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# Two Steps Forward, One Step Back: The Uneven Economic Progress of TANF Recipients

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This study investigates the long-term economic gains of current and former TANF recipients and explores the extent to which these recipients experience steady economic progress. Results suggest that recipients generally show economic progress but that there is considerable instability and heterogeneity of experience. Employment insecurity and poverty cycling are common even among the least disadvantaged TANF recipients and are particularly prevalent among those with low education levels, little work experience, and poor health.

Following passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; U.S. Public Law 104-193), welfare caseloads fell precipitously, and employment among single mothers increased substantially (Blank and Schmidt 2001; U.S. Department of Health and Human Services n.d.a, n.d.b). These dramatic changes spurred a desire among researchers and policy makers to learn more about the status of those who left welfare and, more generally, to understand how welfare recipients progress economically over time. With the passage of the tenth anniversary of the landmark federal welfare legislation, policy makers have begun to develop the next generation of welfare reforms. Thus, it is important to examine the long-term eco-

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conomic progress of welfare recipients under the Temporary Assistance for Needy Families (TANF) program that PRWORA created. This study seeks to assess whether TANF recipients' medium-term economic gains, reported in earlier studies, are sustained over the long term. It also attempts to determine whether the economic progress experienced by TANF recipients is steady or is characterized by frequent setbacks. The findings can inform policy designed to encourage and sustain this progress.

Numerous states and the federal government have sponsored state-level studies to track the circumstances of current and former TANF recipients. These studies typically find that many obtain employment in the period shortly after leaving welfare, and for most, their incomes exceed the incomes experienced while receiving TANF (Acs and Loprest 2001; Cancian et al. 2003). Such findings create a general impression that former welfare recipients have done relatively well economically and that welfare reform is a success. However, most studies examine only the short-term outcomes of TANF recipients, frequently providing only static, point-in-time examinations of how TANF recipients fared economically shortly after leaving welfare. The works do not analyze the dynamics of TANF recipients' economic progress or how their economic outcomes unfolded over the long term. The individual-level dynamics underlying the overall trends in economic outcomes may reveal a much more complicated view of the economic success of welfare recipients in the period since PRWORA's enactment.

In order to investigate the dynamics of the long-term economic patterns of TANF recipients, this study uses data from a large, longitudinal study of welfare recipients in New Jersey. Data cover a 5–6-year period after these recipients entered the TANF program. These data provide a longer follow-up period than that found in most prior research and thus allow the current work to add to the very limited evidence on the long-term economic prospects of TANF recipients. The longitudinal nature of these data is exploited to examine issues related to the dynamics of economic progress of TANF recipients: how often recipients return to TANF after leaving welfare, how often they stop working after entering employment, and how often they return to poverty after exiting it. These analyses do not address the effect of welfare reform on the outcomes of TANF recipients. Instead, they document the typical patterns of long-term economic progress experienced by welfare recipients in the years after they enter the TANF program.

#### Previous Research

The central aims of PRWORA are to reduce welfare rolls and to encourage employment among welfare recipients (110 *Stat.* 2113 [1996]). A substantial literature documents the extent to which these goals are

being accomplished. The central conclusion of this literature is that welfare reform, as well as a strong economy and other policy changes that increase work incentives (in particular, the expansion of the Earned Income Tax Credit [EITC]), are associated with dramatic declines in welfare rolls and large changes in the labor force participation patterns of single mothers (Meyer and Rosenbaum 2000; Blank and Schmidt 2001). These studies also find that many TANF recipients leave welfare for work under the new reforms, often at low wages (Acs and Loprest 2001; Cancian et al. 2003).

#### *Welfare Participation and Employment*

In the mid-1990s, the number of Americans receiving cash assistance began to decline dramatically, from over 14 million in 1994 to fewer than 5 million in 2004 (U.S. Department of Health and Human Services n.d.a, n.d.b). Over the same period, employment rates among single mothers, the group most affected by welfare reform, increased considerably from less than 60 percent in 1993 to approximately 70 percent in 2004 (Lerman 2005). A number of nationally representative studies link welfare reform and other policy changes to increased employment among single mothers (e.g., Ellwood 2000; Meyer and Rosenbaum 2000; Blank and Schmidt 2001; Moffitt 2002). State studies of current and former welfare recipients similarly find high rates of employment among TANF recipients in the period immediately after their welfare exit (Meyer and Cancian 1998; Acs and Loprest 2001; Kauff, Fraker, and Milliner-Waddell 2002; Richardson et al. 2002; Cancian et al. 2003; Klawitter and Christensen 2004; University of Michigan 2004). Studies that look at outcomes of welfare recipients and use data windows longer than a year find that after initial employment increases, employment growth slows, or even declines slightly, in subsequent years (Meyer and Cancian 1998; Kauff et al. 2002; Richardson et al. 2002; Cancian et al. 2003; Klawitter and Christensen 2004; University of Michigan 2004). However, because most studies of current and former welfare recipients have follow-up periods of no more than 3 years, little is known about the long-term employment patterns of TANF recipients.

Because few studies look at long-term outcomes of TANF recipients, little research explores the individual-level dynamics underlying their average employment patterns. One exception is a study by Rucker Johnson and Mary Corcoran (2003). Using data from the 1997–2002 panels of the Women’s Employment Survey, the authors find that TANF recipients in an urban Michigan county experience a high degree of job instability and limited mobility to high-quality jobs. Other studies of welfare recipients and low-wage workers show that employment instability is particularly pronounced among workers with relatively limited

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education and employment histories (Holzer and LaLonde 2000; Holzer, Stoll, and Wissoker 2004).

### *Income and Poverty*

Another question central to the welfare literature is the extent to which declines in welfare use and increases in employment affect income and poverty status. Studies typically find that TANF recipients' income increases after they leave welfare for work (Acs and Loprest 2001; Danziger et al. 2002; Danziger and Wang 2005).<sup>1</sup> However, low earnings and high poverty rates among former welfare recipients are robust findings in the welfare literature (Meyer and Cancian 1998; Acs and Loprest 2001; Kauff et al. 2002; Richardson et al. 2002; Cancian et al. 2003; Klawitter and Christensen 2004; University of Michigan 2004). Less is known about the stability of income increases and whether gains are maintained over the long term.

