely that these attributes are also positively correlated with being disconnected for long periods of time. Some of the factors that limit employment may also operate as “barriers” to successful navigation within the welfare system (Seefeldt and Orzol, 2005). For example, women with low educational levels and mental health problems may find new program rules difficult to understand and thus never return to the rolls. We now turn to a regression analysis of the correlates of becoming chronically disconnected.

#### *The Correlates of Becoming Chronically Disconnected: Regression Results*

In February 1997 when the sample was drawn, all WES respondents were receiving cash assistance, so none were disconnected. We model the probability of whether a woman became chronically disconnected over the 79-month study period as a function of her demographic characteristics and barriers to employment measured in fall 1997 (a few variables were first

measured at a later time).<sup>11</sup> Table 4 reports the logistic regression results, with standard errors in parentheses.

Table 4 here

To address the possibility that attrition from the sample might bias the estimates when we restrict the analysis to respondents who completed all five interviews, we create an alternative sample consisting of all women who completed at least the first three interviews. For those who completed four interviews, we define as chronically disconnected those without work and without welfare for 25 percent of the months between February 1997 and Fall 2001 and who lived in a household without another earner and without an unemployment insurance or worker's compensation recipient for at least two of the four waves. Women who completed three interviews were similarly defined, using the months between February 1997 and fall 1999. The percentage of respondents who are chronically disconnected in both the original balanced panel (N = 493) and the unbalanced panel (N = 586) is quite similar – 9.1 and 9.0 percent, respectively. Except for the somewhat smaller standard errors in the regression for unbalanced panel, the coefficients for the independent variables are quite similar in the two columns of Table 4.

A woman's demographic characteristics were not significant predictors of whether she became chronically disconnected. These include age, age squared, marital/cohabiting status, and race. The two indicator variables for whether a respondent was at risk of "aging out" of the sample (whether her youngest child was between the ages of 13 and 15 or between 16 and 17 in Fall 1997) were also not significant. This finding reinforces the descriptive results in Table 2 which suggested that factors that contributed to a woman's becoming chronically disconnected, rather than the aging of her youngest child, also contributed to the movement of children from her household.

Because all respondents received assistance in February 1997, we tried three different measures to control for their prior history of welfare receipt. Table 4 includes a measure of the number of years the respondent relied on cash welfare between the year she turned 18 and fall 1997. This variable is not statistically significant, nor were the alternative measures.<sup>12</sup>

In both regressions, four barriers to employment were significant correlates of becoming chronically disconnected: having a learning disability, having a physical limitation, lacking access to a car or driver's license, and using illegal drugs or meeting the diagnostic screening criteria for alcohol dependence.

Because the logistic coefficients do not readily convey the effect size of having one, or a combination of these barriers on the probability of becoming disconnected, we compute the probability that a "hypothetical" woman, with the median characteristics of the sample, became chronically disconnected. Using the balanced panel, the "hypothetical" respondent had the following characteristics in Fall 1997 – she was African American, 29 years old, not married, had completed more than 10 years of education, received cash welfare for six years since age 18 and had a child under 13 years of age. We then create a baseline probability of becoming disconnected by assuming that this typical respondent does not have any of the 9 barriers to employment.

Figure 2 here

Figure 2 illustrates the predicted probability of becoming chronically disconnected for the hypothetical respondent and then how the probabilities would increase if she had each one of the four barriers that were significant in the regression, using the balanced sample. The probability for the hypothetical respondent is 3.4 percent. Having any one the four significant barriers increases her probability of being chronically disconnected to between 7.1 percent (having only a

physical limitation) to 7.6 percent (having no car or driver's license). If this woman had all four of the statistically significant barriers, her probability of becoming chronically disconnected would increase to 47.7 percent.<sup>13</sup>

*The Correlates and Consequences of Becoming Chronically Disconnected: Policy Implications*

Women become disconnected for a variety reasons, including being laid off or fired, or losing cash welfare due to sanctions or other administrative case closings. In WES, about one-quarter of the chronically disconnected reported that their benefits were stopped due to sanctions at some time between 1997 and 2003. And, prior to experiencing a spell of no-work/no-welfare, 60.6 percent had been working and not receiving welfare (Table 1, last column, row 8), indicating that job loss plays the major role in this phenomenon.

