PREDICTING POST-2000 WELFARE-TO-WORK TRANSITION: INDIVIDUAL AND FAMILY, LIFE COURSE, WORK AND WELFARE HISTORIES, STATE WELFARE RULES, AND STATE ECONOMIC EFFECTS

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Abstract

The object of this research is to investigate explanations for the welfare-to-work transition of female Temporary Aid to Needy Family recipients during the 2001-03 economic downturn period in the United States. The hypothesized determinants of welfare-to-work transition include individual and family characteristics, life course events, work and welfare histories, state welfare policies, and state economic indicators. Individual-level longitudinal data from the 2001-03 panel of the Survey of Income and Program Participation are merged with state-level data from the Bureau of Labor Statistics and the Welfare Rules Database to test hierarchal multinomial models of welfare-to-work transition. Descriptive data show that 32 percent of TANF recipients in the first 16 months of the survey were working and not receiving TANF during the last 8 months of the survey and an additional 15 percent were both working and receiving TANF. Results show that past work and welfare histories are the strongest predictors of welfare-to-work transition. Longer work and welfare histories mediate the effects of individual characteristics such as low educational attainment and work disability. State welfare policies clearly impact welfare-to-work behaviors. Where welfare benefits are higher, time limits are imposed, and sanctions for noncompliance with activities requirements are relatively stringent, recipients are more likely to combine work and welfare than to be solely supported by TANF. In states with low welfare benefits, recipients are more likely to transition from welfare to work.

Introduction

In 1996, the Clinton Administration proposed and the U.S. Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). One of the most significant changes made by this legislation was the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Aid to Needy Families (TANF). Two important goals of this welfare reform legislation were to: (1) restrict the availability of welfare, and (2) promote employment among welfare recipients.

In the immediate aftermath of this welfare reform legislation, researchers found ample evidence that welfare caseloads were dramatically decreasing and labor force participation was dramatically increasing among former welfare recipients. However, not all women are under the same pressures to leave welfare and enter work. Several factors are likely to affect the work and welfare patterns of welfare recipients. First, the demographic and family characteristics of adults who receive TANF are expected to influence the welfare-to-work transition. For example, welfare recipients typically have little education which makes it difficult for them to attain and maintain employment (Corcoran, Danziger, Kalil, and Seefeldt 2000; Johnson and Corcoran 2003). Though PRWORA did help many of these disadvantaged women find work, it did little to benefit the poorest, least-skilled, and least-educated single mothers on welfare - in other words, the "hardest to serve" (Lichter and Jayakody 2002; Moffitt, Cherlin, Burton, King, and Roff 2002; Schoeni and Blank 2000).

Second, life course events such as moving, becoming disabled, or receiving supplementary assistance can affect work and welfare outcomes. For example, because states have differing welfare policies and economic characteristics, some people want to move to states

with more lenient welfare policies or better economic climates (DeJong, Graefe, and St.Pierre 2003).

Third, work and welfare histories may affect work and welfare outcomes. Work experience is critical to skill development. TANF receipt impedes work experience; thus, the longer a woman receives TANF benefits, the less likely she may be to exit from the welfare rolls. Those with more work experience are more likely to find future employment, while those with more TANF experience may be less likely to find employment.

Fourth, under the new TANF program, states are given the task of creating their own welfare programs, resulting in varied rules regarding many aspects of welfare receipt. Each state's decisions will differentially affect who can qualify for welfare benefits, how much money they will receive, and how long they can expect to receive benefits.

Finally, state-level economic characteristics can significantly affect work and welfare behaviors. In the late 1990s, welfare recipients exited the welfare rolls and entered the labor force in record numbers due to low unemployment and the introduction of TANF policies (Figlio and Ziliak 1999; Grogger 2004). It is unclear whether such a large number of welfare-to-work transitions could have been sustained during a period of increasing unemployment rates, such as began around the year 2000 (Adkisson 2001; Blank 2001; Danziger, Heflin, Corcoran, Oltmans, and Wang 2002; Johnson and Corcoran 2003; Lichter and Jayakody 2002; Rose 2000; Schoeni and Blank 2000; Schram 1999; Schram and Soss 1999).

New research is needed to understand the transition to work during this period of economic stagnation. We use data from the 2001 panel of the Survey of Income and Program Participation (SIPP), integrated with data from the Urban Institute's Welfare Rules Database

(WRD) and the Bureau of Labor Statistics (BLS), to test predictors of welfare-to-work transition over the course of the 2001-03 survey panel period.

The specific objectives of this research are to:

- document the welfare-to-work transition during the last eight months of observation among women who received TANF sometime during the first sixteen months of the survey;

- assess the impact of variations in five state welfare policy rules - time limits, activities requirements, activity sanctions, earnings disregards, and maximum benefit levels - on welfare-to-work transition by TANF recipients;

- test for significant effects of individual and family characteristics, life course events, and work and welfare experience in determining the welfare-to-work transition of welfare recipients;

- at the state level, assess the impact of state unemployment rates, and wages in explaining welfare-to-work transitions by TANF recipients.

This welfare-to-work transition study expands on previous research on the topic in several ways. First, past research has relied primarily on administrative records that are cross-sectional in nature, whereas this research has the advantage of using longitudinal data. Second, this research entails a multilevel analysis including both individual and state policy effects. Third, much of the previous research on welfare-to-work transition looks at transitions occurring in the late-1990s high job growth period immediately following the welfare reform act passage. This research focuses on the 2001-03 period of economic decline, during which welfare-to-work

transition may have become more difficult. Finally, the 2001 SIPP panel provides a rich source

of data regarding personal and family characteristics, employment, and welfare receipt.

Background and Significance

Individual and Family Characteristics

Researchers have found racial differences in the welfare-to-work transition, though results are mixed. Piskulich (1993) found that whites are less likely to exit welfare than are minorities. Though this contradicts other research on the topic, Piskulich explains this result by saying that though minorities have a harder time finding work; those that do are better able to exit welfare. Other research, however, has found that blacks and Hispanics are less likely to make permanent exits from welfare than whites (Edin and Harris 1999; O'Neill, Bassi, and Wolf 1987; Sandefur and Cook 1998).

Harknett (2001) and Sandefur and Cook (1998) claim that race is a risk factor for long-term welfare use. In her study of Riverside County, California, between 1991 and 1993, Harkenett (2001) found that other risk factors for long-term welfare use, including single motherhood, low educational attainment, and lack of work experience, are more common among racial minority groups. Furthermore, Harknett found that though whites are more likely to leave welfare than are blacks and Latinos, blacks were more likely to work during her two-year survey period and more likely to couple work and welfare. By contrast, although whites were more likely to exit welfare, they were not more likely to enter work.