### *Contribution to the Literature*

The welfare literature provides much analysis of the economic status of welfare recipients, but few works examine long-term outcomes and the individual-level dynamics of these outcomes. Most studies offer data windows of no more than 3 years and thus cannot provide information on the dynamics of welfare recipients' experiences. The needed long-term data are found in the Michigan WES and the Work First New Jersey (WFNJ) study. Each study provides monthly employment histories and detailed income data for a population of TANF recipients over a follow-up period of at least 5 years.<sup>2</sup>

Using WES data, Johnson and Corcoran (2003) offer detailed analysis of long-term wage and employment dynamics over a 5-year period. However, the long-term trajectories and dynamics of other economic outcomes, such as welfare receipt, income levels, or poverty status, are not within the scope of their study. A full assessment of how welfare recipients fare under the TANF reforms requires an examination of a larger range of long-term outcomes, as well as an examination of the individual-level dynamics that underlie average trends in these outcomes. This article seeks to address this need by analyzing data from the WFNJ study.

## Welfare Reform in New Jersey

New Jersey has a welfare program that, in many respects, is typical of those in other states. In accordance with federal law, New Jersey requires most recipients to participate in a work activity as a condition for benefit receipt. This work requirement is similar to those imposed in other states in that it is enforced through benefit reductions for noncompliance; reductions gradually progress toward a full-family sanction, under

which the cash grant is eliminated entirely (Wood and Wheeler 2007). In 2003, the maximum TANF benefit for a family of three in New Jersey was \$424, compared with a benefit of \$396 in the median state (Rowe and Versteeg 2005). Like many other states, New Jersey permits TANF participants to receive cash benefits for up to 5 years, the maximum length of time allowed under federal law. The state also offers temporary extensions for the relatively small number of recipients who reach the 5-year limit.<sup>3</sup> In the context of national efforts, New Jersey's welfare policies can be characterized as moderate. New Jersey's time limits, work requirements, sanctioning policy, and benefit amounts tend to be neither on the high nor on the low end of stringency or generosity. For this reason, the long-term economic experiences of the state's welfare recipients should be informative for the national policy debate.

In other respects, New Jersey is less typical of the nation as a whole. It is an affluent state, with a median income of \$56,772 in 2004, compared to a national median of \$44,473 (U.S. Census Bureau 2005). The state's poverty rate is among the lowest in the nation. In 2004, 8.2 percent of the state's population lived in poverty; that rate is well below the national rate of 12.4 percent (U.S. Census Bureau 2005). It thus may be most appropriate to view the economic progress of the state's TANF recipients as a best-case scenario for TANF recipients elsewhere.

### Sample and Data

This article examines the experiences of an early cohort of 2,000 New Jersey welfare recipients. Cohort members entered the state's TANF program between July 1997 and December 1998, the first 18 months of TANF implementation in the state. The analysis relies on data collected as part of a comprehensive evaluation of the state's TANF program. That evaluation was conducted by Mathematica Policy Research, Inc. for the New Jersey Department of Human Services.

The evaluation sample includes two main groups: the caseload sample and the new-entrants sample. The caseload sample represents those who entered TANF from the ongoing Aid to Families with Dependent Children (AFDC) caseload when TANF was implemented in New Jersey in July 1997. The new-entrants sample represents those who were not part of the AFDC caseload when TANF was implemented but who subsequently entered the program during its first year and a half. Previous analysis of these data suggests that, although new entrants generally fare better economically in the initial years after TANF entry, their overall patterns of economic progress are broadly similar to those of recipients who entered TANF directly from the AFDC program (Rangarajan and Wood 2000). In addition, the differences in their economic outcomes narrowed substantially in the first few years after TANF entry. For this reason, these two samples are combined for the current analysis.<sup>4</sup>

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Five annual surveys were conducted with the study sample from 1999 through 2003. In each of the five survey rounds, interviews were completed with 80 percent or more of the full sample of 2,000 TANF recipients; 95 percent of sample members completed at least one of the five follow-up surveys. The average length of time from TANF entry to the fifth follow-up survey was 66 months.<sup>5</sup> These annual surveys provide detailed information on all jobs held by respondents during the follow-up period, including information on job start and end dates. The survey results are used to construct monthly employment histories. In addition, surveys include information on income from all sources during the month prior to the interview. Survey responses are the primary data source for this article. However, analyses of TANF receipt patterns rely on data provided by the New Jersey Division of Family Development from its database for tracking and managing welfare payments.<sup>6</sup> These administrative data provide monthly information on TANF receipt and benefit amounts.

The sampled New Jersey welfare recipients are diverse. Some face significant barriers to self-sufficiency. Others are less disadvantaged and face fewer obstacles. Although many have some recent work experience, 46 percent report no work experience during the 2-year period before entering TANF. Four in 10 lack a high school diploma or general equivalency diploma certificate. In addition, 18 percent say that they speak a language other than English at home, and 8 percent report that they are not U.S. citizens. Many had young children when they entered the program; 19 percent had a child who was less than a year old at the time of entry into TANF. About two-thirds report that they were never married. Almost all (95 percent) are women. About half of the sample members are African American; more than one in four is Hispanic.

Many sample members live in the poorest and most urban parts of the state. Half live in New Jersey's three most densely populated and urban counties: Camden, Essex, and Hudson. In addition, nearly four in 10 live in a high-poverty area, which is defined as a five-digit zip code area in which more than 20 percent of the residents have incomes below the poverty level.

### Overall Economic Progress

#### *TANF Receipt and Employment Levels*

These TANF recipients exit the welfare rolls quickly during the first years after program entry. Their declines in welfare receipt are steepest in the first year after they entered TANF. As figure 1 suggests, during this period, the percentage of sample members receiving TANF dropped from 100 to 49 percent. During subsequent years, the percentage receiving TANF continued to decline, although at a somewhat slower pace.