Even though job loss is more important than welfare loss in triggering a spell of no-work/no-welfare, there is a potential role for welfare system reforms to assist the disconnected. Welfare agencies do not typically maintain contact once a woman has left cash assistance. Some states have set up "post-sanction policies" that reach out to families at-risk of becoming disconnected—namely those terminated for non-compliance with agency rules. For example, Minnesota's welfare agency staff attempt to reach sanctioned welfare leavers through letters, phone calls, or home visits. Clients are then screened and assessed for possible barriers to employment (Kaplan, 2004).

Assisting welfare leavers who lose jobs and do not receive unemployment insurance (or who exhaust unemployment insurance) is also challenging, as they often have no recent contacts with the welfare agency. Wood and Rangarajan (2003) suggest that employment retention and advancement services or linkages to community agencies might help some welfare leavers, such as employed leavers with little schooling. Services could be provided at the time of welfare exit,

instead of at job loss, when it is more difficult to find these families. A number of sites around the country are participating in an experimental test of various retention services models, including rapid re-employment assistance upon job loss and intensive case management to resolve barriers to employment (Anderson and Martinson, 2003).

The Food Stamp program could help “reconnect” the disconnected, as 70 percent of chronically disconnected WES respondents received Food Stamps in fall 2003. In some states, referrals to employment and training programs are made for those receiving Food Stamps as well as for those receiving TANF (U.S. Department of Agriculture, 2001).

For those still receiving cash assistance or applying for welfare, assessment, referrals, and the use of many services could address employment barriers and reduce the likelihood that a recipient will become disconnected (Danziger and Seefeldt, 2002). For example, the CALWORKS Supportive Services project in Los Angeles provides screening and referrals to mental health and substance abuse professionals for treatment (ranging from counseling to in-patient treatment). Among those completing treatment, almost half were employed post-treatment, compared to only 19 percent of those who did not complete treatment, suggesting that treatment can increase employment (California Institute of Mental Health, 2003)

### *Summary*

A small, but growing, percentage of women who received welfare in February 1997, shortly after the 1996 welfare reform was implemented in Michigan, did not make a successful transition from welfare to work by fall 2003. According to a cross-sectional definition, 8.6 percent of respondents were disconnected from regular sources of economic support at this time. Using a measure of chronic disconnection, 9.1 percent were without work and cash welfare for at

least 25 percent of the 79 months and lived without another earner or unemployment insurance or worker's compensation recipient for at least three of the five waves.

Compared to all respondents, the chronically disconnected are the most economically disadvantaged. Over the panel, they were less likely work, less likely to live with another earner and they had much lower economic status. These results do not imply that the chronically disconnected have no income. For example, in the month prior to the 2003 interview, one third of the chronically disconnected had earnings (significantly less than the sample mean, 70 percent), one quarter lived with another earner (significantly less than the sample mean, 37 percent), 18 percent received child support (significantly less than the sample mean, 30 percent) and 71 percent received food stamps (significantly more than the sample mean, 53 percent). Their mean monthly income, \$1420, was only two thirds of the sample average. Nevertheless, during the panel they experienced multiple spells of being without work and welfare that lasted on average for 12 months. To reduce the number of women who fail to make a successful transition from work to welfare, more attention should be given to programs and policies that attempt to re-connect disconnected women to regular sources of economic support.