TANF receipt is especially sensitive to family type, regardless of race. Most welfare recipients are single mothers. For households with children under age 18, 3.6 percent of married-couple families received means-tested cash assistance in 2001, whereas 19.7 percent of female-headed families did (U.S. Census Bureau 2002). Among non-Hispanic whites, only 2.6 percent of married couple families and 12.6 percent of female-headed families received means-tested cash assistance in 2001. Among blacks with children under age 18 in the household, these

figures were 6.6 percent and 26.7 percent, and among Hispanics, 4.8 percent and 20.9 percent, respectively (U.S. Census Bureau 2002). Regardless of racial differences, it is evident that married-couple families have lower rates of government program participation than do female-headed families (Besharov and Sullivan 1996).

Large families have been found to be less likely to exit AFDC caseloads than small families (O'Neill, Bassi, and Wolf 1987; Piskulich 1993; Sandefur and Cook 1998). Large families also have a greater risk of welfare recidivism (Harris 1996). Clearly, children are an economic and time burden, and having more children costs more than having few children.

Some research has also found the age of the family head to be related to welfare exits. Older female family heads are less likely to receive welfare benefits (Plotnick 1983) and more likely to make permanent exits from welfare (Harris 1996). As Rank and Hirschl (2002) point out, younger adults tend to be more financially unstable than their middle-aged counterparts and, accordingly, may need to rely on welfare benefits more often.

Most welfare recipients have lower levels of human capital than nonrecipients, where human capital includes personal investments in knowledge, skills, and values. Danziger, Kalil, and Anderson (2000) found that more than 15 percent of current and former welfare recipients had deficits in human capital. Controlling for other factors, they found that human capital deficits were associated with longer welfare histories and lower employment rates. Welfare recipients with the highest levels of human capital are most likely to find jobs and to permanently remain off welfare after their exit (Anderson and Gryzlak 2002; Isaacs 2001). Several pre-welfare reform studies showed that higher education levels helped to move female welfare recipients directly from welfare to work without the need to combine work and welfare, leading to rapid welfare-to-work transitions (Besharov and Sullivan 1996; Harris 1993).

Urban versus rural residence can affect TANF receipt and employment patterns in several ways. First, rural residents on average have lower education levels than urban residents (Gibbs 2002; Lichter and Jensen 2002). Furthermore, rural areas suffer from weak labor markets and higher unemployment rates than urban areas (Brady, Sprague, Gey, and Wiseman 2002; Gibbs 2002). Some researchers question the ability of rural labor markets to absorb TANF recipients who are forced off TANF (Howell 2002).

Life Course Events

In some cases welfare recipients move from states with stringent welfare policies to states with more lenient policies; however, these findings are often tied to economic factors in addition to state welfare factors (DeJong, Graefe, and St.Pierre 2003; Enchautegui 1997; Gensler 1996). It is suggested that poor families move in search of job opportunities rather than just welfare receipt (Kaestner, Kaushal, and VanRyzin 2001; Lichter and Jayakody 2002). Those most likely to move primarily in search of welfare benefits are poorly educated, single women who are most in need of welfare benefits (Enchautegui 1997; Gensler 1996; Kaestner, Kaushal, and VanRyzin 2001).

Physical and mental disabilities are found to be common among welfare recipients and likely to affect welfare histories and employment opportunities. In the study of current and former welfare recipients by Danziger, et. al. (2000), nearly 20 percent of their sample had a physical health problem, while more than one-third had a mental health disorder. Having a mental or physical health problem was often found in combination with other work-limiting conditions. Results show that having a mental or physical health problem is often associated with lower employment rates and longer spells of welfare receipt.

Welfare recipients may rely on other types of assistance besides TANF monies, which may affect their likelihood of transitioning to work. Such assistance includes food stamps, child care assistance, and government-subsidized rent. Like TANF payments, these types of supplemental assistance are reserved for the neediest families. Thus, receipt of these forms of assistance may be a sign that a family is hard to serve and most in need of help. On the other hand, these programs are often designed to provide enough supplementary assistance to help families get back on their feet and into the labor market.

Food stamp benefits vary according to a family's income level. As family income increases, the amount of their food stamp benefits decreases (Edin and Lein 1997); thus, the most financially needy families are most likely to receive food stamp benefits. Changes since PRWORA have made it easier for some working families to receive food stamp benefits (Lerman 2002); but for most families, levels of food stamp benefits have decreased (Finegold and Staveteig 2002; Lerman 2002).

High child-care costs make the transition from welfare-to-work very costly for most women. Child-care assistance can alleviate some of the financial burden faced by women trying to move from welfare to work (Adams and Rohacek 2002; Edin and Lein 1997). But even with the help that child-care assistance brings, women trying to work may still be overburdened by other bills that they are unable to pay. Furthermore, many women receiving child-care assistance report that arranging child-care sessions around work schedules can be problematic (Edin and Lein 1997).

Many welfare mothers find it difficult to pay their rent. Rent subsidies can ease this chief financial burden. Public housing and Section 8 subsidies set rent levels at 30 percent of household income to protect recipients from skyrocketing rent prices; however, for many

families Section 8 subsidies are hard to attain. Public housing is easier to attain, but may place families in dangerous inner-city neighborhoods where employment is harder to find (Edin and Lein 1997). Rent subsidies, though designed to help, can be a hindrance. As women move from welfare to work, their incomes should rise and accordingly lead to increases in the cost of rent.

Work and Welfare Histories

Having a strong work history helps individuals develop the skills necessary for securing employment (Anderson and Gryzlak 2002; Scott, London, and Edin 2000), which helps in exiting welfare (Piskulich 1993). For this reason, many policy makers have emphasized that immediate employment - even into low-wage, low-skill jobs - can be more beneficial for welfare recipients than education or job training (Strawn, Greenbert, and Savner 2001). Although many welfare recipients find employment in low-skill, low-wage sectors, these jobs still do require some skills (Johnson and Corcoran 2003). Welfare recipients often do not have the skills that employers require (Corcoran, Danziger, Kalil, and Seefeldt 2000), probably because they lack sufficient work experience.

Recidivism rates of welfare receipt tend to be high (Rank and Hirschl 2002). Those least likely to return to welfare include women with higher education levels, women with fewer children, and older women (Harris 1996). Furthermore, it has been found that the longer a woman receives welfare benefits, the harder it is for her to exit welfare (Sandefur and Cook 1998) and to find employment (Harris 1993). An important aspect of welfare experience is that it limits the amount of work experience gained. Persons who have never received welfare often have much more work experience than those who have had episodes of welfare receipt (Loeb and Corcoran 2001).

