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**Welfare Reform in the mid-2000s: How African-American and Hispanic  
Families in Three Cities are Faring**

by

Andrew Cherlin

Bianca Frogner

Johns Hopkins University

David Ribar

University of North Carolina at Greensboro

Robert Moffitt

Johns Hopkins University

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## **Abstract**

This paper reports on a sample of 538 African American and Hispanic women who lived in Boston, Chicago, or San Antonio in 1999, and were receiving TANF at the time, 416 of whom left the program by 2005. The Hispanic women consisted of a Mexican-origin group and a second group that was primarily Puerto Rican and Dominican. Among those who left program, about half of each racial-ethnic group was employed in 2005. Combining the experiences of the employed and the non-employed welfare leavers, we find at best a modest decline in poverty, depending on the measure of poverty that is used, among African American welfare leavers between 1999 and 2005. Mexican-origin and other Hispanics showed larger declines in poverty. Among just the welfare leavers who were employed in 2005, women in all racial-ethnic groups had experienced an increase in household income and a decline in poverty. Among the welfare leavers who were not employed, African-Americans had experienced a decline in household income and were further below the poverty line than in 1999, whereas Hispanic women were able to at least maintain their household incomes. Among the entire sample of 538 women who were receiving TANF in 1999, having a work-limiting disability was a strong predictor of being without income from either welfare or work in 2005 for all racial-ethnic groups. African American women without income from welfare or work were much more likely than Mexican-origin women to also be without income from spouses or partners.

When Daniel P. Moynihan submitted his report, *The Negro Family: The Case for National Action*, in 1965, more than 4 decades before this conference, welfare was already a public issue. Between 1960 and 1965, the number of recipients of Aid to Families with Dependent Children (AFDC) had increased by over 40 percent. Soon afterward, the rate of increase became even greater. Between 1965 and 1970 the number of recipients doubled, and then increased another 30 percent by 1972.<sup>1</sup> The backdrop to this rise included African-American welfare rights activism and rioting in the black neighborhoods of several cities. These events reinforced the image of AFDC in the public mind as a program that benefited African Americans even though, at all times, less than half of the recipients have been African American. In fact, welfare and race have been intertwined in the United States since the creation of welfare under the Social Security Act in 1935; and they remain intertwined today.

It is not a pretty history. The 1935 Act excluded many African Americans from social security coverage because, at the insistence of Southern members of Congress, the initial legislation left out agricultural and domestic workers – two categories that included the bulk of black laborers in the South. Coverage was gradually expanded in later modifications of the law. The Act also established Aid to Dependent Children (ADC), the forerunner of AFDC, to aid the widows of the largely white work force that would be eligible for Social Security benefits. ADC remained popular until the 1960s, by which time the widows had been supplanted by never-married, divorced, and separated women, who were disproportionately drawn from minority groups. In 1970, when President Nixon (with the advice of Moynihan) proposed the Family Assistance Plan, a guaranteed

income program for low-income families, it failed in part because Southern congressmen worried that it would undercut the low wage structure of the black labor force in their states. As Representative Phillip Landrum of Georgia famously said, “There’s not going to be anybody left to roll these wheelbarrows and press these shirts” (Quadagno, 1994, p. 130). Lee Rainwater and William L. Yancey, in their account of the Moynihan Report and the controversy it caused, wrote that the report put the “welfare establishment” in a difficult position because, “For years it has acquiesced to subtle and blatant discrimination and inadequate labor and welfare services to Negroes” (Rainwater and Yancey, 1967, p. 175). The establishment’s strategy, they argued, had been to wish away race as a category by emphasizing a self-consciously “color-blind” approach.

With this history as background, liberal scholars and activists concerned about the well-being of low-income African Americans viewed skeptically the 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Its five-year time-limit, its end to an entitlement to welfare, its work requirements, and its other rules were harsh by twentieth-century standards; and some opponents thought that the black poor would be pushed further into poverty. Supporters of welfare reform sought, with considerable success, to focus the debate on dependency rather than poverty. Moynihan had advocated this distinction: “The issue of welfare is the issue of dependency,” he wrote in 1986. “It is different from poverty. To be poor is an objective condition; to be dependent, a subjective one as well” (Moynihan, 1986, p. 165). Nevertheless, in the mid-1990s Moynihan, by then a Senator from New York, vehemently denounced welfare reform. He predicted that it would be “the most brutal act of social policy since Reconstruction.”<sup>2</sup>

Some observers on the left have, in fact, concluded that welfare reform was discriminatory toward African Americans. Gooden and Douglas (2006) present data showing that states with a higher percentage of African Americans tend to have stricter rules – time limits shorter than the five-year maximum, a loss of the full family’s grant rather than just the adult’s portion when a recipient violates rules, a refusal to increase a family’s benefits if a mother receiving TANF (Temporary Assistance for Needy Families) has another child, and so forth. Most of these differences, however, pertain to states in the South with large black populations. In contrast, New York, the state with the largest black population, is not unusually strict, nor are California or Michigan. This pattern suggests that the issue is continuing disparities in the South rather than a new, nationwide phenomenon that began with PRWORA.

Much less attention has been paid to the effects of PRWORA on Hispanic families. When Moynihan wrote his report, only 4 to 5 percent of the United States population was of Hispanic origin; and Moynihan said nothing about them. Welfare in that era was viewed as a black/white issue. Now, however, Hispanics comprise about 14 percent of the United States population; and they outnumber non-Hispanic African Americans.<sup>3</sup> In 2005, 26 percent of the families receiving TANF were Hispanic.<sup>4</sup> Moreover, there is great variation in the receipt of TANF within the Hispanic population. Undocumented immigrants are ineligible for public assistance programs such as TANF. Legal immigrants who entered the United States after the passage of PRWORA in 1996 are not eligible for TANF until they have been in the country for five years. Country of origin, or island versus mainland origin in the case of Puerto Ricans, is also important, as recent analyses of the pooled 1998 - 2002 March Current Population Surveys show.

Among the major Hispanic groups, Mexicans have substantially lower incomes than Cubans; and Puerto Ricans and Dominicans have somewhat lower incomes than Mexicans. Mexicans also receive less of their household incomes from TANF than do Puerto Ricans or Dominicans (Reimers, 2006). In addition, Mexicans are much less likely to live in single-parent families than are Puerto Ricans or Dominicans: 18 percent of Mexican households were headed by a woman with no partner present, which is the lowest figure among Hispanics except for Cubans, at 16 percent. In contrast, 42 percent of Dominican households and 34 percent of Puerto Rican households were headed by a woman with no partner present (Landale, Oropesa, and Bradatan, 2006).