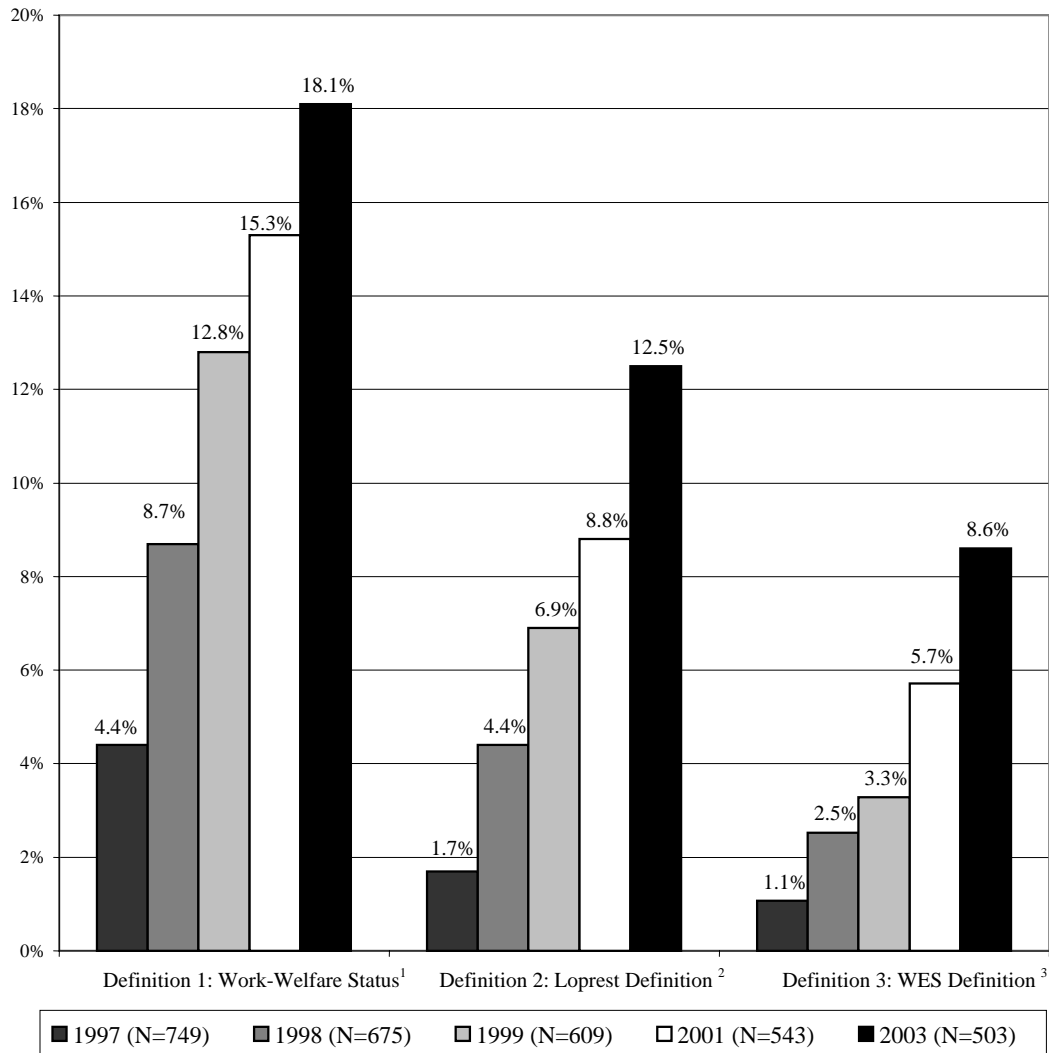
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**Figure 1: Women without Work and Cash Welfare, 1997-2003**



