

## Three-City Findings Reveal Unexpected Diversity Among Welfare Leavers and Stayers

The well-being of children and their families in low-income, central-city neighborhoods is of particular concern to policymakers, social welfare professionals, researchers, and advocates. Welfare, Children, and Families: A Three-City Study, based at Johns Hopkins University, is designed to provide detailed information on how these families are faring in the wake of welfare reform. The project includes a repeated survey of about 2,400 children and their caregivers, all of whom reside in randomly-selected low-income neighborhoods in Boston, Chicago, and San Antonio; about 600 of the children are being observed in greater depth. In addition, approximately 230 of the families are participating in an ethnographic study.

The research is contributing to a nascent recognition that both the “leaver” population of adults who have recently exited the welfare rolls and the “stayer” population of those still on the rolls are more diverse than policymakers expected. It appears that some of the most job-ready and least job-ready recipients have left the rolls. Many women in the former group were able to leave welfare by finding employment. In contrast, many in the latter group seem to

have left because their benefits were reduced or stopped through sanctions and case closings for noncompliance with program rules. To investigate these patterns further, the project is currently analyzing information on stayers from the survey and the ethnographic study.

### Major Focus is Child Development

The Three-City Study is a collaboration of researchers from several universities and includes developmental psychologists, economists, ethnographers, and sociologists to obtain a broad understanding of the lives of the family members being studied. (See box on collaborating investigators and institutions.)

Each city is in a different area of the country and has a different racial and ethnic mix. Welfare program rules also differ. Boston has a time limit of 24 months for Temporary Assistance to Needy Families (TANF) receipt in any 60-month period. Chicago has a five-year time limit unless the recipient is working at least 30 hours per week; those weeks do not count toward the time limit. San Antonio has time limits of one, two, or three years, depending on

### Note from the Director—Barbara B. Blum

For this issue of *the forum*, Andrew Cherlin and Robert Moffitt provide notes on the diversity of welfare leavers and the role of sanctions, drawing upon policy briefs from an important research project, *Welfare, Children, and Families: A Three-City Study*. The policy briefs and a report providing a detailed description of the study are available at the study's website: [www.jhu.edu/~welfare](http://www.jhu.edu/~welfare).

In recent years, increasing concern has been expressed about the well-being of families who have left the Temporary Assistance to Needy Families (TANF) caseloads in large numbers. This study begins to help us understand the circumstances of persons who have left the rolls in many cities.

The study is being implemented by an impressive and collaborative group of researchers using carefully crafted surveys and applying multiple research methods. This rigorous design is already producing information germane to the reauthorization process for TANF.

### Collaborating Investigators and Institutions

#### Principal Investigators:

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the recipient's education and experience. All three cities allow certain exceptions to these rules. (See box on welfare policies in the three cities.)

Because the focus is on low-income central-city neighborhoods, the participant sample overrepresents Hispanics and African-Americans, compared to the national TANF caseload. The survey sample is 47 percent Hispanic, 44 percent African-American, and 9 percent non-Hispanic White. The ethnographic sample has a similar distribution.

The study has three components:

1. *A longitudinal survey:* A random sample of about 2,400 children ages birth to four or 10 to 14 years and their caregivers (mothers over 90 percent of the time) in low-income neighborhoods in the three cities were interviewed between March and December of 1999. The response rate was 74 percent. Thirty-eight percent of the families were receiving TANF payments at the time of the interview; another 20 percent had received TANF in the previous two years. A distinguishing feature of this study, unlike many others, is its inclusion of low- and moderate-income families who have never been on either the pre-1996 Aid to Families with Dependent Children (AFDC) or the post-1996 TANF welfare programs (25 percent) or who last received
2. *An embedded developmental study:* In order to improve the breadth and depth of the child evaluations, an embedded developmental study was undertaken with about 600 children ages two to four years in the survey sample. The study included videotaping and coding of children's self-regulation behaviors and of caregiver-child interactions and direct observations of child-care settings. It is being repeated in the second round.
3. *An ethnographic study:* Fieldworkers are studying an additional 230 families who reside in the same neighborhoods as the families in the survey. Forty-five of these families were specially selected to have children with disabilities. An additional number of families have adults with disabilities. Other fieldworkers are studying the neighborhood context of these families, including the public and private resources available to them. The families are being studied intensively for 12 to 18 months

## Welfare Policies in the Three Cities

### Boston—Massachusetts Aid to Families with Dependent Children

Massachusetts is operating under its U.S. Department of Health and Human Services (DHHS) waiver, which is approved through September 2005. The plan has a time limit of two out of every five years but relatively generous exemptions from those limits and fairly high cash benefits and income eligibility limits compared to the other two states.