Due to their low incomes and high prevalence of single-parent families, Puerto Ricans and Dominicans are more similar to African Americans than are Mexicans. Forty-two percent of Dominicans households were headed by a woman with no partner present -- a figure virtually identical to the 41 percent among African Americans and not far above the 34 percent figure for Puerto Ricans (Landale, Oropesa, and Bradatan, 2006). Puerto Ricans and Dominicans are also the only Hispanic groups who do not have more earners per household than African Americans. Moreover, Dominicans who were born in the United States have rates of participation in TANF that are similar to the rates among African Americans; and Puerto Ricans, whether born on the mainland or the island, have higher rates of participation in TANF than do African Americans (Reimers, 2006). Thirty percent of African Americans lived in families with incomes below the poverty line in the period of 1998 to 2002 – a figure in between the poverty rates for Dominicans and Puerto Ricans but well above the rate for Mexicans (Reimers, 2006).

Despite predictions by some opponents that PRWORA would be disastrous for all racial and ethnic groups and predictions by other opponents that, like previous attempts at reform, it would hardly change the system, PRWORA coincided with a huge drop in the welfare rolls without the terrible consequences that had been feared. The labor force participation rate of single mothers rose sharply, and their poverty rate fell. To be sure, the welfare reformers had the good fortune of starting their program during the strong economy of the late 1990s. Yet the consensus among economists, liberal and conservative, is that the economic boom was not the sole reason for the drop in the welfare rolls and the increase in employment among single mothers. Rather, they argue, welfare policy also played a role (Blank and Schmidt, 2001). Currently, even after several years of slower economic growth, the labor force participation rate remains higher, and the poverty rate remain lower, for single mothers than in the pre-PRWORA years (Blank, 2006).

Still, we know little about the long-term picture. Since economic growth has been slower in the 2000s, it is important to examine how those who left TANF have been faring in recent years. The Urban Institute's large study, the National Survey of America's Families (NSAF), ended in 2002.<sup>5</sup> The most recent, detailed information comes from the Women's Employment Survey (WES), which followed a sample of TANF recipients in one urban Michigan county from 1997 to 2003. Slightly over half of the women were African American, and the rest were non-Hispanic whites. The caseload in the county did not contain enough Hispanics to warrant studying.

Researchers from both the NSAF and the WES have published articles and reports on individuals who have left TANF but have not made the transition to paid work. These

disconnected former recipients have income from neither TANF nor employment; and under some definitions they have no incomes from spouses or partners, either. Those who were chronically disconnected from TANF, work, and income from spouses or partners during the six years of the WES were more likely to be African American than white; and they were more likely to report a physical health limitation, low work skills, a learning disability, no car or driver's license, and substance abuse (Turner, Danziger, and Seefeldt, 2006). Using the NSAF data, Loprest (2003) reported that disconnected adults were more likely to be in poor health and less likely to have completed high school or obtained a GED. Blank (2007) applied similar definitions of being disconnected to Current Population Survey data through 2004 and reported that the percentage of low-income single mothers who were receiving little or no income from welfare or employment had increased substantially since the start of welfare reform.

In this article, we present information on African-American and Hispanic women in the Three-City Study, one of the longest panel surveys of low-income families in the post-PRWORA era (1999 to 2005). It provides the most recent data available; and it allows for a comparison of African-Americans, Americans of Mexican origin, and other Hispanic families. We will begin by presenting a series of charts displaying trends in household income and poverty status over the six years of the study for women who left TANF after the start. We will then present the predictors of who is disconnected from welfare and work among all women who were receiving TANF at the start of the study.

## Data

The first interviews in this longitudinal study were conducted in 1999 in low- and moderate-income neighborhoods (93 percent of the selected block groups had poverty rates of 20 percent or more) in Boston, Chicago, and San Antonio. The researchers randomly selected households with incomes below 200 percent of the poverty line that included at least one child between ages of 0 to 4 or 10 to 14 (called the “focal child”); and they assessed or interviewed the children and also interviewed their primary caregivers, usually their mothers. (Children whose primary caregivers were male were not selected.) In this paper we will report on information obtained from the caregivers. The sample consisted of 2,458 families, and it included welfare and non-welfare families. The response rate in the first wave of interviews was 74 percent.<sup>6</sup> A second wave of interviews was conducted from September 2000 to June 2001 (we will refer to this as the 2001 wave) with the same children, their initial caregivers, and any new caregivers if the children’s living arrangements changed; and a similar third wave was conducted in 2005. Retention in the second and third waves was high; 80 percent of the original families were successfully reinterviewed in 2005. There were no significant differences between the 1999 characteristics of the caregivers who were reinterviewed in 2005, on the one hand, and the 1999 characteristics of those who were not reinterviewed in 2005, with respect to age, race and Hispanic ethnicity, educational attainment, welfare usage, or marital status.

For this article, we select caregivers who participated in all three waves, including some women who eventually lived apart from the focal child. Because we wish to examine employment behavior among potential welfare recipients, we restrict the sample

to women who were 62 years old or younger and who were still living with at least one child under the age of 18 in 2005. We also exclude observations for a few women who did not answer the questions relevant to our analysis, including the program use, income, and employment questions. These restrictions leave 538 African-American and Hispanic women who were receiving support from TANF during the first survey in 1999. (The white sub-sample of 41 was too small to support the analyses in this paper; moreover, the whites in our study were less representative of white low-income families nationally because white poverty is less concentrated in low-and-moderate income neighborhoods in central cities [Massey & Eggers, 1990; Krivo et al, 1998] ).

Of the 538 women who were receiving TANF in 1999, 416 had left TANF by 2005. About half of the leavers left by the time of the second wave – they reported receiving no income from TANF at the 2001 survey. The other half left by 2005 – they were receiving TANF in 2001 but reporting no income from TANF at the 2005 survey. We combine the 2001 and 2005 leavers in this article.<sup>7</sup> About half of the leavers and 22 percent of the women still receiving TANF reported in the 2005 interview that they had income from employment in the previous month. We refer to these particular women as “employed;” they include 45 percent of the African-American women, 45 percent of women of Mexican origin, and 39 percent of other Hispanic women. All of our statistical analyses use weights that adjust for differential sampling and response rates in the original interviews and for selection due to attrition and the exclusion criteria in our specific data set. Table 1 shows the weighted demographic characteristics of the 538 women who were receiving TANF in 1999. For the charts on trends among those who

left TANF, we use the sub-sample of 416 women who left TANF by 2005. For the analysis of disconnection from welfare and work, we use all 538 cases.