**Notes:**

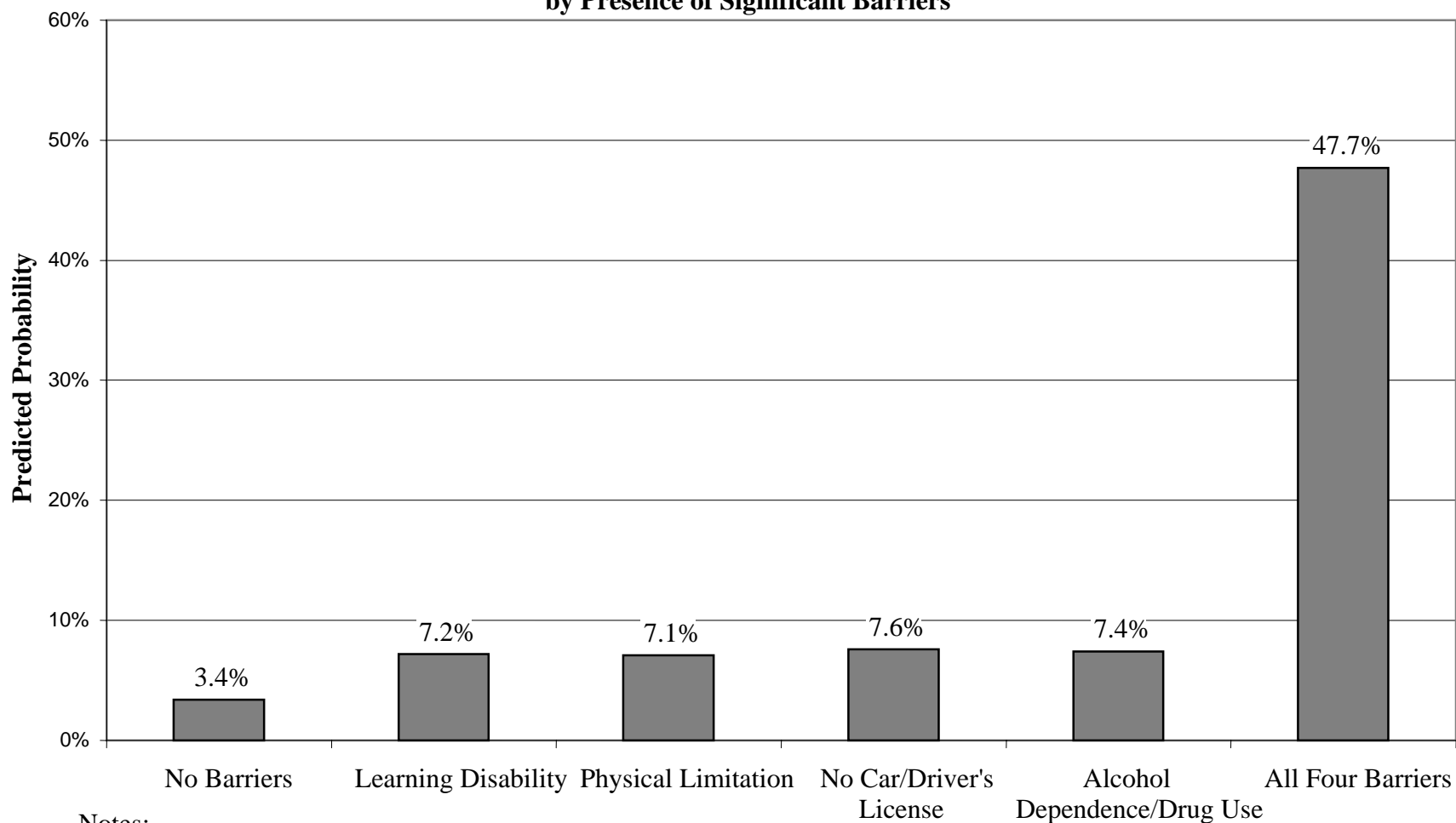
Non-respondents and respondents receiving SSI at each wave are not included. For each measure, the increases between 1997 and 2003 and between 1998 and 2003 are statistically significant ( $p < .01$ ). For Measures 2 and 3, the increase between 1999 and 2003 is significant ( $p < .01$ ), the increase between 2001 and 2003 is significant ( $p < .05$ ). For Measure 1, the increase between 1999 and 2003 is significant ( $p < .05$ ).

1. Respondents without wages and without cash welfare in the month prior to the survey.

2. Loprest (2003) defines a woman as disconnected if she receives no wages and no cash welfare, has not worked recently, and is not living with a spouse/partner with earnings.

3. Definition 3 excludes women who are counted as disconnected in Definition 2 who lived with any other earners or lived in households where unemployment insurance/workers' compensation was received in the month prior to the interview or worked in the three months prior to the interview.

**Figure 2: Predicted Probability of Becoming Chronically Disconnected for a Hypothetical Respondent<sup>1</sup> by Presence of Significant Barriers**



**Notes:**

The hypothetical respondent is a woman with the median characteristics of the sample in 1997: she is African American, 29 years old, not married, has completed more than 10 years of education, does not have any of the nine barriers to employment, received cash welfare 6 years prior to February 1997, and her youngest child was under 13 years of age.