Massachusetts imposes full-family sanctions (loss of a family's entire TANF grant) on a graduated basis. Initial failure to comply results in loss of the adult portion of the family's TANF grant. Subsequent failure to comply with work requirements for one month can result in a full-family sanction. Noncompliance with work requirements can also result in partial or full reduction of food stamp benefits. All benefits can be reinstated as soon as the individual comes into compliance.

### Chicago—Illinois Temporary Assistance to Needy Families

Illinois uses an approved plan with an official five-year lifetime time limit; but it pays benefits out of state funds for all months in which recipients work or go to school for more than 30 hours per week, effectively stopping the clock. The state has cash benefit levels and income eligibility limits between those of Massachusetts and Texas but has the most generous earnings disregards of the three.

Illinois imposes full-family sanctions on a graduated basis. Initial failure to comply with employment or child support enforcement results in a 50 percent reduction of the family's TANF grant until cooperation is evident. If the par-

icipant does not cooperate by the end of three months, a full-family sanction results. The second failure to comply results in a 50-percent reduction of the family's grant for a minimum of three months, with a full-family sanction if noncompliance continues beyond the three months. The third failure results in a full-family sanction, stopping TANF benefits completely for a minimum of three months. Noncompliance with work requirements can also result in partial reduction of food stamp benefits.

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### San Antonio—Texas Achieving Change for Texans

Texas also is operating under DHHS waiver authority. Texas assigns one-, two-, or three-year time limits on the basis of employability, but had no lifetime limit at the time of a 1999 survey. (Since then, Texas has imposed the federal guideline of a five-year lifetime limit.) The one-, two-, and three-year time limits do not begin until the recipient is offered an opening in the state employment program. The state has fairly low cash benefit levels and income eligibility limits as well as the least generous earnings disregards of the three states.

Texas imposes only partial sanctions. The first failure to comply with work or child support enforcement results in a loss of the adult's portion of the TANF grant. The work sanction remains in place for one month or until compliance, whichever is longer. The second failure to comply results in loss of the adult portion for a minimum of three months for a work sanction. The third failure to comply results in loss of the adult portion for at least six months for a work sanction. Also, noncompliance with work requirements can result in full reduction of food stamp benefits.

through in-depth interviews and participant observation; they will then be recontacted every six months.

Much has been found about the outcomes of leavers in the three cities, defined as those who had been on welfare sometime in the prior two years but were not on welfare at the time of interview. As in most other leaver studies, the average employment rate of leavers in the three cities was relatively high, about 63 percent. But when Johns Hopkins researchers examined differences in outcomes for leavers by education, health status, and other variables, they found large differentials.

### Welfare Leavers Are Diverse Group

Regarding employment outcomes, for example, researchers found that 28 percent of leavers without a high school degree or equivalent (i.e., GED) had not been employed in the 12 months prior to interview, compared to only 13 percent of those with these degrees.

Similarly, 31 percent of those in poor or fair health had not been employed over the same period, compared to only 6 percent of those in good or excellent health. Differences in income and poverty status were also large. For example, the earnings of less-educated leavers were only one-half of those of more-educated leavers. The earnings of leavers in poor health were only one-half of those of leavers in better health. In both groups, the earnings of others in the household partly compensate for these differences.

The researchers also examined outcomes for leavers who had spent more time on welfare before leaving the rolls and might therefore be considered “dependent” on welfare. The women were called “dependency” leavers. The outcomes for dependency leavers were much worse than those for the average leaver. These results are consistent with emerging findings from other studies of the relative well-being of those who have left the rolls compared to those who have not.

For example, using Current Population Survey data, researchers at Johns Hopkins and the University of Baltimore recently found that the fraction of the TANF caseload composed of less-educated and less-skilled women has not risen since 1996—at least not after adjusting for the effects of the improving economy. These findings imply that exits from welfare have not been heavily from the better-off portion of the caseload, as most observers predicted.

These researchers speculate that this pattern may have two sources: (1) greater use of sanctions for noncompliance with program rules, which tend to be imposed on the worst-off families on welfare and remove many of them from the rolls; and (2) more generous earnings disregards, which tend to extend eligibility for benefits to some of the more employable, job-ready recipients and therefore keep them on the rolls.