State Welfare Rules

With the transition from AFDC to TANF, states were given responsibility for designing their own welfare programs, at which point they had to decide where to stand on a variety of issues. Though all of these issues are important to the welfare system and recipients, several key policies are particularly pertinent to the welfare-to-work approach of welfare reform: earnings disregards, activities requirements, maximum benefit calculation, time limits, and activities sanctions (Besharov and Sullivan 1996; Corcoran, Danziger, Kalil, and Seefeldt 2000). Little research has examined the effects of these factors on welfare-to-work transition.

"Earnings disregards" refers to the amount of earned income a family may deduct in determining their eligibility and benefits. This allows women to keep a portion of their welfare benefits even as their earnings increase (Blank and Schmidt 2001). States that allow for higher disregards make it possible for recipients to combine work and welfare for significant periods of time, which should help them work their way out of welfare.

Under TANF, recipients are required to partake in certain work and activities requirements to receive benefits. States can give federally funded TANF dollars to nonworking recipients for a maximum of two years. Recipients must be engaged in a work activity after two years to continue receiving TANF payments. In some states, recipients may either work or engage in school activities; in others they may engage in both work and school; and in others they may work, go to school, or perform community service or child-care services (Urban Institute 2004). States that allow more activities to fulfill requirements make it easier for women to gain either education or work experience, but also to continue receiving TANF beyond two years.

The maximum benefit computation determines the maximum amount of money a family is eligible to receive each month. The dollar amount may influence whether a woman will remain on welfare or try to find work: In states where benefits are low, work is a better alternative to receiving welfare, but in states where benefits are high, work may not pay off in comparison to receiving welfare. Grogger (2003) found that higher benefit levels lead to increases in welfare use and decreases in employment, particularly among families with young children. O'Neill, Bassi, and Wolf (1987) found a negative relationship between benefit amount and the likelihood of exiting welfare.

An important aspect of the 1996 welfare reform was the implementation of time limits, which were designed to limit the length of time a family could receive TANF benefits. Though a federal law limits TANF receipt to sixty months over the course of one's lifetime, states are allowed to exempt a certain percentage of their population from this limit. States do this either on a case-by-case basis or by the use of certain rules. Some states have opted for a more stringent policy that does not allow any extensions beyond the sixty-month time limit. A few states have decided to avoid implementing any time limits by using state dollars to pay TANF benefits to people who have surpassed the sixty-month federal time limit (Urban Institute 2004). The anticipation of reaching one's time limit is believed to lead to reductions in welfare utilization (Pavetti and Bloom 2001). Grogger (2003) found that time limits do have a significant effect on reducing welfare use, especially among families with young children.

The national government created federal laws requiring states to impose sanctions on families who do not abide by the work and child support requirements. States may impose sanctions that include either total or partial loss of benefits for an indefinite length of time, (Urban Institute 2004). Kim (2000) found that the type of sanction a state imposes is statistically

significant in increasing the likelihood of employment. Pavetti and Bloom (2001) note that more severe sanctions are associated with decreases in welfare use and increases in employment.

State Economic Indicators

Much of the research looking at the effects of welfare reform took place in the late 1990s when the U.S. economy was booming. This research did find that TANF caseloads were drastically being reduced and that former welfare recipients were entering the labor force at high rates. Exits from welfare were due mostly to low unemployment and the introduction of TANF policies (Figlio and Ziliak 1999; Grogger 2004). Many of these researchers have admitted that the booming economy played an important role in these changes and believe that an economic recession would likely change the course of events (Blank 2001; Haskins 2001; Haskins and Blank 2001; Johnson and Corcoran 2003; Rose 2000).

Johnson and Corcoran (2003) found that among former welfare recipients, the economic decline in 2001 resulted in increased job loss, most pronounced among those with poor skills and little work experience. Others have found that women and low-skill workers are most affected by changes in the business cycle (Blank and Card 2000; Hoynes 2000).   Kim (2000) and Hoynes (2000) discovered that state unemployment rates have a negative effect on employment among welfare recipients. Grogger (2003) found that high unemployment rates were found to be associated with increases in welfare use. Furthermore, Holzer (1999) found that the tightness of the labor market has significant effects on welfare recipients' job availability. When unemployment is low, employers are more likely to have jobs available for welfare recipients.

Some research has examined the relationship between wages and the likelihood of receiving welfare benefits. Plotnick (1983) found that as a woman's expected hourly wage

increases, her expected duration of welfare receipt drops dramatically. O'Neill, Bassi, and Wolf

(1987) found that a state's average manufacturing wage had a positive effect on exit rates.

Conceptual Model and Hypotheses

A review of the literature indicates that many factors encourage or discourage a welfare-to-work transition. These factors can be placed into five broad categories: individual and family characteristics, life course events, work and welfare histories, state welfare policies, and state economic indicators.

Demographic and family characteristics include age, race, urban or rural residence, educational attainment, marital status, and number of children in the family. Older TANF recipients are expected to transition to work more easily than younger recipients because they have fewer children to care for and are likely to be more financially stable. Race is generally associated with long-term TANF receipt and poor employment opportunities. Rural residents tend to be more disadvantaged than urban residents, have fewer job opportunities, and accordingly may find it more difficult to end TANF receipt or secure employment. Welfare recipients with higher levels of human capital, as measured by education level, should be more likely to secure employment than those with lower levels of human capital. Single welfare recipients seem to be more disadvantaged than their married counterparts and likely face more barriers to exiting TANF and finding employment. Finally, welfare recipients with more children may find it difficult to transition to work because of high child-care costs. In sum, at the individual and family level, the "hardest to serve" are likely to be women who are young, nonwhite, and single; live in rural areas; and have low educational attainment and many children.

Life course events include moving; being disabled; enrolling in a school or training program; and receiving food stamps, child-care assistance, and/or a rent subsidy. Migration events include making either an interstate or an intrastate move. As the literature review suggests, making a move is often tied to finding employment. Experiencing a work-limiting

disability hinders employment opportunities which may increase the need for welfare benefits. Enrolling in school or a training program, should help facilitate a welfare-to-work transition, as it increases human capital attainment. Women who receive child-care assistance or a rent subsidy should find it easier to transition to employment. The effect of food stamps receipt is less clear. As income increases, food stamp benefits decrease, which means food stamp recipients have lower incomes than nonrecipients and may be in greater need of other benefits, such as TANF. In sum, moving, enrolling in school or a training program, receiving child-care assistance, and receiving a rent subsidy should encourage a welfare-to-work transition, while being disabled and receiving food stamps may hinder transition to work.

Work and welfare experience includes measures of the number of months recipients are employed and receiving TANF during the survey panel until the measurement of outcomes. Respondents with longer episodes of TANF receipt may find it more difficult to move into employment because of their lack of work experience and skill development. Respondents with substantial work histories may be less disadvantaged and better able to make the transition into employment.