**Table 1: Work/Welfare Status, February 1997-August 2003 (79 months), by Time Spent Disconnected**

	Total (N = 493)	<u>20+ months no work/no welfare (N = 91)</u>			
		0-2 months no work/no welfare (N = 206)	3-19 months no work/no welfare (N = 196)	0 - 2 waves without other earner (N = 46)	3-5 waves without other earner (N = 45)
Percent of sample	100%	41.8%	39.8%	9.3%	9.1%
Mean % months no work/ no welfare <sup>a,b</sup>	13.0	0.6***	11.7	45.6***	42.0***
Mean % months welfare only <sup>c</sup>	15.7	12.7***	19.2***	11.3	18.6
Mean % months wage only <sup>a,b</sup>	51.2	60.2***	51.2	34.7***	26.9***
Mean % months combining wages & welfare <sup>a,b</sup>	20.1	26.4***	17.8*	8.4***	12.4***
Mean # of no-work/no-welfare spells <sup>a,b</sup>	1.9	0.3***	2.6	3.7***	4.1***
Mean no-work/no-welfare spell <sup>a,b</sup>	6.0	1.4***	4.4***	13.2***	12.1***
Status prior to spell of no-work/no-welfare <sup>1</sup>					
Working/no welfare	68.4	73.5	68.9	66.7	60.6
Welfare/no work <sup>a</sup>	27.7	18.3**	28.5	29.9	34.6
Combining work & welfare	3.9	7.6**	2.6*	3.4	4.9

Notes: Sample includes wave 5 (Fall 2003) respondents who did not receive SSI benefits at any wave.

\* p <.1   \*\* p<.05   \*\*\* p <.01

<sup>a</sup>Category 1 differs from 4 at p <.05; <sup>b</sup>Category 2 differs from 4 at p <.05; <sup>c</sup>Category 3 differs from 4 at p <.05

**Table 2: Economic and Demographic Characteristics of Respondents, by Time Spent Disconnected**

		<u>20+ months no work/no welfare (N = 91)</u>			
	<b>Total</b>	<b>0-2 months no work/no welfare</b>	<b>3-19 months no work/no welfare</b>	<b>0 - 2 waves without other earner</b>	<b>3-5 waves without other earner</b>
	<b>(N = 493)</b>	<b>(N = 206)</b>	<b>(N = 196)</b>	<b>(N = 46)</b>	<b>(N = 45)</b>
Race (African American) <sup>c</sup>	55.8%	60.7%*	55.6%	21.7%***	68.9%*
Gross annual household income to needs ratio (2002) <sup>a b c</sup>	1.23	1.41***	1.08***	1.43	0.80***
Annual gross household income (2002) <sup>a b c</sup>	\$20,242	\$22,263**	\$18,539**	\$24,857**	\$13,439***
Annual own earnings (2002) <sup>a b</sup>	\$10,814	\$14,947***	\$9,936	\$3,957***	\$2,884***
Mean % months receiving food stamps <sup>c</sup>	55.5%	59.0%**	56.5%	31.8%	59.7%
# waves cohabiting/married <sup>b c</sup>	1.73	1.36***	1.78	3.93***	1.04***
# waves w/ other household earner <sup>b c</sup>	1.51	1.15***	1.61	3.96***	0.73***
# children under 18 (2003)	15.8%	16.5%	13.8%	15.2%	22.2%
# years on welfare since 18 (1997) <sup>c</sup>	7.5	8.0*	7.2	4.9***	8.9*

Notes: Sample includes wave 5 (Fall 2003) respondents who did not receive SSI benefits at any wave.

\* p <.1 \*\* p<.05 \*\*\* p <.01

<sup>a</sup> Category 1 differs from 4 at p <.05; <sup>b</sup> Category 2 differs from 4 at p <.05; <sup>c</sup> Category 3 differs from 4 at p <.05