### The Cities

The three cities were originally selected for the study because they were representative of large urban areas in the U.S. and because they were in states with markedly different welfare policies. In 1999, Massachusetts was a high-benefit state with short time limits, a family-cap policy, and moderate sanctions but many types of exemptions. Illinois was a medium-benefit state with a standard five-year time limit and a family-cap provision. Illinois allowed families to receive benefits for some time before requiring work, but it also imposed tougher sanctions than the other states. Texas was a low-benefit, work-first state with short time limits, no family-cap, and weak sanctions; it also emphasized diversion. All three states offered transitional Medicaid and child care to families that left welfare for employment.

For the most part, these descriptions still characterized the programs in 2005. Massachusetts continued to have the highest benefits with a maximum monthly payment of \$618 for a family of three with no other income, while Texas had the lowest benefits with a maximum monthly payment of \$223 for a family of three. Time limit policies were also similar across years, with Massachusetts and Texas continuing to opt for short time limits and Illinois keeping the five-year federal limit. The states also continued to offer transitional assistance. Among the changes in policies, Illinois dropped its family-cap provision in 2004. Illinois also adopted a diversion program.

Over the period covered by our study, all three states experienced substantial welfare caseload declines. The steepest drop occurred in Illinois where the average monthly TANF caseload fell by more than two-thirds from 123,000 families in 1999 to 38,000 families in 2005. In Texas the average monthly TANF caseload fell by just under a quarter, while in Massachusetts the caseload fell by one tenth. Nationally, the average number of adult recipients of TANF each month fell by 31 percent between 1999 and 2005 (U.S. Department of Health and Human Services, 2007). Employment conditions also varied within and across areas. Boston (Suffolk County) and San Antonio (Bexar County) had the most favorable labor market conditions with unemployment rates of 3.5 and 3.3 percent in 1999, peak unemployment rates of 6.6 and 6.2 percent in 2003, and more favorable rates of 5.4 and 5.0 percent by 2005. The rates in 1999 were below the corresponding national average, while the rates in later years were generally at or above the national averages. Unemployment was higher in Chicago (Cook County), where the rates were 5.0 percent in 1999, 7.4 percent in 2003, and 6.5 percent in 2005. In terms of poverty rates, the ordering was very different with Boston (Suffolk County), San Antonio (Bexar County), and Chicago (Cook County) experiencing poverty rates of 21, 17 and 15 percent, respectively, in 2005.

TANF participation among the Three-City caregivers we analyze in this article fell by more two-thirds from 32 percent in 1999 to 12 percent in 2005. This drop was much greater than the average leaving rates recorded for our states. The larger drop in our sample may be attributable to life-cycle changes in our sample. As the caregivers aged and their youngest children reached school age, their assistance needs may have diminished. This seems, however, to be an incomplete explanation, as participation in

other types of assistance, including food stamps, held fairly steady over the period. Another explanation for the large drop in welfare use, at least initially, is “regression to the mean.” Our sample was initially selected on the basis of its income characteristics and therefore included some households whose incomes were permanently low and others whose incomes were only temporarily low. Over time, we would expect that households with temporarily low incomes would return to their long-term trends. In a general longitudinal sample, households with temporarily high and low incomes balance out; however, our initial sample excluded high-income households. As a consequence, the reversions to long-term trends overwhelmingly involved shifts up in income.

#### Racial and Ethnic Composition

The analysis sample of 538 women receiving TANF in 1999 included 261 Hispanics and 277 non-Hispanic African Americans.<sup>8</sup> (We will refer to the latter group simply as “African Americans.”). The number of Hispanics was large enough to disaggregate into two groups. The first group consisted of 117 women of Mexican origin. Large concentrations of them exist in both the Chicago and San Antonio samples. Chicago has greater percentage of Mexicans who have immigrated recently, whereas San Antonio has a greater percentage who have been in the country for several generations. The second group comprised 144 Hispanics of non-Mexican origin. Of this second group, 58 percent were Puerto Rican and 19 percent were Dominican. The Puerto Ricans were in both the Boston and Chicago samples, while the Dominicans were largely in the Boston sample. Small numbers of Hispanics with origins in several other Central and

South-American countries made up the balance of the second group, which we will call “Other Hispanic.”

### Measures

Employment status is defined as receipt of any income from employment during the month preceding the 2005 interview. Household income is defined as the sum of income from all sources by all members of the household. As the reader will see, a self-reported measure of work-related health problems emerged as a strong predictor of disconnection in the regression model we will present later in this paper. It is constructed from the answers to two questions that were asked in the 1999 survey: The first asked the woman, “Does an ongoing physical or mental health problem or disability prevent you from working?” If her answer was negative, she was asked a second question, “Does an ongoing physical or mental health problem or disability limit you in the kind of work or amount of work that you can do?” We consider a woman to have what we will call a “work-limiting disability” if she answered affirmatively to either of these questions. (A negative answer to both questions served as the reference category for the regression model.)

Other measures in the regression model include the following:

- A general health question that is widely used in surveys, “In general, how is your health? Would you say it is excellent, very good, good, fair, or poor?” (Any of the first categories received a score of 1; a response of “fair” or “poor” received a score of 0.)
- Age, in years.

- Age of youngest child, in years.
- Educational attainment: more than a high school degree or GED; high school degree or GED; less than a high school degree or GED (reference category).
- Score on the Woodcock-Johnson Letter-Word test, a measure of cognitive ability and achievement.
- Whether from her birth to age 16, her family ever received “public assistance such as welfare, public aid, Food Stamps, WIC (Women, Infants and Children Nutrition program) or SSI (Supplemental Security Income).” (No is reference category.)
- Whether anyone in the household owned a car or truck. (No is reference category.)
- Brief Symptom Inventory: an 18-item scale of psychological distress, reflecting symptoms of anxiety, depression, and somatization (DeRogatis, 2000). To address skewness, the natural logarithm of the score is used.
- Alcohol or drug use scale: How often during the past 12 months (never, once or twice, several times, or often), the woman: (1) used marijuana or hashish; (2) used hard drugs such as heroin, LSD, or cocaine; (3) sold drugs; or (4) had gotten drunk. The natural logarithm of the score is used.
- Whether in general the focal child’s health is excellent, very good, or good. (Fair or poor is the reference category.)
- Domestic abuse scale: Whether the woman had experienced various kinds of physical, emotional, or sexual or abuse as an adult. The square-root of the score is used.

- Whether her race-ethnicity was, African American, Mexican-origin (the reference category), other Hispanic.
- City of residence (Boston is the reference category.)