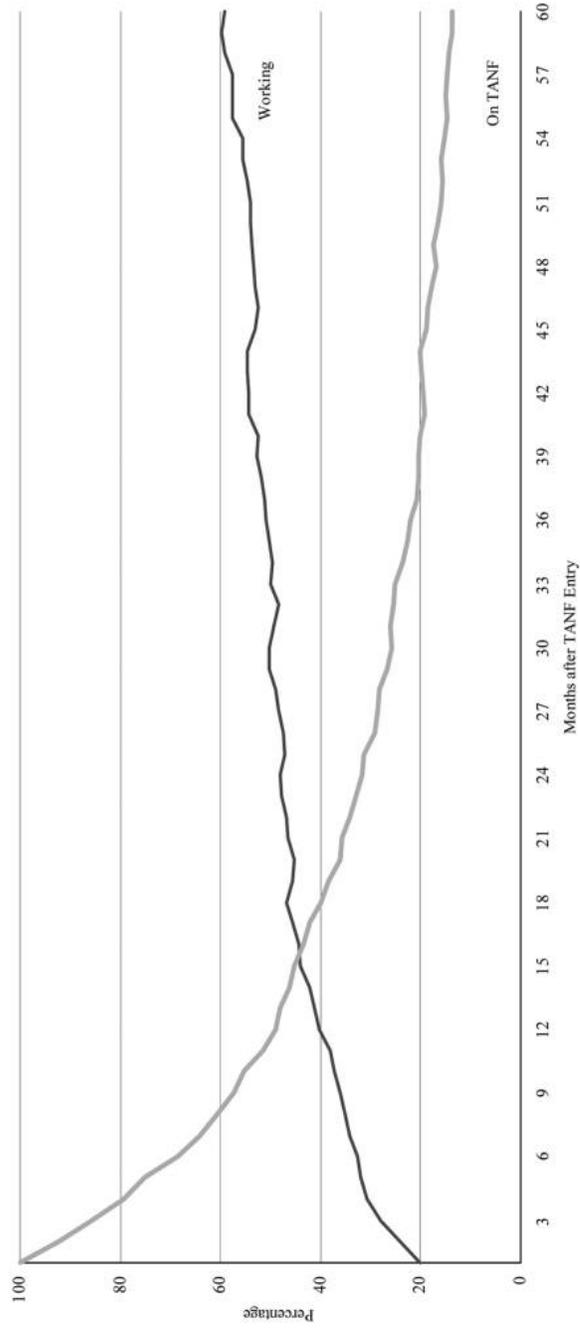


FIG. 1.—Percentage working and receiving Temporary Assistance for Needy Families (TANF), by month after TANF entry. Employment information was collected from client surveys conducted by Mathematica Policy Research, Inc. Information on TANF receipt was collected from a state database for tracking welfare benefits. The database is maintained by the New Jersey Division of Family Development.

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A relatively small portion (14 percent) received TANF at the end of the 5-year follow-up period.

As rates of welfare receipt fell among this early group of TANF recipients, their employment rates increased. Employment increases are particularly strong during the first year after sample members entered the TANF program. As figure 1 illustrates, the monthly employment rate increased from 20 percent at TANF entry (representing those mixing welfare and work) to 40 percent a year later. In the second year after TANF entry, employment rates increased fairly substantially, up from 40 to 48 percent. After this point, employment rates continued to rise but at a much slower pace, reaching 59 percent by the end of the fifth year after TANF entry.

### *Income and Poverty*

As a group, this sample experienced substantial income growth over the follow-up period.<sup>7</sup> At the time of the first survey (conducted, on average, 19 months after TANF entry), average monthly income was \$1,182. By the time of the fifth survey (conducted about 4 years later), average income increased by 39 percent to \$1,646. Poverty rates declined considerably over the same period, dropping from 65 to 46 percent.<sup>8</sup>

Although the income levels of this early group of TANF recipients have increased substantially during the 5 and a half years since they entered the program, the pace of the increase has slowed considerably over time. Average income increased by 18 percent between the first and second surveys and by 10 percent between the second and third surveys. However, average income increased only 3 percent from the third to the fourth survey and only 4 percent from the fourth to the fifth survey. Declines in poverty, as well as increases in employment and earnings levels, followed a similar pattern of slowing economic progress.

Multiple factors contributed to the slowing progress. Previous analysis suggests that early in the follow-up period, the economic progress for this sample was driven by the movement off welfare and into employment of those who were most job ready, in particular, of those with at least a high school education, those with substantial work experience, those who were young and in good health, and those without young children (Wood, Rangarajan, and Deke 2003). During the first 2 years after TANF entry, gains were large and came quickly. Later, when economic progress for the group came mainly from wage growth and from the movement of those with weak employment skills off welfare and into work, gains continued but at a slower pace. In addition, the slowing national economy most likely played a role in the slowing of economic progress. These income data cover the period 1999–2003. The years include the end of the strong economic expansion of the 1990s and the economic slowdown that began in 2001.<sup>9</sup>

In spite of the substantial growth in the incomes among sample members, income levels were still fairly low at the end of the 5-year follow-up period. Their reported average monthly income of \$1,646 is equivalent to an annual income of a little less than \$20,000, or about 30 percent more than the federal poverty guideline for a family of three (the average family size among sample members).<sup>10</sup> Similarly, at the end of the follow-up period, 83 percent of sample members report incomes below two times the poverty guideline. Many members of this cohort continued to rely on government supports at the end of the follow-up period. For example, 40 percent said they received food stamps, 32 percent received a housing subsidy, and 57 percent had insurance coverage through Medicaid or another government health insurance program.

### Dynamics of Economic Progress

In these overall trends, a picture emerges of steady, albeit slowing, economic progress. Examining trends for the full group, although useful, can create a potentially misleading picture of the typical pattern of progress at the individual level. Trends may seem to suggest that sample members typically experience one transition off welfare and into employment, after which they remain steadily employed and progress slowly but surely to increasingly higher-paying jobs. However, a look behind these averages suggests that sample members typically experience a much more complex pattern of economic progress, one in which both economic success and setbacks are common.

#### *The Dynamics of TANF Receipt*

The sizable decline in TANF receipt (from 100 percent to 14 percent) during the 5-year analysis period masks considerable welfare cycling. Almost all sample members (97 percent) exit TANF at some point during the 5 years after entering the program, and some cycle back onto TANF after exiting the rolls. By the end of the follow-up period, 41 percent exited from and returned to TANF. Subsequent spells on TANF tend to be relatively short; two-thirds end within a year. Therefore, most of those who cycle back on to TANF exit fairly quickly again and are no longer receiving benefits by the end of the 5-year follow-up period.