State welfare policies include benefit level, earnings disregards, activity sanctions, time limit extensions, and activities requirements. For welfare recipients, high benefit levels should discourage work and encourage continued welfare receipt, with the opposite true for states with low benefits. High earnings disregards should increase work activity but may not necessarily discourage welfare receipt. States that allow more activities to fulfill activities requirements should see increases in employment levels of welfare recipients, though this employment may be combined with continued welfare receipt. States with stringent sanction and/or time limit policies may push recipients off TANF by making them ineligible for future benefits. In sum,

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stringent welfare policies increase the likelihood of transitioning to work compared to more lenient welfare policies.

State economic indicators include female unemployment rates and the average tenth-percentile hourly wages. Where the unemployment rate is higher, the likelihood of moving from welfare-to-work will be hindered. High average tenth-percentile wages may make employment both more feasible and more appealing compared to TANF receipt. In sum, when favorable jobs are available, welfare recipients are likely to transition to work.

In summary, we will test the general hypothesis that individual and family characteristics, life course events, work and welfare histories, state welfare policies, and state economic effects are expected to impact the welfare-to-work transition of poor women. Certain events and characteristics will help in making a welfare-to-work transition and others will hinder such a transition, as explained above.

Data

Data from the Survey of Income and Program Participation (SIPP), the Urban Institute's Welfare Rules Database (WRD), and the Bureau of Labor Statistics will be used for this research. Information regarding respondent work and welfare behaviors in addition to other individual- and family-level data will come from the SIPP. Data from the WRD will be used to determine effects of state-level TANF policies, and data from the Bureau of Labor Statistics will be used to assess effects of state economic indicators on welfare-to-work transition.

SIPP

Welfare-to-work transitions can best be explored using longitudinal data from the SIPP due to its rich information on monthly income, labor force participation, government program eligibility and participation, and other personal and family characteristics. This nationally representative survey is based on a multistage, clustered sampling scheme that selected primary sampling units (PSUs) and households using five sampling frames to obtain the most complete listing of housing units located within chosen PSUs. High-poverty areas were oversampled at a rate 1.66 times higher than low-poverty areas. Respondents are interviewed every four months and asked to report their activities for each month within that four-month period for a total of thirty-six months. All individuals 15 years of age or older who identified that address as their usual address were surveyed. The full panel weights provided by SIPP will be used for this research to take advantage of its longitudinal nature. Full panel weights are given to people who are in the sample at wave 1 and continue to provide data throughout the survey panel, unless they are no longer in the scope of the survey. Respondents may have missed up to two consecutive waves, as long as these waves were bounded by interviews. In cases where respondents missed a

wave or where there is item nonresponse, imputation procedures were performed by the Census Bureau.

Welfare Rules Database

The Urban Institute's Welfare Rules Database (WRD) captures the complexity of state welfare rules in a single database. This database provides detailed longitudinal data on a variety of assistance units for all fifty states and the District of Columbia. Data is available beginning with the year 1996 running through 2003. Data from 1996 through 2002 is publicly available, and data from 2003 was made available through special arrangements with the Urban Institute. Data for the WRD is compiled with the use of caseworkers' manuals, state regulations, AFDC state plans, and Waiver Terms and Conditions. Welfare-rule stringency scores adopted from DeJong, Graefe, and St. Pierre (2001) were used to test policy impacts on welfare-to-work transition.

Bureau of Labor Statistics

The Bureau of Labor Statistics provides information on unemployment rates and average annual wages. The unemployment data is collected by the Local Area Unemployment Statistics (LAUS) program, which provides employment, unemployment, and labor force data for census regions, states, counties, metropolitan areas, and cities by place of residence. We utilized this data (available monthly and annually) to provide the annual female unemployment rate for each state in 2001. Average hourly tenth-percentile wage data is collected by the Occupational Employment Statistics (OES) survey, which measures employment and wage rates for wage and salary workers in nonfarm establishments, by industry, for each state in the United States.

Methods and Data Analysis

Model Specification

We examine welfare and work statuses at two points in time. Time 1 is defined as the first four waves, or sixteen months of the SIPP survey panel, and time 2 as the last two waves, or eight months. The duration between time 1 and time 2 is waves 5 through 7, a total of twelve months. The choice of time 1 satisfies causal ordering requirements and serves to increase the sample size. The choice of time 2 allows maximum timing for transitions to occur.

Survey respondents must meet five criteria for inclusion in this analysis. First, the respondent must report that her family received TANF monies for at least two months during the sixteen months of the time 1 interval. Women who report only one month of TANF receipt were excluded on substantive grounds that it is hard to classify women receiving only one month of welfare receipt as transitioning off of welfare. Second, the respondent must be a female. This was established because most TANF recipients are female and the experiences of TANF receipt tend to be different for men. Third, the respondent must be age 19 or above, to ensure that she is not receiving TANF as a dependent. Fourth, the respondent may not reside in Maine, Vermont, North Dakota, South Dakota, or Wyoming during the first year of the survey. The SIPP aggregates people living in these states due to their low populations; as a result, state-level data cannot be applied for these respondents. Finally, respondents must have a nonzero value for the longitudinal weight. After accounting for these five restrictions, the size of my sample is 484 women age 19 and older who received TANF for at least two months during time 1 of the survey.

Variables

The predictor variables include sets of variables related to individual and family characteristics, life course events, work and welfare histories, state welfare rules, and state economic indicators. Weighted frequencies and means and operational definitions for all predictor variables are shown in table 1. Most of the predictor variables are constructed in a straightforward manner and do not require additional discussion. A few predictor variables were constructed in a manner that requires explanation.

-- Table 1 about Here --

Due to sample size limitations, many of the continuous predictor variables with high variances were categorized. Income is measured as the family's average percentage of the poverty level up to the start of time 2. The income variable was split into three income categories: those averaging up to 50 percent of the poverty level, those averaging between 51 percent and 200 percent of the poverty level, and those averaging more than 200 percent of the poverty level.

Unemployment rates, wages, earned income disregards, and benefit levels were also put into categories. For each variable, at the state level, standardized scores were created with means of 0 and standard deviations of 1. Scores of less than -1 were considered low scores. Scores between -1 and 1 were considered medium scores and served as the reference group. Scores greater than 1 were considered high scores. Though it may have been more telling to use the original values for these variables, their large variance combined with a small sample size was problematic.