### Trends in Income and Poverty among Women Who Left TANF

In this section, we will present charts showing trends from 1999 to 2005 in income and poverty for the 416 women who left TANF, by racial-ethnic group and, in the later charts, also by employment status. Figure 1 shows the total monthly household incomes of women who left TANF between 1999 and 2005 for the three racial-ethnic groups. (Income amounts were adjusted by the Consumer Price Index for All Urban Consumers and expressed as constant, December 2005, dollars.) In Figure 1 we follow the definition of income used in calculating the official government poverty line, which excludes income from Food Stamps and from the Earned Income Tax Credit. (The numbers used in constructing the charts in this paper are presented in Appendix Tables 1, 2, and 3.) In 1999, when everyone was receiving TANF, the mean household incomes of the three groups were similar, suggesting that all three groups started the study in similar economic circumstances. By 2005, however, when none of the women were receiving TANF, the household income of African Americans was less than that of the two Hispanic groups. African Americans had experienced, on average, a 19 percent gain in household income, well below the 65 percent increase among the “other Hispanic” group and the 98 percent increase among Hispanics of Mexican origin. This differential could be due differences in women’ earnings, in the earnings of other members of her household, or in receipt of program income other than TANF.

Figure 2 shows the corresponding percentage of each group with incomes that fell below the federal poverty line. There was virtually no change in the official rate of poverty among African-American women who left welfare: 86 percent were poor by this definition in 1999 when they were all receiving TANF, and 85 percent were poor in 2005 when none were receiving TANF. In contrast, both Hispanic groups showed declines in the percentage below the poverty line: a 16 percentage-point drop for “other Hispanics” and a 24 percent-point drop for those of Mexican origin. So even a Hispanic group composed mainly of Puerto Ricans and Dominicans made some progress, on average, in leaving official poverty after they left welfare; but African Americans made none.

The federal poverty line is the most widely-cited figure in discussion and debate about low incomes, poverty, and inequality; and it has the advantage of historical continuity because it has been calculated the same way since the 1960s. Many poverty analysts argue, nevertheless, that the restricted definition of what counts as income has made the official poverty line increasingly unrealistic as measure of household income. For instance, the expansion of the EITC program since its inception in 1975 – it now costs the federal treasury more than TANF – is not reflected in the poverty line. Nor is the value of Food Stamps counted. In addition, leaving welfare could have improved the economic circumstances of some poor families by raising them closer to the federal poverty line without pushing them across the line. That type of progress cannot be seen in analyses that simply look at the percent above and below the line. Another way of measuring progress in reducing poverty is to calculate for each family the poverty gap. For a mother below the poverty line, the gap is calculated as the official poverty line for her household minus her household income. It is a measure of how far the household’s

income falls short of reaching the line. For households with incomes above the line, the poverty gap is zero.

We calculated the monthly poverty gap for each household, defined as one-twelfth of the federal poverty line for that household minus monthly household income, including income from Food Stamps and potential EITC income.<sup>9</sup> If the result was a negative number, the gap was assigned to be zero. The results are presented in Figure 3. The poverty gap declined for all three groups, meaning that the average amount of additional income it would take for every family in the group to be at or above the poverty line declined as they left welfare from 1999 to 2005. Put another way, the average family that was still below the line in 2005 was less poor – closer to the line – in 2005 than in 1999. Once again, the improvement was smallest for African Americans, among whom the poverty gap declined by 17 percent, compared to 31 percent among Hispanics of Mexican origin and 37 percent of other Hispanics.

So far we have presented only the average experience of all African-American women, all women of Mexican origin, and all women of other Hispanic origin. But the experiences of women within each group combines those who are employed and those who are not employed. Clearly, the trajectories of the employed are likely to differ from the trajectories of the unemployed. In that sense, the “average” effect of leaving welfare is likely to be misleading since it combines the experiences of those whose economic situation may have improved and those whose situation may have deteriorated. In Figures 4 and 5, we will present two trend lines for each group, one for women who were employed at the 2005 wave and one for those who were not employed in 2005. (“Employed” is defined as having income from employment in the previous month.

Women in all of the groups may or may not have been employed in 1999 and 2001; our classification is based only on 2005 employment.)

Figure 4 presents trends in monthly household income, including Food Stamps and potential EITC. Much less variation existed in 1999 than in subsequent years. By 2005, the variation is substantial. The mean household income for Mexican-origin women who were employed in 2005 more than doubled. For other Hispanics who were employed, it increased by 85 percent. For African Americans who were employed, it increased by 42 percent. For women who were not employed in 2005, however, the situation is much different. African-American women who were not employed in 2005 had household incomes that had declined by 19 percent since 1999. Mexican-origin women who were unemployed had, nevertheless, seen an increase of 28 percent in their household incomes. Women of other Hispanic origin who were not employed in 2005 were treading water: their incomes had increased slightly. So among the non-employed welfare leavers in 2005, only the African Americans had seen an absolute decrease in their average household incomes, whereas Mexican-origin women who were not employed had been able to increase their incomes, on average.

A chart displaying the poverty gap for the employed and unemployed, Figure 5, shows a similar story. The only group that displayed a substantially worsening trajectory was African Americans who were not employed in 2005. Their poverty gap had increased by nearly one-third, on average, from \$662 to \$867. Almost all of them had been below the poverty line to begin with in 1999, and they were even further below the poverty line in 2005. Hispanics of other than Mexican origin who were not employed showed a modest increase in their poverty gap, while Mexican-origin Hispanics who

were not employed had still decreased their poverty gap modestly. In contrast, employed women in all three racial-ethnic groups had decreased their poverty gaps substantially. Among African Americans who were employed, for instance, the gap had decreased from \$645 to \$216. Overall, employed women from all three racial-ethnic groups were faring much better economically in 2005 than in 1999, while non-employed Hispanic women had experienced small upward or downward changes and non-employed African-American women had experienced a substantial worsening of their economic situation.

Why had Mexican-origin women who were not employed been able to nevertheless increase their household incomes and decrease their poverty gaps modestly? The reason is that they were more likely to live in households in which other members contributed earnings. Figure 6 shows the components of total household income for non-employed women in each racial-ethnic group. More than half of the household income among non-employed Mexican-origin women was contributed by the earnings of others. These other earners were most commonly spouses or partners. In contrast, 23 percent of the household income of other Hispanics consisted of the earnings of others, as did just 15 percent of the household income of African American women. Conversely, non-Mexican Hispanics and African Americans were more likely than Mexicans to rely on sources of income other than household earnings. Food Stamps constituted a larger share of the household income Among African Americans. Both African Americans and non-Mexican Hispanics relied more on a broad category we have labeled “other income,” which includes SSI, SSDI (Social Security Disability Insurance), child support payments, and assistance from people not in the household.<sup>10</sup> As a result, non-employed Hispanics of Mexican origin were able to insulate themselves from declines in income caused by

leaving TANF by adding earners to their households or through the increased earnings of already existing household members. In contrast, African Americans, both employed and not employed, drew the least income from additional household members.