Although some recipients return to TANF after exiting the welfare rolls, most do not. In fact, the most common pattern of TANF receipt (experienced by 56 percent of the sample) involves one exit off TANF with no return. Therefore, although sample members report some cycling on and off the welfare rolls, the most common pattern is a single transition off TANF without a return to cash assistance.

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### *Employment Dynamics*

Cycling in and out of the labor market is substantially more common than TANF cycling. Most sample members (88 percent) were employed at some point during the 5 years after entering the TANF program. However, most recipients who enter the labor market stop working at some point, and multiple spells of employment are common. Over half (56 percent) report more than one employment spell during the 5 years after entering TANF. An additional 11 percent report only one employment spell but were not working at the end of the 5-year follow-up period. These figures suggest that 67 percent of all sample members (and three-quarters of those who had ever worked) stopped working at some point during the 5 years after entering the TANF program. Therefore, the most common employment pattern over the follow-up period is one in which the sample member enters the labor market but then stops working at some point.

Most sample members who stop working eventually return to the labor market. In fact, almost 90 percent report being employed again within 2 years. However, reemployment often takes considerable time. Among this sample, the median nonemployment spell lasts 8 months. These results suggest that employment cycling is the norm among sample members and that periods out of the labor market are often fairly lengthy.

### *Poverty Dynamics*

Transitions into and out of poverty are also common for sample members. For example, among the 44 percent who were no longer poor at the time of the second survey, more than half (52 percent) report being back in poverty at the time of one of the three subsequent follow-up surveys. However, these transitions back into poverty are typically fairly short-lived. For example, among sample members who return to poverty between the second and third surveys, 67 percent were out of poverty again at the time of one of the two subsequent surveys.

To gain a better understanding of the underlying reasons for these poverty transitions, an analysis was conducted of the effect on poverty status of various income and household composition changes. The following income and household composition changes were considered: a change in employment status, a change in earnings (conditional on being employed before and after the poverty transition), a change in the presence of a spouse or partner, other changes in the size of the family unit, a change in the earnings of the spouse or partner (conditional on the spouse or partner being present before and after the poverty transition), a change in TANF or food stamp income, a change in Supplemental Security Income (SSI), a change in child support, a change in state UI benefits, and a change in income from other sources.

In each case, sample members who experienced a poverty transition were assigned their pretransition value to determine whether they would have experienced a poverty transition if the particular change in income or household composition had not occurred. In about 20 percent of cases, more than one of these changes could account for the poverty transition. For example, both a sample member and his or her partner may have lost their jobs from one period to the next. Both changes could thus account for a transition back into poverty. In these cases, the poverty transition was attributed to both causes.

On the basis of this analysis, poverty transitions appear to be driven primarily by changes in employment status and earnings levels. Changes in the reported earnings of sample members account for just over half of the transitions into and out of poverty. Poverty transitions due to changes in the sample members' own earnings can occur either (1) because they begin or stop working or (2) because they continue to work but have a change in their level of earnings. Changes in employment status explain a somewhat larger proportion of these poverty transitions than changes in earnings levels. This is particularly true for transitions back into poverty. More than 40 percent of recipients who returned to poverty did so because of a job loss.

Changes in reported spouse or partner earnings also account for a substantial number of poverty transitions, explaining about 15 percent of these changes in poverty status. Poverty transitions due to changes in spouse or partner earnings can occur either (1) because a spouse or partner enters or exits the household or (2) because the spouse or partner experiences a change in his or her employment status or earnings level. These two reasons for a change in spouse or partner earnings account for roughly equal numbers of poverty transitions among these TANF recipients. Other reasons for poverty transitions that were considered include changes in the amount of income received from government assistance programs (such as TANF, food stamps, SSI, and UI benefits) and changes in the number of children in the household. None of these accounts for a large proportion of poverty transitions.

#### *Dynamics of Overall Economic Progress*

Table 1 reports the frequency with which the sample members obtain and maintain three basic benchmarks of economic progress: TANF exit, employment, and poverty exit. As the table suggests, most respondents achieve these benchmarks of economic progress within 3 years of entering the program. Almost nine in 10 exit TANF within 3 years, more than eight in 10 have been employed by this point, and just over two-thirds exit poverty.<sup>11</sup> Almost six in 10 achieved all three of these benchmarks within 3 years of entering TANF.

However, it is much less common that sample members report con-

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**Table 1**

ECONOMIC PROGRESS OVER THE 5-YEAR FOLLOW-UP PERIOD

	Percentage
TANF exit:	
Exited TANF within 3 years of TANF entry	89
... and remained off TANF through end of follow-up period	51
Off TANF at end of follow-up period	86
Employment:	
Employed within 3 years of TANF entry	82
... and remained employed through end of follow-up period	21
Employed at end of follow-up period	57
Poverty exit:	
Exited poverty by third survey*	68
... and remained out of poverty at each follow-up survey after poverty exit	28
Out of poverty at end of follow-up period	55
Overall economic progress:	
Employed, off TANF, and out of poverty within 3 years of TANF entry	57
... and remained so through end of follow-up period	10
Employed, off TANF, and out of poverty at end of follow-up period	40
Sample size <sup>†</sup>	1,322

SOURCE.—Information on TANF receipt was collected from a state database for tracking welfare benefits. The database is maintained by the New Jersey Division of Family Development. Information on employment and poverty status was collected from client surveys conducted by Mathematica Policy Research, Inc.

NOTE.—TANF = Temporary Assistance for Needy Families program. For employment and TANF receipt, the end of the follow-up period was 60 months after TANF entry. For poverty, the end of the follow-up period was the time of the fifth survey, conducted, on average, 66 months after TANF entry. Poverty status was measured at the time of the five follow-up surveys, conducted, on average, 19, 30, 42, 54, and 66 months after TANF entry, respectively.

\* Conducted, on average, 42 months after TANF entry.