The four possible outcomes at time 2 include only receiving TANF, only working, receiving TANF and working, and neither receiving TANF nor working. Respondents are

categorized as TANF recipients if their total primary family income from public assistance payments such as TANF was a non-missing, nonzero dollar amount. To be considered working, the respondent must have answered "yes" to the question, "Did you have at least one job (that is, a job for an employer, a business, or some other work arrangement) during the reference period or interview month?" If the family received public assistance payments and the respondent reported working during time 2, the respondent is categorized as both receiving TANF and working. If the family received no public assistance payments during time 2 and the respondent did not report working during time 2, the respondent is neither working nor receiving TANF during time 2. Weighted frequency distributions of outcome transitions are shown in table 2.

Analysis

Multinomial logistic regression is used for this analysis. Though it would be possible to run a binomial logistic model, doing so would miss potentially important differences regarding the welfare and employment behaviors of women who move from TANF to work, TANF to work and TANF, and TANF to neither work nor TANF, versus women remaining on TANF. The advantage of multinomial logistic regression is that it allows for a separate analysis of each outcome possibility. Results show the odds of being in each of the outcome categories compared to a predefined reference category. Thus, the predictors of remaining on TANF, working, both working and receiving TANF, and neither working nor receiving TANF can be determined and do not have to be the same across outcome categories.

The generalized logit model for this analysis is $\log(p_j/p_m) = \beta_j x$. This model specifies the log-likelihood of being in outcome category j relative to outcome category m as a set of the explanatory variables, x. The vector of parameters associated with category j is denoted by β_j. Category m is the reference category. Models are tested using only TANF receipt as the

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reference category, and again using only work as the reference category. Results from the first analysis will present the odds of only working versus only receiving TANF and of both working and receiving TANF versus only receiving TANF at time 2. Results from the second analysis will present the odds of both working and receiving TANF versus only working at time 2. Results showing the odds of neither working nor receiving TANF versus only receiving TANF and of neither working nor receiving TANF versus only working, though calculated as a part of the two analyses, will not be presented. They bear little relevance to the current discussion, but are available upon request.

Each analysis includes three models. The first model includes individual and family characteristics and state effects as predictor variables. The second model adds life course events to the analysis, and the third model includes work and welfare experience. SIPP's cluster sampling design has serious implications for the estimation of standard errors; thus, analysis is performed using STATA to obtain robust standard errors that correct for sample design effects.

Results

Table 2 shows the frequency distribution of work and welfare statuses at time 2. Despite welfare reform's initiative to place welfare recipients in the labor market, more than one-quarter of the sample reported only TANF receipt during the time 2 interval. Nonetheless, almost one-half of the sample reported some paid work activities during time 2. Almost one-third of the study sample reported only paid work activity during the time 2 interval, while another 15 percent reported working and receiving TANF monies during this time. One-quarter of the study sample reported no paid work activity and no TANF receipt during the time 2 interval. These respondents, though included in the multinomial logistic regression models (results not reported), are not considered in this research.

-- Table 2 about Here --

Results of the multinomial logistic regression results are presented in two sections. The first considers the odds that a welfare recipient at time 1 will be either only working versus only receiving TANF at time 2. The second section considers whether time 1 TANF recipients will be both working and receiving TANF at time 2.

Only work versus only TANF

Table 3 shows the odds ratios of only working versus only receiving TANF at time 2. This analysis reveals several key findings. First, results show very strong effects of work and welfare experience (model 3). Each percentage point increase in number of months worked prior to time 2 multiplies the odds of working compared with receiving TANF by 1.053. This suggests that women who build up their work history prior to the start of time 2 are more likely be working without TANF assistance during the time 2 interval. In terms of the percentage of months receiving TANF, each percentage point increase in months receiving TANF multiplies

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the odds of only working versus only receiving TANF at time 2 by 0.957. As one might expect, women with longer welfare histories are more likely to receive TANF and not have a paying job at time 2.

A second major finding from table 3 is that women living in states with low benefits are more likely to leave welfare for work than are women from states with higher benefits. Women living in these low-benefit states have almost three times the odds of only working versus only receiving TANF than women living in medium-benefit states, even when controlling for all other variables. These results imply that states may be more successful in getting women off of welfare and into work by setting low benefit levels. However, it is beyond the scope of this paper to determine whether women who leave welfare for work are better off than those who remain on TANF.

A third major finding from table 3 is that never-married women and those with many children are still most likely to be on TANF, even post-2000. Women who have never married are 70 percent less likely to transition from TANF to work at time 2 than are married women. There are not significant differences between previously married and currently married women or between previously married and never-married women. Each increase in the number of children under age 18 in the family reduces the odds of TANF-to-work transition by about 27 percent. Controlling for all factors in the model, including percentages of months worked and months receiving TANF, both variables (never-married and number of children) are significant predictors of work-only versus TANF-only outcomes, whereas all other individual and family characteristics are not significant. This suggests that never-married women and women with many children may be among the "hardest to serve."

Fourth, models 1 and 2 (table 3) show that work and welfare histories reduce the effects of demographic characteristics and life course events on these outcomes. Individual TANF receipt, age, and low income have statistically significant effects on the outcome in models 1 and 2; however, they lose significance in model 3 when work and welfare experience are included. Similarly, the life course events of moving, being disabled, receiving food stamps, and receiving a rent subsidy are statistically significant in model 2, but fail to remain significant in model 3. These results suggest that work and welfare experiences mediate the influence of individual characteristics and life course events on work and TANF outcomes or that demographic characteristics, life course events, and work and welfare histories are jointly determined by some factor causing TANF receipt or employment.

Fifth, work and welfare histories, aside from mediating the influence of several variables, suppress the effects of never marrying and living in a state with low TANF benefits. In models 1 and 2, neither variable has a statistically significant relationship. However, in model 3, with the inclusion of work and welfare histories, both become significant. These results suggest that martial status (particularly never marrying) sharply reduces the odds of welfare-to-work transition, while state TANF benefit levels increase the odds of welfare-to-work transition.

These results suggest that certain people are likely to have certain work and welfare histories. Also, the effects of welfare receipt and work experience appear to be cumulative processes. Whereas women who remain on welfare for long periods of time are less likely to transition to work only, placing people into work, regardless of the type, appears to be a pathway into a work-only situation.

Combined work and TANF

Table 4 shows the odds ratios of working and receiving TANF versus only receiving TANF at time 2, and table 5 shows the odds ratios of working and receiving TANF versus only working at time 2. The odds of both working and receiving TANF versus only receiving TANF show some similarities to results in table 3. In congruence with table 3, the percentages of months worked and months receiving TANF are both significant predictors, though the percentage of months receiving TANF is significant only at the 0.10 level. Also, work and welfare histories are mediators of individual characteristics; their addition to the model eliminates the effects of individual TANF receipt, family income, and disability on work and TANF versus TANF-only outcomes. Furthermore, they suppress the effects of never marrying, receiving a rent subsidy, and living in a state with lenient sanctions.