### Predictors of Disconnection

What predicts being disconnected from sources of income at the end of the study? In this section, we examine the predictors of being disconnected in 2005 using two definitions that are similar to those used in previous studies (Loprest, 2002; Turner et al., 2006; Blank, 2007). And to be consistent with previous studies, we include all women who were receiving TANF in 1999, not just the women who had left TANF by 2005. Under the first definition, a woman is considered disconnected if at the time of the 2005 interview she was receiving income from neither TANF nor employment. The second definition adds the criterion that she was also not living with a spouse or partner who was employed at the 2005 interview. Thus, under the second definition a woman was disconnected from sources of income if she had access to income from neither welfare, work, nor a partner. Under definition 1, 40 percent were disconnected (more than two-thirds had left TANF by 2005, and more than half of those were not employed at the time of the 2005 interview); and under definition 2, 34 percent were disconnected.

Table 2 presents the results from logistic regression models of whether a woman was disconnected, according to each of the two definitions, as a function of the predictor variables discussed earlier. We will begin with definition 1. Just two coefficients are statistically significant at conventional levels. One of them is age of youngest child: the older that child is, the less likely the mother is to be disconnected. This result may reflect

the easing of the burden of child care that occurs when one's children are older and a resulting decrease in the difficulty of combining work and child care. The second is the presence of a work-limiting disability, which greatly increases the odds of being disconnected: other things being equal, a woman who reported a work-limiting disability in 1999 was 2.7 times more likely to be disconnected in 2005 than is a woman who did not report one. Note that there are no significant differences in the likelihood of being disconnected among the three racial-ethnic groups under definition 1. However, under definition 2, where we add the criterion that in order to be disconnected a woman also has to be living in a household without a spouse or partner with earnings, African American women become 3.7 times as likely to be disconnected as Mexican-origin women. This finding is consistent with the sources of household income that were shown in Figure 6. A much lower proportion of African American mothers were living with spouses or partners in 2005: 22 percent, compared to 56 percent of Mexican-origin women. So African American women who had no income from TANF or employment were less able to compensate by relying on a partner's earnings. Among the largely Puerto Rican and Dominican "other Hispanic" group, 27 percent were living with a spouse or partner, which is closer to the African American figure. The coefficient for other-Hispanic group indicates a likelihood of disconnection that was between African Americans and Mexicans; it was not significantly different from either.

The presence of a work-related disability is still a significant predictor under definition 2. In Table 3 we show the percentages of women who reported work-limiting disabilities in 1999 by TANF receipt in 2005 and employment in 2005. (Further tabulations showed that there was little difference by race-ethnicity.) Those who were

still receiving TANF reported the highest prevalence of disabilities; but non-employed leavers reported a prevalence nearly as high – one-third said they had a physical or mental health problem or disability that prevented or limited them from working. In contrast, only 9 percent of employed leavers reported such a disability. All women who said they had a work-limiting disability were also asked what the health condition was. No condition dominated. Seventeen percent said that the problem was depression, with Hispanics more likely to mention this factor than African Americans. From 1 to 10 percent named each of the following conditions: vision problems, arthritis, back or neck problems, fractures or other injuries, heart problems, hypertension, diabetes, lung or breathing problems, and weight problems. Moreover, when asked how long they had had the condition, non-employed women reported a duration that was greater (a median of four years) than was reported by employed women (a median of two years). This difference in duration suggests that the disabilities of the non-employed were of a more long-standing nature and, consequently, may have been more serious barriers to work.

### Conclusion

Nine years after the passage of PRWORA and six years after we began our three-city study, the economic circumstances of the women who were receiving welfare at the start of the study had diverged by TANF receipt, employment status, and race-ethnicity. At the start of the study, when all of them were receiving TANF, their income and poverty levels were similar. By 2005, a large majority had left TANF, and about half of

the leavers were disconnected from welfare and work. Reports of a work-limiting disability in 1999 were a strong predictor of disconnected status in 2005. Few other predictors were statistically significant. The dominance of health may seem surprising, but it is consistent with the findings from two other survey-based studies of welfare reform. Both the WES and the NSAF found, as noted earlier, that health conditions were important predictors of whether a woman was disconnected from welfare and work, while only a small number of other predictors were significant. The convergence of the findings from three large studies on this point suggest that health problems are a very important determinant of employment, at least in a predictive sense, for welfare leavers. The extent to which health problems are truly causal or reflect other, unmeasured factors that also influence employment cannot be established from observational studies such as these; but the consistent findings do suggest that interventions to improve the health of current and former welfare recipients might improve their ability to make the transition from welfare to work.

By 2005, African Americans who left TANF were faring substantially worse than Hispanics of Mexican origin; and on some measures they were faring worse than a group of Hispanics of largely Puerto Rican and Dominican origin, whose national levels of poverty and single-parent families are close to the national levels of African Americans. African-American welfare leavers experienced at best a modest decline in poverty, depending on the measure of poverty that is used, and a modest increase in household income. Hispanic leavers experienced larger declines in poverty and increases in income. African American leavers were far more likely than Mexicans to be living without

spouses or partners, which increased the likelihood that they would be disconnected from welfare, work, and spouse or partner's earnings in 2005.

Among welfare leavers who were in employed in 2005, we found a substantial gain in household incomes and a narrowing of the gap between their incomes and the poverty line among all three racial-ethnic groups. Non-employed African-American welfare leavers, however, had experienced an increase of one-third in the gap between their incomes and the poverty line since 1999. They were a very impoverished group. Hispanic welfare leavers who were not employed had been able to compensate better through earnings from others in their households.

Do the findings in this paper help answer the common question (e.g., Blank, 2006) of whether welfare reform has been a success? No social scientific analysis can provide a definitive answer because people with different moral and political views will look at the same data and arrive at different conclusions. But the results from the Three-City Study do help narrow the answer somewhat: Even if welfare reform is to be judged a success, it has been less of a success for African Americans than for Hispanics, particularly Mexican-origin Hispanics. And if welfare reform is to be judged problematic, it has been more problematic for African Americans. Welfare reform appears to have helped African-American families in which women were able to leave the rolls and find employment. Their numbers – nearly half of the African Americans in our study – are higher than many critics of the 1996 law expected. Yet the other half is increasingly impoverished. Welfare reform has not managed to put to rest the historical pattern of American social welfare programs, in which African Americans tend to benefit less.

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**Table 1.** Demographic Characteristics at Wave 1 (1999) of Women Who Subsequently Left TANF between 1999 and 2005.