† To ensure adequate data on employment and poverty status, the sample was restricted to those who completed the fifth follow-up survey and also completed at least three of the four earlier surveys.

sistently maintaining this economic progress throughout the 5-year follow-up period. Table 1 shows that, for example, although 89 percent exit TANF within 3 years, only 51 percent exit by this point and do not return to the welfare rolls during the remainder of the follow-up period. This pattern is also evident in findings on employment. Although 82 percent report employment within 3 years of entering TANF, only 21 percent report that they obtain a job by this point and then sustain employment until the end of the follow-up period.<sup>12</sup> Similarly, although 68 percent report exiting poverty by the third survey, only 28 percent exit by this point and then remain out of poverty through the rest of the follow-up period.<sup>13</sup>

Few sample members sustain all three benchmarks of economic progress. As shown in table 1, only 10 percent achieve the three benchmarks

within 3 years and maintain them through the end of the follow-up period. Many sample members recover from these economic setbacks fairly quickly, obtaining another job, exiting poverty, and exiting the welfare rolls again. Forty percent report that, by the end of the 5-year follow-up period, they were employed, off TANF, and out of poverty. These numbers suggest that many TANF recipients progress economically over the long term but that this progress tends to be uneven, involving substantial economic setbacks and reversals along the way.

### Who Is Most Likely to Experience Steady Economic Progress?

Steady economic progress is rare among this cohort of TANF recipients. However, some groups of current and former recipients may be more likely than others to experience sustained economic success. The current section investigates factors associated with the likelihood of achieving and sustaining key benchmarks of economic progress. This investigation uses discrete-time hazard models that control for a diverse set of characteristics. For each of the four benchmarks of success (TANF exit, employment, poverty exit, and overall economic progress [i.e., achieving all of the first three]), two analytic models are estimated: one for achieving the benchmark at the time of a follow-up interview (conditional on not having achieved the benchmark at the time of the previous interview) and another for sustaining the benchmark through the time of a follow-up interview (conditional on having achieved the benchmark in the previous interview).

Because TANF and employment status are measured monthly, whereas poverty status is measured only at the time of the interview, the definition for sustaining these benchmarks varies somewhat. Sample members who exit TANF by the time of an interview are considered to have sustained their exit if they did not return to TANF for two consecutive months before the subsequent interview. Similarly, sample members are considered to have maintained their employment if they did not experience two consecutive months without working between interviews.<sup>14</sup> A sample member's poverty exit is considered to have been sustained if she continued to have an income above the poverty level at the time of the subsequent follow-up interview. A spell of overall economic progress is considered to have been sustained if a sample member who has achieved overall economic progress at the time of an interview remains out of poverty at the time of the subsequent interview and sustains his or her TANF exit and employment between interviews (as described above).

The analytic models of these outcomes take the following form:

$$h(t) = \frac{1}{1 - \exp(\beta_1 \mathbf{HK} + \beta_2 \mathbf{Hlth} + \beta_3 \mathbf{Fam} + \beta_4 \mathbf{Dem} + \beta_5 \mathbf{Loc} + \beta_6 \mathbf{Time})}$$

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where  $h(t)$  corresponds to the hazard rate, or probability of transitioning to a different benchmark status during the period between two interviews. The measures included as explanatory variables in the models are described in table 2. These measures encompass a wide range of factors likely to be related to economic outcomes for this population. The factors include human capital (*HK*), health (*Hlth*), family (*Fam*), and demographic (*Dem*) characteristics. Marginal effects associated with these factors allow one to assess which groups of current and former recipients are more likely than others to experience sustained economic success.

The analytic models also include a vector of local economic characteristics (*Loc*) that control for county unemployment rate, as well as a set of indicator variables that correspond to the sample members' county of residence, at the time of his or her TANF entry. The county dummy variables control for cross-county variation in the policy environment, economic factors, and other conditions that do not vary over time. Finally, the vector *Time* represents a set of dummy variables that correspond to the number of periods over which the spell was in progress. Including these measures of duration dependence in the models accounts for the fact that the likelihood a spell ends may depend on how long the spell lasted.<sup>15</sup>

Results from the estimation of this model are presented in table 3. To make these results easier to interpret, coefficients from the hazard models are transformed into marginal effects. These marginal effects represent the estimated average 1-year percentage change in the probability of achieving or sustaining each of the benchmarks that is associated with a unit change in each explanatory variable.<sup>16</sup>

Human capital characteristics are among the factors most strongly associated with economic progress. As table 3 illustrates, having more than a high school diploma is positively and statistically significantly related to achieving and sustaining all four economic benchmarks (TANF exit, employment, poverty exit, and overall economic progress [i.e., achieving all of the first three]). Employed sample members with a high school diploma are estimated to have a chance of maintaining their employment throughout the next year that is 9 percentage points higher than that for similar sample members with less than a high school diploma. Likewise, those with more than a high school diploma are estimated to be 11 percentage points more likely to sustain their employment than otherwise similar high school dropouts. The likelihood of sustaining poverty exits and of sustaining overall economic progress is also substantially increased by having a high school diploma or higher level of education.

The extent of employment history at the time of TANF entry is positively associated with the likelihood of achieving all four economic benchmarks. For example, having an additional four quarters of em-

**Table 2**

RESPONDENT CHARACTERISTICS USED IN MULTIVARIATE ANALYSES

Type of Measure	Respondent Characteristics
Human capital characteristics ( <i>HK</i> )	Educational attainment at TANF entry: high school diploma only Educational attainment at TANF entry: more than a high school diploma Number of quarters of employment in the 2 years before TANF entry; based on state unemployment insurance records
Health status ( <i>Hlth</i> )	Has a self-reported health condition that limits participation in work, education, or training
Family structure ( <i>Fam</i> )	Married with spouse present Cohabiting Number of own children in household Age of youngest own child in household; measured in years Gave birth during the period; equal to one if the respondent gave birth between the current interview and the subsequent interview
Demographic characteristics ( <i>Dem</i> )	Age at TANF entry Non-Hispanic African American Hispanic Lived in a two-parent family growing up; defined as living with both parents at age 14 Grew up in a household that received welfare; based on self-reports Not a U.S. citizen; measured at first survey Usually speaks English at home; measured at first survey Number of months of welfare receipt in the 2 years prior to TANF entry; based on information from a state database that tracks welfare benefits and is maintained by the New Jersey Division of Family Development
Local characteristics ( <i>Loc</i> )	County unemployment rate; unemployment rates are measured as of the first month of the period and were obtained from State of New Jersey (n.d.a); county of residence determined at TANF entry County of residence at TANF entry; represented by a series of dummy variables; the five counties with the smallest TANF caseloads were combined into one category
Duration dependence variables ( <i>Time</i> )	Four dummy variables that indicate the number of periods the spell has been in progress

NOTE.—TANF = Temporary Assistance for Needy Families program. Characteristics are time varying and are measured at the beginning of the period unless otherwise indicated. Measures are based on survey data unless otherwise indicated.