**Table 3: Barriers to Employment, by Time Spent Disconnected**

		<u>20+ months no work/no welfare (N = 91)</u>			
	<b>Total</b>	<b>0-2 months no work/no welfare</b>	<b>3-19 months no work/no welfare</b>	<b>0 - 2 waves without other earner</b>	<b>3-5 waves without other earner</b>
	<b>(N = 493)</b>	<b>(N = 206)</b>	<b>(N = 196)</b>	<b>(N = 46)</b>	<b>(N = 45)</b>
Mean # of barriers (out of 9) <sup>a b c</sup>	2.18	1.95***	2.26	1.93***	3.18
More than 3 barriers (out of 9) <sup>a b c</sup>	19.5	15.1**	19.4	19.6	40.0***
Less than 10 years of education <sup>a</sup>	6.7	4.4*	7.7	6.5	13.3*
Learning disability <sup>a</sup>	14.2	9.2***	14.8	21.7	26.7**
Low work skills <sup>a</sup>	19.5	17.5	18.4	21.7	31.1**
Low work experience	12.3	12.3	12.3	10.9	13.6
Physical limitation <sup>a c</sup>	45.1	39.5	49.5	32.6*	64.4***
No car or driver's license <sup>a b c</sup>	42.0	37.4*	42.9	32.6	68.9***
Child health problem	21.9	20.0	22.7	17.8	31.1
Alcohol dependence or illegal drug use <sup>b</sup>	22.5	23.3	19.9	17.4	35.6**
Mental health problem	34.5	31.7	38.0	33.3	33.3

Notes: Sample includes wave 5 (2003) respondents who did not receive SSI benefits at any wave.

\* p <.1    \*\* p<.05    \*\*\* p<.01

<sup>a</sup> Category 1 differs from 4 at p <.05; <sup>b</sup> Category 2 differs from 4 at p <.05; <sup>c</sup> Category 3 differs from 4 at p <.05

**Table 4: Regression Results: Correlates of Being Chronically Disconnected**

	I Balanced Panel (N = 493)	II Unbalanced Panel (N = 586)
Demographic Characteristics		
Race (African American)	0.491 (0.401)	0.194 (0.360)
Age	0.134 (0.189)	0.037 (0.172)
Age squared	-0.002 (0.003)	-0.001 (0.003)
Married/cohabiting	-0.257 (0.435)	-0.302 (0.405)
Youngest child 13-15 years	0.740 (0.793)	0.444 (0.740)
Youngest child 16-17 years	-0.236 (1.155)	-0.648 (1.123)
# years on welfare since 18	0.016 (0.047)	0.017 (0.042)
Barriers to Employment		
Less than 10 years of education	0.669 (0.550)	0.531 (0.495)
Learning disability	0.798 (0.416)*	0.743 (0.387)*
Low work skills	0.316 (0.437)	0.638 (0.389)
Low work experience	-0.505 (0.561)	-0.829 (0.543)
Physical limitation	0.779 (0.353)**	0.655 (0.319)**
No car/driver's license	0.857 (0.372)**	0.619 (0.338)*
Child health problem	0.476 (0.382)	0.504 (0.346)
Alcohol dependence/drug use	0.842 (0.388) **	0.749 (0.355)**
Mental health problem	-0.533 (0.382)	-0.476 (0.355)
Indicator: unbalanced sample	--	- 0.298(0.447)
Constant	-6.277 (3.031)**	-4.461 (2.729)
LR Chi-squared	37.11***	33.16**
Pseudo R-Squared	0.1232	0.0932

Notes: Standard errors appear in parentheses

\* p &lt;.1 \*\* p&lt;.05 \*\*\* p &lt;.01

## Notes

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<sup>1</sup> This research was supported in part by grants from the Charles Stewart Mott Foundation, the Joyce Foundation, the John D. and Catherine T. MacArthur Foundation, the Substance Abuse Policy Research Program of the Robert Wood Johnson Foundation and the National Institute of Mental Health (R24-MH51363). Rachel Dunifon, Julia Hastings, Julia Henly, Jordan Matsudaira, Harold Pollack and two anonymous referees provided helpful comments on a previous draft.

<sup>2</sup> Our focus is on the “end of welfare as we knew it,” the termination of the entitlement to cash assistance in 1996 and on those women who receive no wages and no cash assistance. Poor single mothers are, for the most part, still entitled to receive Food Stamps; below we discuss the extent of food stamp receipt by our respondents.

<sup>3</sup> Information on the universe of single female-headed welfare cases in the study county were provided by the Michigan Family Independence Agency. Response rates at the five waves were: 86 percent, 92 percent, 91 percent, 91 percent, and 93 percent, respectively. After excluding respondents receiving disability benefits, sample sizes for the five waves were 749, 675, 609, 543, and 503, respectively.