	Wave 1 (1999)
<b>Race-Ethnicity:</b>	
Non-Hispanic, Black	n = 277
Hispanic, Mexican	n = 117
Hispanic, Other	n = 144
<b>Age:</b>	
25 or younger	32.6%
26-35	41.4%
36 or more	26.0%
<b>Education:</b>	
No degree	58.3%
High School/GED	31.9%
Above High School/GED	9.8%
Married	16.8%
Cohabiting	4.4%
Number in household	5.2
Children under 3 years of age in household	66.1%

Note: Means of characteristics for caregivers from Three-City Study who completed all three waves of data collection and who had children at all three waves. Estimates use sample weights.

Table 2 Logistic Regression of Disconnected Status in 2005 (n = 516).

	Definition 1 (Odds ratios)	Definition 2 (Odds ratios)
Reported a work-limiting disability in 1999	2.68**	2.35*
Health was “good” or better in 1999	.70	.62
Age	1.04	1.06*
Age of youngest child	.87**	.87**
Educational Attainment (no degree is reference category):		
High school degree or GED	.64	.87
More than a high school degree	.59	.70
Woodcock-Johnson Letter-Word Test score	.99	.99
Family received welfare from birth to age 16	1.48	1.55
Someone in the household owns a car or truck	.81	1.08
Brief Symptom Inventory score	1.07	1.15
Alcohol or drug use scale score	0.92	.91
Child's Health is “good” or better	2.70	2.45
Experienced physical or sexual abuse as an adult	1.00	1.0
Race-Ethnicity (African-American is reference category)”		
African-American	.66	3.74**
Other Hispanic	.62	1.19
City of Residence (Boston is reference category)		
Chicago	1.39	1.38
San Antonio	.90	1.63
-2 log-likelihood	619.6	571.1

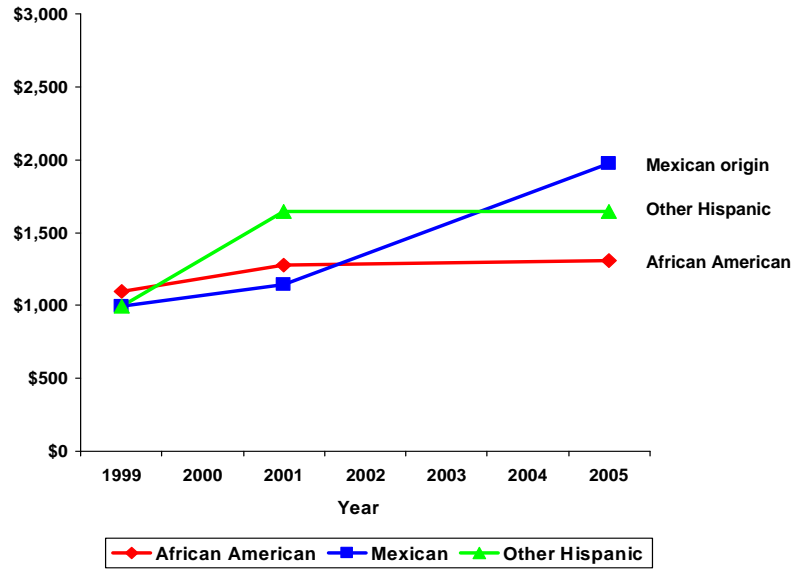
\*\* = p < .01

\* = p < .05

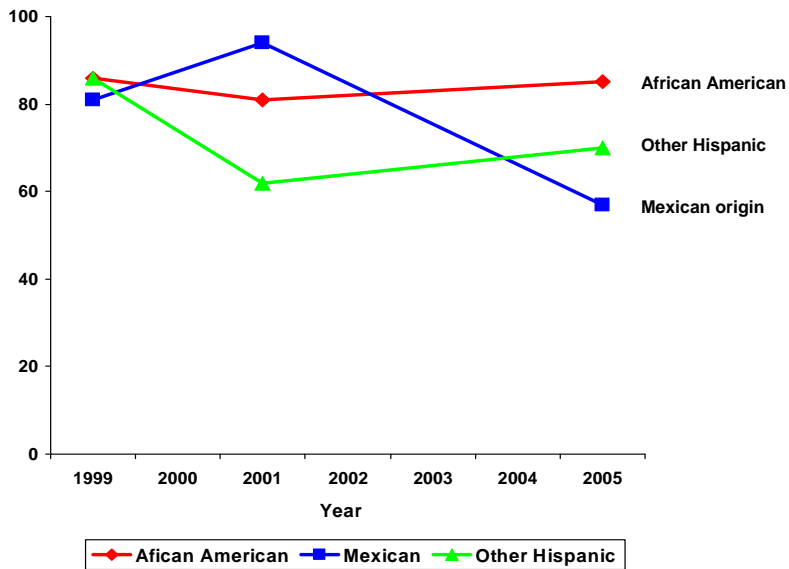
Table 3. Percentage of Women Who Reported a Work-Limiting Disability in 1999, by Income from TANF and Income from Employment in 2005.

	Had TANF income in 2005	No TANF income in 2005		
		All	Had Income from employment in 2005	No income from employment in 2005
Disability	36	21	9	33
No disability	64	79	91	67
Total	100%	100%	100%	100%
(n)	(122)	(416)	(207)	(209)

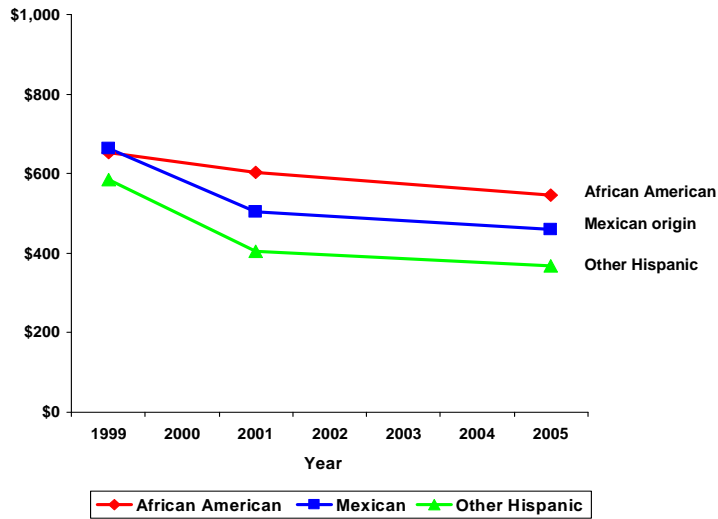
**Figure 1.** Monthly Household income (official definition), for Mothers who left TANF by 2005, by Race-Ethnicity.