Table 3

MARGINAL EFFECTS FOR ACHIEVING AND SUSTAINING TANF EXITS, EMPLOYMENT, POVERTY EXITS, AND OVERALL ECONOMIC PROGRESS

	TANF EXIT		EMPLOYMENT		POVERTY EXIT		OVERALL ECONOMIC PROGRESS	
	Achieve	Sustain	Achieve	Sustain	Achieve	Sustain	Achieve	Sustain
Overall average probability	.424	.894	.295	.740	.330	.744	.220	.663
Human capital characteristics:								
High school diploma only	.044	.037***	.068**	.094***	.066***	.090***	.080***	.115***
More than high school diploma	.155***	.043***	.120***	.112***	.129***	.128***	.133***	.156***
Quarters employed in 2 years before TANF entry	.024***	-.002	.026***	.006	.018***	.008*	.017***	.007
Health status:								
Work-limiting health condition	-.128***	-.023	-.095***	-.080**	-.091***	-.123***	-.095***	-.100**
Family structure:								
Married	.024	.057***	-.067*	.042	.065*	.045	.023	.041
Cohabiting	.034	.003	-.062*	-.018	.052	.072**	-.007	.059
Number of own children in household	.006	-.004	.017	.000	-.025**	-.020*	-.015	-.016
Age of youngest child in household (in years)	-.002	-.005**	.005	-.001	.001	.002	.001	.000

Gave birth during period	-.033	-.057***	-.076***	-.080**	-.051*	-.147***	-.056***	-.134***
Demographic characteristics:								
Age at TANF entry	-.005*	.003**	-.009***	.002	-.002	-.003*	-.004**	-.002
Non-Hispanic African American	-.061	-.066***	.019	-.030	-.005	-.025	.006	-.028
Hispanic	.017	-.020	.026	-.014	.023	.008	.018	.000
Lived in two-parent family growing up	-.005	.000	-.037	.035*	-.013	.021	.004	.025
Received welfare growing up	-.037	-.032***	.019	-.017	-.028	-.010	-.009	-.020
Not a U.S. citizen	.005	.061***	-.001	.074*	-.022	.016	.009	.058
Speaks English at home	-.010	.017	-.010	-.018	.004	.032	.026	-.030
Months of pre-TANF welfare receipt	-.002	.000	.001	.000	.000	-.002	.000	.000
Local economic characteristics:								
County unemployment rate	-.020	-.010*	-.005	-.019*	-.008	-.016	-.019	.004

SOURCE.—Information on TANF receipt was collected from a state database for tracking welfare benefits. The database is maintained by the New Jersey Division of Family Development. Information on employment and poverty status was collected from client surveys conducted by Mathematica Policy Research, Inc.

NOTE.—TANF = Temporary Assistance for Needy Families program. Figures are derived from the results of hazard models and represent the change in the probability of achieving or sustaining each outcome during a period that is associated with a unit change in the independent variable. The models also include a set of indicator variables that correspond to the respondent's county of residence and a set of variables that correspond to the number of periods the spell has been in progress.

\*  $p < .10$ .

\*\*  $p < .05$ .

\*\*\*  $p < .01$ .

ployment during the 2 years prior to TANF entry is estimated to increase the likelihood of becoming employed during a 1-year period by 10 percentage points. However, prior employment history is less strongly associated with sustaining overall economic progress than it is with initially achieving that progress. The number of quarters employed in the 2 years prior to TANF entry is a statistically significant predictor only of sustaining poverty exits and is not statistically significantly associated with the likelihood of sustaining any of the other benchmarks.

Health is among the factors most strongly and consistently associated with sustaining benchmarks of economic success. Having a health problem that limits the ability to work, a condition reported by 41 percent of sample members at some point during the follow-up period, is estimated to decrease the likelihood that respondents achieve each of the benchmarks examined. Work-limiting health conditions also are estimated to reduce the likelihood of sustaining overall economic progress to a statistically significant degree. As table 3 reports, a limiting health condition decreases the likelihood of sustaining employment throughout the next year by 8 percentage points, the likelihood of sustaining a poverty exit by 12 percentage points, and the likelihood of sustaining overall economic progress by 10 percentage points. Work-limiting health conditions are not estimated to have a statistically significant effect on the likelihood of sustaining TANF exits. This may be due in part to the fact that some former recipients with health limitations enter the SSI program rather than return to TANF. Among sample members who report a work-limiting health condition, one in four indicates that he or she received SSI sometime during the follow-up period.

Family structure can also have important influences on the likelihood of sustaining economic benchmarks. Having a baby has a particularly large estimated effect. One-third of sample members gave birth during the follow-up period. This event is estimated to decrease the likelihood of remaining off TANF over the next year by 6 percentage points. It also is estimated to decrease the likelihood of sustaining employment by 8 percentage points and of sustaining a poverty exit by 15 percentage points. Similarly, an increase in the number of the sample member's own children in the household and a decrease in the age of the youngest child reduce the estimated likelihood that TANF recipients sustain certain economic benchmarks. However, these factors are not estimated to be as strongly and consistently negatively associated with achieving and sustaining economic benchmarks as giving birth is. For example, the number of the sample member's own children in the household is estimated to be negatively related to poverty exit and positively related to returning to poverty if sample members do exit; however, it is estimated to have little effect on the likelihood of achieving and sustaining other benchmarks. Being married influences the likelihood of achieving and sustaining certain economic benchmarks. It has a particularly strong

effect on the likelihood of sustaining a TANF exit. Sample members who report being married are 6 percentage points more likely to sustain their TANF exits for an additional year than similar recipients who report that they are single.

Other background and demographic characteristics of TANF recipients are generally not as strongly associated with sustaining economic benchmarks as human capital, health status, and family structure measures, but several are important predictors of steady progress. For example, African Americans and those who reported having received welfare growing up are statistically significantly less likely to sustain welfare exits than other similar sample members are. However, these groups are not statistically significantly less likely than other respondents to achieve or sustain any of the other benchmarks. In addition, results suggest that those who are not U.S. citizens are more likely to sustain their TANF exits and their employment than similar recipients who are citizens. In spite of their greater likelihood of sustaining employment, however, noncitizens are no more likely than other recipients to achieve or sustain poverty exits.