-- Table 4 about Here --

These results differ from those for the work-only versus TANF-only models as well. Primarily, state-level effects play a greater role in determining both work and TANF versus TANF-only outcomes. Of the economic indicators, living in a state with a high unemployment rate reduces the odds of both working and receiving TANF. Women who live in states with high unemployment rates have less than one-third the odds of both working and receiving TANF versus only receiving TANF at time 2 than do women who live in states with mid-level unemployment rates, controlling for all other factors. As one might expect, areas with few employment opportunities limit the ability of welfare recipients to couple welfare receipt with employment. When job opportunities are tight, employers may be less willing to hire welfare recipients than nonrecipients.

Benefit levels are also important in this set of models, but in this analysis, high rather than low benefit levels are significant factors. Controlling for all other factors, women who live in states with high benefit levels have more than twelve times the odds of both working and receiving TANF versus only receiving TANF at time 2 than do women who live in states with medium benefit levels. Some aspect of receiving high benefits facilitates the coupling of work and welfare.

Women who live in states that do not have time limits are almost 100 percent less likely to both work and receive TANF versus only receive TANF than do women who live in states that have time limits but allow some extensions. Women who live in states with lenient sanctions are not even half as likely to both work and receive TANF versus only receive TANF than women living in states with more stringent sanctions for noncompliance with welfare rules. Thus, states that have no time limits or impose only a partial loss of benefits for noncompliance apparently do not promote the transition to work through coupling work and welfare. This finding, together with nonsignificant results for these variables in table 4, also indicates that recipients living in states without time limits or with lenient sanction policies have an increased likelihood of remaining on TANF.

Table 5 shows the odds ratios of both working and receiving TANF versus only working. It is worth noting that in this model, none of the individual-level characteristics are a significant predictor of work and welfare outcomes. Rather, family characteristics, life course events, TANF histories, and state-level effects predict the outcome. Unlike the previous analyses, of the work and welfare history variables, only the percentage of months receiving TANF is significant. For each percentage point increase in the number of months receiving TANF, the odds of both working and receiving TANF versus only working are multiplied by 1.062. Thus, having a

longer TANF history increases the likelihood of coupling work and TANF versus only working at time 2. This means having worked only three of the twenty-eight months prior to time 2 increases by tenfold the odds of combined work and welfare.

-- Table 5 about Here --

Of the family characteristic variables, previous marriage and number of children in the family are significant when controlling for all other variables. Women who were previously married but single at time 1 have almost three times the odds of both working and receiving TANF versus only working than married women, and 2.5 times the odds of doing both versus only working compared to never-married women. In the previous analyses that looked at work-only and TANF-only outcomes, never-married women seem least likely to be working and most likely to remain on TANF. Though never-married women are less likely than married women to be only working at time 2, the evidence in this analysis suggests that previously married women are more likely to be coupling work and TANF at time 2. Having many children also increases the odds of both working and receiving TANF versus only working.

Women who moved in the interval between time 1 and time 2 have less than one-third the odds of both working and collecting TANF versus only working than do women who did not change residence, even after controlling for work and welfare experience. These results, coupled with results from table 4, suggest that moving increases the employment opportunities for women who received TANF during the time 1 interval. Women who moved have greater odds of only working versus only receiving TANF and lower odds of both working and receiving TANF versus only working. These results are consistent with research showing that families move for job opportunities rather than welfare receipt (Kaestner, Kaushal, and VanRyzin 2001; Lichter and Jayakody 2002).

Women whose families receive food stamp benefits have more than three times the odds of both working and receiving TANF versus only working than women whose families do not receive food stamp benefits. Because food stamp benefits are tied to income level, families who are more financially burdened would be more likely to receive food stamps than families that are better off. The women heading these families may be unable to support themselves through work only.

Women who have received a rent subsidy have less than 0.18 times the odds of both working and receiving TANF versus only working than women who did not receive a rent subsidy in the interval between time 1 and time 2, controlling for all other factors. This suggests that helping welfare recipients with major costs such as rent is a way to assist them in the transition into work only versus coupling work and welfare receipt. In either case, it is evident that they require additional support.

At the state level, unemployment rates and benefit levels are significant predictors of both working and receiving TANF versus only working. Women living in states with low unemployment rates have 0.16 the odds of both working and receiving TANF versus only working than women in states with midlevel unemployment rates. Lower unemployment rates reduce the likelihood of coupling work and welfare compared to only working, while high unemployment rates reduce the likelihood of coupling work and welfare compared with either work only or receiving TANF. Additional models (results not shown) removed unemployment rate from the analysis to test whether the effect of unemployment rates works through wage levels. Results showed that wages had no significant impact on any of the outcome categories. These results suggest that the unemployment rate does matter for welfare recipients' transition-to-work strategies.

Women living in states with high benefit levels have more than six times the odds of both working and receiving TANF versus only working than women who live in states with medium benefit levels. High benefit levels increase the likelihood of work and welfare compared with both only working and only receiving TANF. This effect becomes much larger with control for work and welfare histories. If the coupling of work and TANF helps women move into a work-only status, offering high benefit levels could have positive benefits on welfare-to-work transition.

Conclusion

The objectives of our study are to document transitions from welfare to work among women receiving TANF at some time during 2001 and the beginning of 2002 – approximately the first year and a half of the survey observation period – and to determine personal and state-level characteristics that explain who makes such transitions. Over the 2001-03 period, one-third of TANF-recipient women transitioned to employment without TANF; almost another 15 percent were working while receiving TANF benefits in 2003.

First, it was expected that policy-related motivations for work should influence women's work and welfare behaviors. We hypothesized that stringent welfare policies would push recipients into the workplace. Interestingly, none of the new welfare-reform rules we studied increased the likelihood that a woman receiving TANF benefits would in be the workforce and without welfare two to three years later. However, stringent rules do influence women's decisions to combine work and welfare: Where welfare receipt is not time limited, women are almost 100 percent less likely to combine work and welfare than to rely on TANF benefits alone. Similarly, where women receive relatively lenient sanctions for failure to comply with work-related activities requirements, women are more than twice as likely to receive TANF without working as to combine work and welfare.

Benefit levels are also related to welfare and work strategies in a way suggesting that, in states where benefits are particularly low, women may turn to work as a survival strategy. In these states, TANF recipients are almost three times more likely to be working at our second observation window than to be receiving TANF and not working. Where benefits are relatively high, TANF recipients are twelve times more likely to combine work and welfare compared with only receiving TANF and almost seven times more likely to be working and receiving welfare

compared with only working. These results imply that welfare reform has successfully impacted the work behavior of TANF recipients, even after the national economy slowed and regardless of unemployment rates.