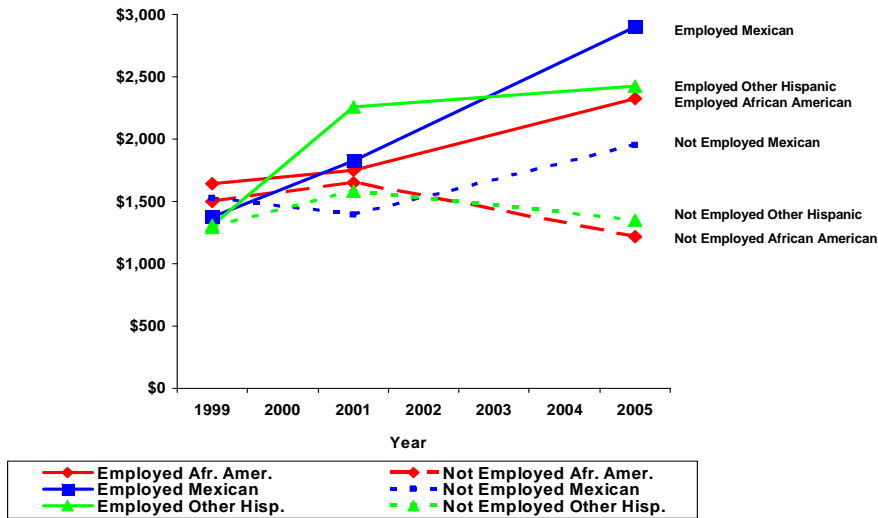
**Figure 2.** Percent Poor (official definition), for Mothers who left TANF by 2005, by Race-Ethnicity.



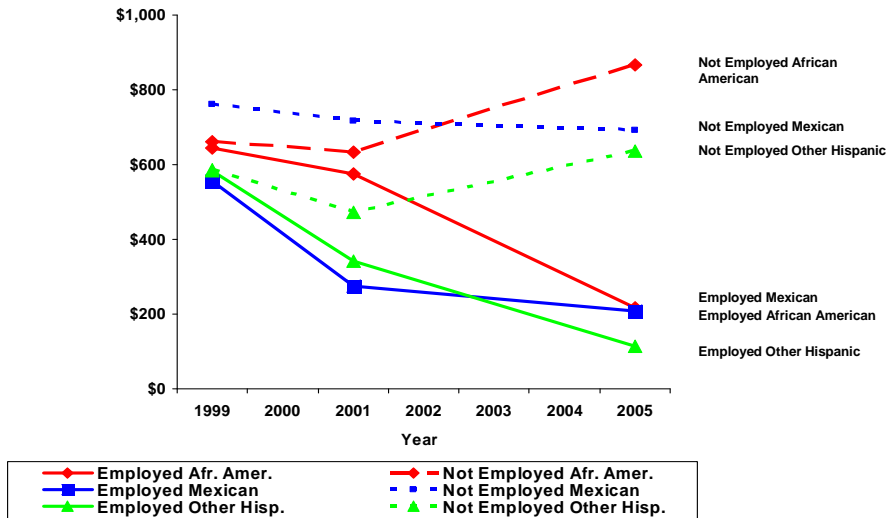
**Figure 3.** Monthly Poverty Gap (including Food Stamps and potential EITC), for Mothers who left TANF by 2005, by Race-Ethnicity.



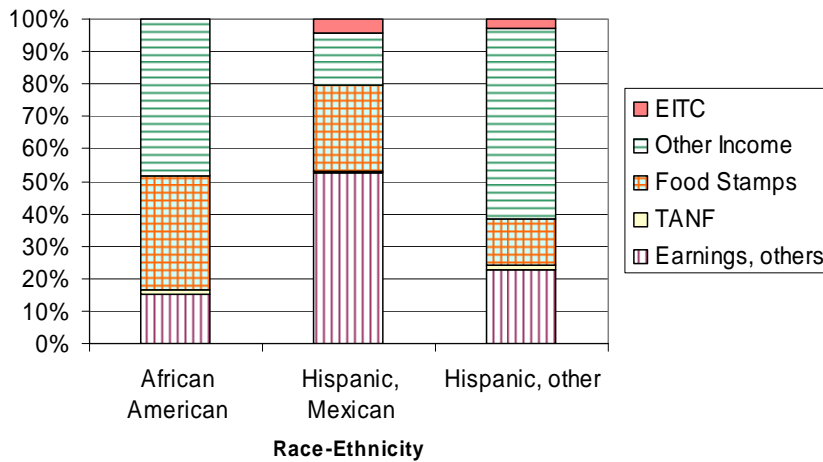
**Figure 4.** Monthly Household Income (including Food Stamps and potential EITC), for Mothers who left TANF by 2005, by Race-Ethnicity and Employment Status in 2005.



**Figure 5.** Monthly Poverty Gap (including Food Stamps and potential EITC), for Mothers who left TANF by 2005, by Race-Ethnicity and Employment Status in 2005.



**Figure 6.** Percentage of Household Income by Source for Mothers Who Left TANF and Were Not Employed in 2005, by Race-Ethnicity.



Appendix Table 1. Income at Waves 1, 2, and 3 for non-Hispanic, African-American Welfare Leavers, Employed and Not Employed in Wave 3.

	<u>All leavers</u>			<u>Leaver Employed in W3</u>			<u>Leavers Not Employed in W3</u>		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
N	215			106			109		
Monthly household income (Official poverty rate definition)	1100	1280	1305	1149	1294	1800	1052	1266	821
Poverty Rate									
Official definition	86%	81%	85%	80%	75%	77%	92%	86%	94%
With EITC & Food Stamps	74%	66%	64%	65%	60%	37%	83%	71%	89%
Poverty Gap									
Official definition	1005	935	911	982	938	573	1028	932	1242
With EITC & Food Stamps	654	604	545	645	575	216	662	633	867
Monthly Earnings									
Individual	362	594	541	475	767	1094	251	425	0
Others in household	109	246	259	122	196	346	96	295	174
TANF	428	178	8	413	112	0	442	243	16
Food Stamps	384	305	358	390	283	319	378	326	396
Other Income	202	261	363	139	220	172	263	303	551
EITC Income (potential)	84	116	101	101	170	205	68	62	2
Percent of households with earnings from someone other than the individual	17%	26%	25%	21%	21%	36%	13%	32%	15%
Percent of households with a spouse present	11%	10%	14%	16%	14%	18%	7%	6%	10%
Percent of households with a partner present	7%	7%	11%	7%	6%	9%	6%	9%	14%

Note: Means of characteristics for caregivers from Three-City Study who completed all three waves of data collection and who had children at all three waves. Estimates use sample weights. Income amounts adjusted by the CPI-U and expressed as constant (Dec 2005) dollars. Other income includes supplemental security income, social security disability income, social security, other types of welfare assistance, workers compensation or disability payments, pension or retirement income, child support and help from friends and relatives.