### Leavers Can Be Better- or Worse-Off

Similarly, researchers at the University of Michigan have found in the Michigan Women’s Employment Study that there are two kinds of leavers and two kinds of stayers—in each group there is a better-off group with heavy reliance on earnings and another group with little earnings. They found that the similarities between earnings-reliant women on and off welfare are greater than those between women on and off welfare, each taken as a whole; and, likewise, that there are both women on and off welfare who have multiple barriers to employment.

Another set of studies has been examining whether successive cohorts of leavers after 1996 have become steadily worse off, as would be expected if the better-off families were more likely to leave earlier. Although some studies have confirmed this expectation, on the whole the evidence is quite mixed, with some studies finding no difference over time.

### Rule Violations Lead to Sanctions, Exits

Researchers from the Three-City Study are also exploring the idea that sanctions and procedural case closings may help explain why some of the most disadvantaged families are leaving the TANF rolls. States have long been allowed to impose “partial sanctions,” that is, to reduce the benefits paid to recipients who refuse to look for work or take a job, or who do not provide information on parents who might owe child support. In the early 1990s, some states received federal waivers that allowed them to impose “full-family sanctions,” that is, to stop the benefits completely, if families fail to comply with program rules.

The 1996 welfare reform law allowed all states to implement full-family sanctions for noncompliance with work- or child-support-related rules. According to an estimate by the Center on Budget and Policy Priorities, three times as many families have left the rolls because they were sanctioned as have left because they reached a time limit. Moreover, welfare agencies can also close cases if they determine that a family has not complied with program rules. Many experts now believe that the threat of sanctions is an important reason why more welfare recipients are working and why caseloads have fallen.

In the Three-City Study, 17 percent of all caregivers in the survey sample who had received welfare in the previous two years reported that their benefits had been reduced or eliminated because the welfare office said they were not following the rules. Four percent had been fully sanctioned or had their cases closed. Thirteen percent had received a “partial sanction” that reduced but did not end their benefits. An unexpected finding was that the most common reasons for being penalized were not directly refusing to work or look for a job, but rather missing a meeting—usually with a caseworker—or failing to file required paperwork, such as earnings records.

**The conventional wisdom that leavers are composed only of the “better-off” welfare recipients is not correct. Rather, some of the “worst-off” families have left as well.**

### **Distressed Families Have More Sanctions**

Penalized parents, when compared to all other current or recent welfare recipients, showed more signs of distress. They had less education and poorer health. They reported lower monthly incomes and were more likely to have used food pantries and emergency clothing services and to have had times when they could not afford enough food. They were more likely to report substance use. Their housing was of poorer quality, and they were more likely to live in neighborhoods with abandoned houses, assaults and muggings, gangs, and open drug dealing.

Moreover, only 36 percent of the parents who said they left welfare because of a penalty were employed at the time of the interview, compared to 67 percent of parents who left welfare for other reasons, such as reaching a time limit or increased income.

To be sure, some families may not have experienced increased hardship. In the study, about half were able to get their benefits back, and about a third were working when interviewed. Nevertheless, in these three cities, sanctions and related case closings were clustered among families that, on average, were more vulnerable than other welfare families. Some of the penalized parents had daily lives filled with complex family obligations, challenging work responsibilities, and personal turmoil. They often lacked the resources to navigate program rules.

### **Leavers Often Less Educated**

These findings are consistent with a number of other studies. Researchers at the Urban Institute, for example, in a review of leaver studies, found that sanctioned leavers had lower employment rates than other leavers. In a review of several studies across states, the federal government found that sanctioned families had lower levels of education and less work experience, were more likely to be long-term recipients, and had more barriers to work. A group at the University of Michigan found that being sanctioned was correlated with family care problems, mental health problems, and less education. The Three-City Study findings are consistent with these findings but provide more detail on the reasons for being sanctioned.

The initial findings from the Three-City Study provide some new perspectives on the welfare reform debate. The findings on welfare leavers, for example, suggest that the

conventional wisdom that leavers are composed only of the “better-off” welfare recipients is not correct. Rather, some of the “worst-off” families have left as well. Thus, if policymakers wish to address the problems of the most disadvantaged families, they must consider families off the rolls as well as those still on.