Second, we hypothesized that state economic conditions such as higher unemployment rates would hinder transitions to work, that higher expected wages among low-skill workers would facilitate transitions, and that women living in urban contexts would be more likely to transition to work than women in rural areas. Employment opportunities, as measured by female unemployment rates, and potential wages, as measured by median wages at the tenth percentile, had no influence on the transition to work. Both higher and lower job opportunities do make combining work and welfare more likely than work alone, respectively making the combination possible in low unemployment settings and making it financially important in high unemployment areas, where labor supply may push wages lower. Furthermore, higher unemployment makes combining work and welfare less likely than only receiving TANF, suggesting that where unemployment rates are high, welfare rules regarding work activities may be sensitive to the lack of job opportunities.

As we expected, moving increased the likelihood of transitioning from welfare dependency. Migration, primarily intrastate, appears to be motivated by job opportunities. Since rent subsidy is also positively related to employment transitions, our findings suggest a need for a policy that assists TANF-recipient women to move to job opportunities. Between rural and urban environments, however, we found no significant difference in the likelihood of transitioning to work only, and an unexpected negative influence on the likelihood of combining welfare and work compared with depending only on TANF.

Third, we hypothesized that women most likely to make the transition to employment would be older, white, better educated, and married and have fewer children than women who do not transition from welfare to work. We also hypothesized that school and job training enrollment and child-care assistance would improve the odds of transitioning to work. In models controlling for state economic and welfare policy characteristics, we find robust evidence that caring for numerous children impedes the transition from welfare to work. Women with many children are more likely to remain on welfare than to work and, if employed, more likely to receive TANF while working. While child-care assistance receipt operates in the expected direction, we cannot offer clear evidence that it facilitates later employment. Only 8 percent of our study sample received child-care assistance, and the potential relationship between this and other forms of assistance may statistically eliminate any zero-order association. For example, families who receive rent assistance, which exhibits a positive association with employment, may be more likely to receive "packages" of assistance, including help with child care. Future research should examine the role of publicly assisted transitions to work by packaging aid targeted to family-specific needs. Still, having responsibility for many children impedes a mother's employment, and a policy is needed to address how to best assist large families toward self-sufficiency.

As expected, human capital in the form of educational attainment, and implied by higher average income prior to measurement of our outcomes, promoted the transition to work. Unexpectedly, the net effect of age on transitioning to work is negative; older women were less likely than younger women to become employed and more likely to depend on TANF. This suggests that older women receiving TANF in this period are truly the least prepared for the workplace. Similarly never-married women are the most likely to be still receiving TANF rather

than becoming employed without TANF support. Although low human capital characteristics are known to select women into unmarried childbearing and parenting, it is notable that the effect of never marrying on the transition to work is net several human capital and demographic characteristics that are associated with this unmarried status. More research is needed to understand this relationship better, since a third of children are born to unmarried mothers in the United States and numerous TANF recipient families are headed by never-married women.

Fourth, perhaps our most policy-salient finding is that work and welfare experiences trump the effects of many personal and life-course characteristics. That is, the effects of these personal-level predictors operate through women's past histories of welfare receipt and employment. We expected to find that women with substantial work histories would be more advantaged in transitioning to work, and those with longer welfare histories would be less likely to transition to work. Indeed, women with higher human capital gained employment experiences throughout our pre-outcomes measurement period, which improved the likelihood of employment at the end of the observation period. Likewise, women receiving welfare throughout the observation window did not gain such workplace capital; these women, including many older women, apparently have greater difficulty obtaining and keeping jobs leading to self-sufficiency. Furthermore, both food stamp receipt and disability effects are attenuated by work and welfare histories, indicating that persons with these characteristics have histories of TANF receipt and non-employment that make transition to the workplace more difficult. The policy message here is that improving women's work histories and reducing the incidence of welfare experiences through increased human and job-related capital may be the best strategy for transitioning women from welfare to work.

In conclusion, three limitations of this study need to be addressed. First, though the results of this analysis do not guarantee causality of the predictor variables on work and welfare outcomes, there is some security that the measures have partial causal influence. This research takes advantage of the longitudinal nature of the SIPP panel study. Though the time periods of observation were arbitrarily chosen, we were careful to measure characteristics and behavior of the predictor variables before the measurement of the outcome variables.

Second, this study does not include state fixed-effects. It is possible that unmeasured state effects may explain results rather than the proposed state welfare rules. The methodology used in this analysis did not accommodate the use of state fixed-effects because state policies were measured at only one period of time (2001). However, we believe it is reasonable to assume that welfare rules, while controlling for state economic indicators, can explain work and welfare outcomes of TANF recipients. The welfare rules were specifically designed to discourage TANF receipt and to encourage employment in the labor force. Future research should aim to include state fixed-effects, though doing so may show reduced effects of state policies.

Finally, there is the issue of right censoring. The period of observation for respondents in the SIPP survey ends after thirty-six months; however, it is possible that the women in our sample could experience a transition from TANF to work or combined work and TANF sometime after the end of the survey. These transitions are not captured in this study, but are of importance.

Future research should aim to include a more detailed test using event history techniques. Event history techniques are specifically designed to handle issues of causality and right censoring and could facilitate the use of state-fixed effects. Nonetheless, despite these

limitations in this study, several policy-relevant findings stand out: Consistent with prior research, human capital characteristics are important predictors of moving off welfare. Furthermore, gaining work experience is an important avenue in the welfare-to-work process. However, this study goes beyond prior studies that focus on individual characteristics to consider how the policy context may shape the transition to work. Publicly supported family relocation may help women toward self-sufficiency, and its role deserves additional study. Also, important from a welfare policy standpoint is the finding that stringent work and welfare eligibility-related rules promote the transition to work.

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Appendix A – Tables

Table 1 - Means and weighted frequencies and operational definitions of predictor variables