<sup>4</sup> We drew a sample of all 853 single-mother welfare recipients from the 1996 SIPP panel that were in the same age range as WES mothers. At the start of both of these panels, 100 percent received cash welfare; by February 2000, 21.5 percent of WES and 31 percent of SIPP respondents received cash assistance. At the start of the panels, 42 percent of WES and 35 percent of SIPP respondents were employed. Fifty-one months later, 71 percent of WES and 51 percent of SIPP respondents reported working.

When we restrict the SIPP panel to African Americans and Whites, SIPP welfare recipients are roughly the same age (31.8 years old compared to 29.9 for WES), have similar household sizes

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(3.8 for SIPP and 3.9 for WES at the start of the panel), and are about as likely to have not completed high school (33.5 percent for SIPP and 29.3 percent for WES). WES respondents are more likely to be African American, even when the SIPP sample is restricted to African Americans and Whites (55.8 percent of WES respondents vs. 42.4 percent in SIPP).

<sup>5</sup> Prior to the 1996 reform, cash assistance and Food Stamp caseloads tended to move together over the business cycle. However, following the 2001 recession, Food Stamp caseloads increased substantially while cash assistance caseloads continued to decline.

<sup>6</sup> For example, consider a woman who worked full-time for a school district during the 9-month school year, but who did not work during the summer. If interviewed in September when she returned to work, she would report no wages and no cash welfare for the previous three months when school was not in session.

<sup>7</sup> Because Figure 1 includes respondents who participated at each wave, the sample size falls from 1997 to 2003. To address potential selection issues due to differential attrition, we also constructed an unbalanced panel of women who participated in at least three of the five survey waves. Although the descriptive analyses in the text include only respondents who participated in all five waves, results are similar using the unbalanced panel (results available upon request). We report regression analyses in Table 4 for both wave 5 respondents (a balanced panel) and the sample that adds women who were in the survey for at least the first three interviews (unbalanced panel).

<sup>8</sup> A spell of no-work/no-welfare occurs when a woman spends at least one month without wages and without cash welfare. The average spell length is defined for each respondent as the total months of no-work/no-welfare over the 79-month panel divided by the number of spells.

<sup>9</sup> All barriers shown in Table 3 were measured in Fall 1997, except having a learning disability, first measured in Fall 1999, and having a probable social phobia diagnosis, first measured at in Fall 1998. The nine barriers used in the composite variable include: having less than ten years of

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education, having a learning disability, low work skills (having performed four or fewer of nine specific job skills on any job prior to the start of the panel), low work experience (having worked less than 20 percent of the years between age 18 and the start of the panel), having an age-specific physical limitation, lacking access to a car or driver's license, having a child health barrier, substance abuse (illegal drug use or meeting the diagnostic screening criteria for alcohol dependence), and mental health barrier (meeting the diagnostic screening criteria for major depression, post-traumatic stress disorder, social phobia or generalized anxiety disorder),

<sup>10</sup> A respondent has low work skills if she performed fewer than four of nine job skills on a previous job, including talking to customers face to face or over the phone, reading instructions or reports, writing letters or memos, working with a computer, working with electronic equipment, arithmetic or making change, filling out forms, monitoring equipment, and supervising other people.

<sup>11</sup> The learning disability barrier was based on the question "when you were growing up, were you ever placed in a special education class, or told that you had a learning disability?" A respondent who gave an affirmative answer in fall 1999 is assumed to have had this problem two years earlier.

<sup>12</sup> The three measures of prior welfare history are length of current welfare spell, years on welfare since age 18, and percentage of years on welfare since age 18. Because none of these variables were significant and the coefficients on other variables were not significantly affected by which variable we use, in Table 4, we report years of welfare receipt. On average, in fall 1997, a respondent had spent 7.5 years on welfare since age 18, had spent 59.0 percent of the years since age 18 on welfare, and was in a welfare spell that began 33 months before February 1997.

<sup>13</sup> About two-fifths percent of WES respondents have more than two barriers; as shown in Table 4, the average number of barriers is 2.18.