These findings are consistent with a number of other emerging findings suggesting that leavers and stayers are both heterogeneous and diverse, and that there are both better-off and worse-off families in both groups. Currently, a study of “stayers” is underway that will supplement the Three-City survey of leavers and will provide further information on this issue.

### **Noncompliant Families Need More Help**

Other findings in the Three-City Study suggest that sanctions and case closings for noncompliance may be an important mechanism for removing some of the most disadvantaged families from the rolls. Penalties for missing a meeting or failing to file paperwork were much more common than penalties for directly refusing to work. These findings suggest that penalties for lack of compliance with program rules sometimes indicate broader difficulties that a recipient may have in managing the joint tasks of raising a family, maintaining a household, and participating in the work force. One policy implication is that welfare departments could use instances of noncompliance as ways to help identify clients who face greater challenges of this kind. Such families might benefit from more careful attention or immediate intervention. If penalties are imposed, some of the more vulnerable families might require greater assistance in returning to compliance.

The Three-City Study promises rich, detailed information on caregivers and children in low-income families in three large cities in the wake of welfare reform. The analysis of the data has just begun. More findings from the first wave of interviews will be issued over the next several months, followed by findings from the longitudinal data furnished by the second wave. Findings from the ethnographic and embedded child development study are also forthcoming. Future reports should provide important information for the debates and discussions about the reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act in 2002.

## Selected Research Projects with Findings on Welfare Leavers and Sanctions

NOTE: The following projects have been referenced in this newsletter. Publications for these and other projects may be found in the Key Topics Section of the Research Forum Web site, [www.researchforum.org/cfm/keytopics.cfm](http://www.researchforum.org/cfm/keytopics.cfm). Detailed summaries for projects marked with "\*" are found in the Research Forum database on the Web site.

### Changing Caseloads: Macro Influences and Micro Composition

**Evaluator** Johns Hopkins University

**Recent Publication** Moffitt, Robert & Stevens, David. *Changing Caseloads: Macro Influences and Micro Composition*. Johns Hopkins University (February 2001)

### Barriers to Employment of Welfare Recipients: Women's Employment Study\*

**Evaluator** University of Michigan, School of Social Work

**Recent Publications** Danziger, Sheldon. *Approaching the Limit: Early Lessons from Welfare Reform*. Poverty Research and Training Center, University of Michigan (December 2000)

Kalil, Ariel & Seefeldt, Kristin S. *Economic Hardship Among Sanctioned TANF Recipients*. Mimeograph (November 2000)

### Wisconsin Leavers Project\*

**Evaluators** Institute for Research on Poverty  
Wisconsin Department of Workforce Development

**Recent Publication** Cancian, Maria; Haveman, Robert; Meyer, Daniel; and Wolfe, Barbara. *Before and After TANF: The Economic Well-Being of Women Leaving Welfare* (Special Report No. 77). Institute for Research on Poverty, University of Wisconsin-Madison (May 2000)

### Cross-State Examination of Families Leaving Welfare

**Evaluator** U. S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation

**Recent Publication** Isaacs, Julie B. & Lyon, Matthew R. *A Cross-State Examination of Families Leaving Welfare: Findings from the ASPE-Funded Leaver Studies*. Paper presented at the NAWRS Workshop, Scottsdale, Arizona, August 2000 (Revised November 2000)

### Assessing the New Federalism: Policy Analysis Project\*

**Evaluator** The Urban Institute

**Recent Publications** Brauner, Sarah & Loprest, Pamela. *Where Are They Now? What States' Studies of People Who Left Welfare Tell Us* (TANF Paper Series A, No. A-32). The Urban Institute (1999)

Zedlewski, Shelia R., & Loprest, Pamela. *How Well Does TANF Fit the Needs of the Most Disadvantaged Families?* Paper presented at the New World of Welfare Conference, Washington, DC (January 2001)

### Welfare Reform: State Sanction Policies and Number of Families Affected

**Evaluator** U.S. General Accounting Office

**Recent Publication** U.S. General Accounting Office. *Welfare Reform: State Sanction Policies and Number of Families Affected*. Government Printing Office (March 2000)

## RESEARCH FORUM ON CHILDREN, FAMILIES, AND THE NEW FEDERALISM

The Research Forum, an initiative of the National Center for Children in Poverty, hosted at the Mailman School of Public Health, Columbia University, encourages collaborative research and informed policy on welfare reform and vulnerable populations. The Research Forum's ultimate goal is to identify and promote strategies that protect and enhance the well-being of poor children and their families.

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