Appendix Table 2. Income at Waves 1, 2, and 3 for Hispanic Welfare Leavers of Mexican origin, Employed and Not Employed in Wave 3.

	<u>All leavers</u>			<u>Leavers Employed in W3</u>			<u>Leavers Not Employed in W3</u>		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
N	98			45			53		
Monthly household income (Official poverty rate definition)	996	1144	1975	981	1364	2606	1010	940	1390
Poverty Rate									
Official definition	81%	94%	57%	72%	92%	41%	88%	95%	72%
With EITC and Food Stamps	67%	70%	53%	71%	61%	38%	64%	77%	67%
Poverty Gap									
Official	1010	886	798	857	650	443	1153	1105	1127
With EITC and Food Stamps	663	503	459	556	274	207	762	716	692
Monthly Earnings									
Individual	65	421	638	90	488	1327	41	360	0
From others in HH	463	465	931	440	680	907	485	266	953
TANF	354	158	4	337	147	0	369	168	7
Food Stamps	333	287	331	268	254	166	393	319	484
Other Income	114	100	213	114	49	130	115	147	290
EITC Income (potential)	125	166	100	124	204	126	126	131	77
Percent of households with earnings from someone other than the individual	39%	38%	60%	33%	58%	65%	45%	19%	55%
Percent of households with a spouse present	43%	29%	48%	43%	44%	57%	42%	16%	40%
Percent of households with a partner present	1%	6%	10%	1%	5%	5%	0%	7%	15%

Note: Means of characteristics for caregivers from Three-City Study who completed all three waves of data collection and who had children at all three waves. Estimates use sample weights. Income amounts adjusted by the CPI-U and expressed as constant (Dec 2005) dollars. Other income includes supplemental security income, social security disability income, social security, other types of welfare assistance, workers compensation or disability payments, pension or retirement income, child support and help from friends and relatives.

Appendix Table 3. Income at Waves 1, 2, and 3 for Hispanic Welfare Leavers of other than Mexican origin, Employed and Not Employed in Wave 3.

	<u>All leavers</u>			<u>Leavers Employed in W3</u>			<u>Leavers Not Employed in W3</u>		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
N	103			56			47		
Monthly household income (Official poverty rate definition)	994	1648	1644	1009	1959	2124	979	1322	1142
Poverty Rate									
Official	86%	62%	70%	86%	59%	51%	86%	64%	90%
with EITC and Food Stamps	78%	57%	53%	77%	52%	22%	80%	63%	85%
Poverty Gap									
Official	846	585	526	856	540	270	836	632	795
With EITC and Food Stamps	585	405	369	584	341	113	586	472	637
Monthly Earnings									
Individual	173	720	685	243	1109	1340	99	313	0
Others in HH	65	360	263	75	475	251	55	241	276
TANF	484	193	15	486	181	9	482	205	22
Food Stamps	245	189	135	213	189	100	280	188	172
Other Income	273	375	503	205	194	294	343	563	722
EITC Income (potential)	61	90	119	88	110	203	32	71	32
Percent of households with earnings from someone other than the individual	12%	37%	27%	13%	44%	22%	11%	30%	33%
Percent of households with a spouse present	11%	6%	12%	8%	10%	15%	14%	2%	10%
Percent of households with a partner present	3%	19%	14%	4%	13%	14%	2%	24%	14%

Note: Means of characteristics for caregivers from Three-City Study who completed all three waves of data collection and who had children at all three waves. Estimates use sample weights. Income amounts adjusted by the CPI-U and expressed as constant (Dec 2005) dollars. Other income includes supplemental security income, social security disability income, social security, other types of welfare assistance, workers compensation or disability payments, pension or retirement income, child support and help from friends and relatives.

## NOTES

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<sup>1</sup> U.S. Administration for Children and Families. 2007. "Temporary Assistance for Needy Families, Separate State Program-Maintenance of Effort, Aid to Families with Dependent Children: Caseload Data." Retrieved October 11, 2007, from <http://www.acf.dhhs.gov/programs/ofa/caseload/caseloadindex.htm#afdc>.

<sup>2</sup> Quoted in Katz (2001), p. 327.

<sup>3</sup> U.S. Bureau of the Census. 2002. "Historical Census Statistics on Population Totals By Race, 1790 to 1990, and By Hispanic Origin, 1970 to 1990, For The United States, Regions, Divisions, and States." Working Paper Series no. 56, retrieved June 27, 2007 from <http://www.census.gov/population/www/documentation/twps0056.html>; and U.S. Bureau of the Census. 2005. "The Hispanic Population in the United States: 2004." Retrieved June 27, 2007, from <http://www.census.gov/population/www/socdemo/hispanic/cps2004.html>.

<sup>4</sup> "Temporary Assistance for Needy Families – Active Cases." Retrieved September 4, 2007, from <http://www.acf.hhs.gov/programs/ofa/character/FY2005/tab08.htm>. The figures are for October 2004 to September 2005. Thirty-seven percent of the families were African-American, and 32 percent were white.

<sup>5</sup> See <http://www.urban.org/center/anf/nsaf.cfm>, accessed September 4, 2007.

<sup>6</sup> See Winston, Pamela et al. 1999. "Welfare, Children, and Families: A Three-City Study. Overview and Design." Available on-line at <http://web.jhu.edu/threecitystudy/images/overviewanddesign.pdf>

<sup>7</sup> Two percent of mothers received TANF in 1999, did not receive it in 2001, but received it again in 2005. We exclude these mothers from our analyses.

<sup>8</sup> The sub-sample of 416 women who left TANF after 1999 included 201 Hispanics and 215 non-Hispanic African Americans.

<sup>9</sup> Potential EITC amounts were calculated using the TAXSIM program available at <http://www.nber.org/taxsim> (Feenberg and Coutts, 1993). Our calculations assume that all eligible families participate and claim the maximum possible amount based on an annualization of their monthly incomes. Recent studies suggest that at least 75 percent of families eligible for the EITC participate in the program. See Steve Holt, 2006. "The Earned Income Tax Credit at Age 30: What We Know." The Brookings Institution: Metropolitan Policy Program. Available on-line at [http://www.brookings.edu/metro/pubs/20060209\\_Holt.htm](http://www.brookings.edu/metro/pubs/20060209_Holt.htm).

<sup>10</sup> The small amount of TANF income among Hispanic welfare leavers (no African American woman reported any) was contributed by sub-families in the woman's household, such as a sister and her child, that were receiving TANF. Similarly, the small amount of EITC income reflects tax credits on the earnings of others in the household.