A recipient's age when she enters TANF is also statistically significantly associated with some measures, particularly finding employment. A 10-year increase in age at TANF entry is associated with a 9-percentage-point reduction in the likelihood of finding employment. Sample members' age is also estimated to be negatively related to the likelihood of exiting TANF and of achieving overall economic progress. However, once they exit TANF, sample members' age is estimated to be positively associated with sustaining their TANF exit.

Finally, local economic characteristics are estimated to influence the likelihood that sample members sustain certain economic benchmarks. However, they have less influence on the likelihood that recipients initially achieve these benchmarks. Local economic characteristics have the strongest estimated influence on the likelihood of sustaining employment. In particular, a 1-percentage-point increase in the county unemployment rate is associated with a 2-percentage-point decrease in the likelihood that respondents will sustain their employment over the following year. The likelihood of sustaining a TANF exit is also statistically significantly reduced by an increase in the county unemployment rate. However, the unemployment rate is not a statistically significant predictor of achieving any of the four economic benchmarks.

Table 4 provides another illustration of how the likelihood of achieving and sustaining the measured benchmarks is estimated to vary with the characteristics of sample members. These figures represent the likelihood that a sample member with a given set of characteristics will achieve each of the benchmarks within 2 years of TANF entry and then will sustain that benchmark for the following 3 years. These calculations are generated on the basis of survivor rates from the hazard models

**Table 4**  
**PREDICTED PROBABILITIES OF ACHIEVING AND SUSTAINING VARIOUS ECONOMIC BENCHMARKS**

	PROBABILITY OF ACHIEVING AND SUSTAINING				Overall Economic Progress
	PROPORTION OF SAMPLE	TANF Exit	Employment	Poverty Exit	
Overall	1.00	.481	.200	.251	.132
By education:					
No high school diploma	.39	.409	.128	.163	.068
High school diploma only	.45	.504	.235	.279	.159
More than high school diploma	.16	.607	.290	.369	.220
By pre-TANF employment (2 years prior to entry):					
No quarters of employment	.44	.432	.166	.192	.098
Employed 4 of 8 quarters	.07	.491	.245	.258	.146
Continuously employed (all 8 quarters)	.03	.533	.333	.334	.206
By working-limiting health condition:					
Has work-limiting health condition throughout follow-up period	.10	.358	.127	.123	.061
Has no work-limiting health condition during follow-up period	.59	.498	.234	.263	.147
By education, pre-TANF employment, and health condition:					
No high school diploma, no pre-TANF employment, has work-limiting health condition throughout follow-up period	.03	.285	.054	.060	.022
More than a high school diploma, continuously employed, no work-limiting condition throughout follow-up period	.01	.686	.466	.523	.363

SOURCE.—Information on TANF receipt was collected from a state database for tracking welfare benefits. The database is maintained by the New Jersey Division of Family Development. Information on employment and poverty status was collected from client surveys conducted by Mathematica Policy Research, Inc.

NOTE.—TANF = Temporary Assistance for Needy Families program. Figures represent the predicted probability that recipients achieve the economic benchmark within 2 years of TANF entry and then sustain the benchmark for the following 3 years.

related to each benchmark. For example, in generating the predicted probability of achieving employment within 2 years and sustaining it for 3 years, the probability of leaving an in-progress nonemployment spell within 2 years is estimated by evaluating the nonemployment spell hazard model at the mean of all independent variables other than the indicator variables for the number of periods the spell has been in progress. This value is then multiplied by the probability that an employment spell will last for at least three periods. That probability is estimated from the employment spell hazard model. The authors tested other definitions of achieving and sustaining the economic benchmarks over the follow-up period. For example, one such definition was achieving the benchmark within 3 years of TANF entry and sustaining the benchmark for at least 2 years. These results, which are available from the authors, show subgroup patterns that are similar to those presented in table 4.

As illustrated in table 4, the likelihood of experiencing steady economic progress is relatively low, even among sample members with the most human capital. For example, among the 16 percent of TANF recipients who entered the program with more than a high school diploma, 29 percent are predicted to achieve and sustain employment over the follow-up period, and 37 percent are predicted to achieve and sustain poverty exits over this period. Similarly, among the very small group of sample members (3 percent) who were continuously employed in the 2 years prior to TANF entry, 33 percent are predicted to achieve and sustain employment over the follow-up period, and a similar percentage are predicted to achieve and sustain a poverty exit.

Even among the very least disadvantaged sample members, these percentages remain relatively low. The small percentage of sample members (1 percent) who enter TANF with more than a high school diploma have a history of continuous employment in the 2 years before TANF entry and experience no work-limiting health problems during the follow-up period are predicted to have a 47 percent chance of achieving and maintaining their employment, a 52 percent chance of achieving and maintaining a poverty exit, and a 36 percent chance of achieving and maintaining overall economic progress. Therefore, even among the least disadvantaged sample members, the prospects of steady economic progress are far from certain. These results underscore the difficulty faced by current and former TANF recipients, even those who are most job ready, in maintaining a steady path toward economic self-sufficiency.

## Conclusions

Analyzing the economic outcomes of a group of TANF recipients over a 5-year period reveals that, on average, they experienced economic progress in the years after entering the TANF program. Relatively few

receive cash assistance at the end of the period. In addition, employment and income levels increase substantially, and poverty levels decline. In spite of this progress, however, average income levels for sample members remain fairly low (about \$20,000 per year) at the end of the follow-up period. Almost half have incomes below the poverty line.

Behind the steady, although somewhat modest, economic progress for the group as a whole, however, lies substantial economic instability at the individual level. The results presented here suggest that economic setbacks and reversals are the norm for TANF recipients in the years after TANF entry. Many recipients exit the labor market after entering it or return to poverty after leaving it. Certain groups (high school dropouts, those with limited histories of recent work, and those with work-limiting health conditions) are particularly likely to experience limited and unstable economic progress. However, even among the least disadvantaged sample members, those with more than a high school education, substantial recent work histories, and consistently good health, steady economic progress is far from certain.

Although many welfare recipients experience economic setbacks in the years after entering the TANF program, most recover from these setbacks over time. In particular, most sample members who stop working eventually return to the labor market, and most who return to poverty exit from it again. For this reason, sample members are typically better off economically 5 years after entering the TANF program than they were when they entered TANF. For most, however, the road to economic progress is a bumpy one.

These results have several implications for policy. The high degree of employment instability suggests that policy makers should continue to explore strategies to promote employment retention among TANF recipients who have exited welfare for work. Newly employed welfare recipients may face a variety of challenges as they make this transition. Such challenges may include problems with child care, transportation, health, housing, and adjustment to the demands of the workplace. Earlier research shows that TANF recipients are at the highest risk of job loss during their first few months of employment (Wood et al. 2003). The research presented in this article indicates that certain TANF recipients are particularly unlikely to achieve steady employment in the years after TANF entry; such recipients include those with limited education, health problems, or very young children. Stronger postemployment supports (such as intensive case management and financial supplements for low earners) targeted to these high-risk recipients during the critical period immediately after job start may help some to cope with the transition from welfare to work. In addition, the particularly poor economic performance of TANF recipients with the least education suggests that policy makers may want to revisit the pure work-first ap-

proach to welfare reform and consider strategies that emphasize education and training as well as employment.

The results also point to the important role of other income supports for low-income families such as the state and federal EITC, government health insurance programs, food stamps, and housing subsidies. Many of the families in this sample remained eligible for and participated in these programs long after leaving TANF. These programs provide a valuable supplement to labor market earnings and may help to offset the considerable instability in sample members' incomes. In considering changes to these programs, policy makers should keep in mind the high degree of economic instability that families typically experience after exiting TANF and should consider the role that these programs may play in reducing such instability.

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## Notes

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1. Robert Moffitt and Katie Winder (2005) present results based on data from the Three

Cities Study. The findings suggest that the gains from leaving welfare for work are small and possibly negative when the income of other family members and the risk of nonemployment are taken into account. However, using data from the Michigan Women's Employment Survey (WES), Sheldon Danziger and Hui-Chen Wang (2005) find that total income increases when TANF recipients move from welfare to work, even when the income of other household members is ignored.

2. Data in the WES come from one urban county in Michigan; the WFNJ data come from a representative statewide sample of New Jersey TANF recipients. In addition, the sample for which long-term follow-up data are available is much larger in the WFNJ study than in the WES (just over WFNJ 1,600 respondents compared to about 500 in the WES).

3. Because of the state's extensive use of temporary exemptions from time limits, no New Jersey TANF case was closed for reaching these limits in the period covered by this analysis (1997–2004). See Robert Wood and Justin Wheeler (2007) for more details. In effect, the state had no time limit during this period, and thus the current analysis does not examine the implications of time limits for these recipients.

4. The caseload sample represents 65 percent of welfare recipients who participated in WFNJ during its first 18 months, and the new-entrants sample represents 35 percent. New entrants were oversampled such that the sample comprises 50 percent from each group. The results are weighted to account for the oversampling of new entrants. This creates a research sample that is representative of all TANF participants who received cash assistance in the state from July 1997 to December 1998 and who were subject to TANF work requirements and time limits. Child-only TANF cases, which limit benefits to children in the household and thus include no adults who are subject to work requirements or time limits, are excluded from the study.

5. Surveys were conducted at approximately 1-year intervals. The first through fifth surveys were conducted, on average, 19, 30, 42, 54, and 66 months, respectively, after the sample member entered the TANF program.

6. These administrative data on TANF benefit receipt were used to select the original survey sample for the study.

7. The income figures reported in this article were self-reported by sample members. They refer to the month prior to each survey and are presented in 2003 dollars. The figures represent family income, which includes the income of the sample member, her minor children, and, if applicable, the member's coresident spouse or partner. These figures include all major income sources, such as the sample member's pretax earnings, earnings of spouses or partners, TANF and food stamp benefits, child care subsidies, other public assistance, child support, unemployment insurance (UI), and money from friends and relatives. These figures do not include income received through the federal EITC or the state's earned income credit. Income from these credits is omitted from the income figures because the information necessary to estimate the refundable credit is not available for all five survey years.

8. The poverty levels reported here are based on 2003 federal poverty guidelines established by the U.S. Department of Health and Human Services. These guidelines consider a family of three in 2003 to be living in poverty if its annual income was less than \$15,260 (*Federal Register* 68, no. 26 [February 7, 2003]: 6456–58).

9. Trends in state-level unemployment rates suggest that the severity of the economic slowdown in New Jersey was similar to that in the nation as a whole (State of New Jersey n.d.b; U.S. Department of Labor n.d.).

10. If income from the state and federal EITCs is included in the total income figures, the average monthly income at the end of the follow-up period would be \$1,747, which is equivalent to an annual income of about \$21,000. In addition, including the EITCs in the income figures reduces the percentage of respondents in poverty at the end of the follow-up period from 46 to 42 percent.

11. Employment and TANF receipt are measured monthly. Therefore, these proportions represent those who exited TANF or were employed in any month during the first 3 years after TANF entry. In contrast, poverty status is measured at the time of each follow-up survey. Therefore, this proportion represents those who were not poor at the time of one of the first three surveys, conducted, on average, 19, 30, and 42 months after TANF entry, respectively.

12. Sample members are considered to have maintained their employment if they begin

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working within 3 years after entering TANF and then have no continuous gaps in their employment history that last longer than 90 days.

13. Sample members are considered to have remained out of poverty if they are not poor at the time of one of the first three follow-up surveys and then are out of poverty at each subsequent follow-up survey.

14. Results are qualitatively similar if it is required only that the individual has the status at the time of the next survey.

15. To make the results more succinct, this article does not report the effect of the length of the spell on the likelihood of achieving or sustaining the various benchmarks. In general, these results suggest that the longer recipients go without achieving an economic benchmark, the lower their probability of achieving that benchmark in a given period. However, the likelihood of sustaining the benchmarks for an additional period is generally unaffected by the length of time that the benchmark has been sustained. In other words, TANF recipients are equally likely to experience an interruption in their economic progress after 1 year of sustained success as they are to experience it after 3 or 4 years of sustained success.

16. Marginal effects are calculated by evaluating the change in the mean hazard rate that results from changing the explanatory variable of interest by one unit while holding all other variables constant. Coefficient estimates from the underlying hazard models are available from the authors.