Individual and Family Characteristics	% or mean	Operational definitions
Individual TANF receipt	80.56	Sample selection is based upon family receipt of TANF, not whether the respondent receives TANF for herself. This variable indicates whether woman received any TANF monies for herself during time 1 interval. (Yes=1)
Age	37.55	Measured in single years as reported at the start of the survey.
White	33.58	Race of the sample respondent. White is the reference category.
Black	33.96	
Latino	24.67	
Other	7.79	
Urban	77.45	Urban or rural residence of sample respondent. It should be noted that in states with a small rural populations, the SIPP may identify some people living in urban areas as living in rural areas to help maintain the confidentiality of those living in rural areas. (Urban=1)
Low income	27.15	Total family monthly income is divided by monthly low-income cutoff for a family of that size for each month up to the start of time 2. The average of these values is then calculated to find the average percentage of the poverty level. Women with average incomes of 50% or less of the poverty level are low income, 51%-200% are medium income, and greater than 200% are high income. Medium income is the reference category.
Medium income	59.62	
High income	13.23	
Less than HS	44.00	Highest level of educational attainment as reported at the end of time 1. High school is the reference category.
High school	27.60	
Some college	28.40	
Married	25.46	Married includes persons who are married with spouse either present or absent. Previously married includes persons who are divorced, separated, or widowed. Never married includes persons who have never been married. Married is the reference category.
Previously married	32.75	
Never married	41.79	
Number of kids	2.03	Total number of children under age 18 in the family at the end of time 1.
Presence of own kids	72.10	Indicates whether any of the children under age 18 in the family are the respondent's own children. (Yes=1)
Life Course Events		
Any move	20.52	Indicates whether sample respondent made an interstate or intrastate move between time 1 and time 2. (Yes=1)
Disabled	36.05	Indicates whether sample respondent self-reported having a physical, mental, or other disability that limited the kind or amount of work they could perform between time 1 and time 2. (Yes=1)
Enrolled	14.59	Indicates whether sample respondent enrolled in school either part-time or full-time between time 1 and time 2. (Yes=1)
Food stamps	71.90	Indicates whether sample respondent or someone in her family received money from food stamps between time 1 and time 2. (Yes=1)
Child care assistance	8.07	Indicates whether sample respondent received child care services or assistance to be able to go to work, school, or training between time 1 and time 2. (Yes=1)
Subsidized rent	23.41	Indicates whether federal, state, or local government paid for all or part of the rent for respondent's residence between time 1 and time 2. (Yes=1)

Table 1 - continued
Work and Welfare Histories

Working at time 1	59.14	Indicates whether sample respondent was working during time 1. (Yes=1)
% months worked	40.44	Percentage of months up to time 2 that respondent reported working at a paid job
% months on TANF	51.70	Percentage of months up to time 2 that respondent or someone in her family reported receiving TANF monies

State Economic Indicators

Low unemployment rate	9.79	The female unemployment rate in 2001, as calculated by the Bureau of Labor Statistics, is the ratio of female unemployed to the female civilian labor force, expressed as a percentage. The average female unemployment rate across states is 4.44% with a standard deviation of 0.92. At the state level, unemployment rates were put into standardized scores with mean=0 and std. dev.=1. Scores less than -1 are considered low unemployment rate states, between -1 and 1 are medium unemployment rate states, and greater than 1 are high unemployment rate states. Medium unemployment rate states are the reference category.
Medium unemployment rate	59.81	
High unemployment rate	30.40	
Low wages	7.94	The average tenth percentile wages across states in 2001 is $6.81 with a standard deviation of 0.54. At the state level, average wages were put into standardized scores with mean=0 and std. dev.=1. Scores less than -1 are considered low wage states, between -1 and 1 are medium wage states, and greater than 1 are high wage states. Medium wage states are the reference category.
Medium wages	83.32	
High wages	8.74	

State Welfare Rules

Lenient activities requirements	74.99	A summary score of each state's five activities requirements rules in 2001. Each rule coded as 0 if only work or only school activities are allowed, 1 if work and school activities are allowed, and 2 if a wide variety of activities including community service or child care are allowed or if the state has no activities requirement. Summed scores of 5 or greater are most lenient and coded as 1; scores less than five are coded as 0.
Lenient sanctions	51.96	Indicates the worst-case sanction that the state would employ in 2001. States that impose ineligiblity for a specific period of time, until compliance, or for life are coded as a 0. States that are more lenient and impose only a partial loss of benefits are coded as a 1.
Low earned income disregards	11.39	Earned income disregards in 2001 measure the maximum amount of income that a family of 4 can disregard over a 2-year period of time under the assumptions that welfare participation is continuous during the period, the unit head works at least 40 hours a week continuously during the period, and that earned income is equal to $978. This arbitrarily chosen income level was calculated by finding the mean income level for each study sample respondent throughout the time 1 interval. The median value of these individual means was $978. Across all states, the average maximum amount of earned income disregard is $13,328 with a standard deviation of $7,465. Maximum earned income disregard dollar amounts are put into standardized scores with mean=0 and std. dev.=1. Scores less than -1 are considered low earned income disregard states, between -1 and 1 are medium earned income disregard states, and greater than 1 are high earned income disregard states. Medium earned income disregard states are the reference category.
Medium earned income disregards	83.93	
High earned income disregards	4.68	

Table 1- continued

Low benefit	16.80	The maximum benefit level in 2001 is calculated as the maximum dollar benefit that a family of four with no reported income is eligible to receive in each month. The average maximum benefit across states is $483 with a standard deviation of $183. At the state level, calculated values were put into standardized scores with mean=0 and std. dev.=1. Scores of less than -1 are considered low benefit states, between -1 and 1 are medium benefit states, and greater than 1 are high benefit states. Medium benefit states are the reference category.
Medium benefit	52.04	
High benefit	31.16	
No time limit extensions	11.90	The measure of time limits in 2001 captures how the extension policy is implemented in each state. This rule is indicated by a set of dummy variables: States that do not allow any extensions are the most stringent; states that do not have time limits are the most lenient. Serving as the reference group are states that implement extensions based on specific rules or on a case-by-case basis.
Time limit extensions allowed	84.22	
No time limits	3.88	

Table 2 – Weighted frequency distribution of dependent variable at time 2

	%
TANF only	26.87
Work only	32.42
Both work and TANF	14.73
Neither work nor TANF	25.98

Table 3 –Multinomial Logistic Regression Models of Work-Only versus TANF-Only Outcomes at Time 2

	Work versus TANF - odds ratios		
	Model 1	Model 2	Model 3
Individual and family characteristics			
Individual TANF receipt	**0.269***	**0.268***	0.625
Age (years)	**0.951****	**0.961***	0.976
White	-	-	-
Black	0.877	0.708	0.965
Latino	0.810	0.638	0.783
Other	0.648	0.557	0.970
Urban	0.825	0.854	0.941
Low income	**0.373***	**0.411**	0.801
Medium income	-	-	-
High income	2.591	1.571	0.582
Less than high school	0.551	**0.415**	0.512
High school	-	-	-
Some college	**2.429**	1.746	1.214
Married	-	-	-
Previously married	0.868	0.927	0.425
Never married	0.682	0.686	**0.313**[a]
Number of kids in family	**0.805**	**0.731***	**0.733***
Own children in family	1.437	1.351	1.177
Life course events			
Moved	-	**2.658***	2.477
Disabled	-	**0.159****	0.577
Enrolled in school/training	-	0.872	1.249
Food stamps receipt	-	**0.248***	0.594
Child care assistance	-	1.755	1.177
Subsidized rent	-	**1.946***	1.486
Work and welfare histories			
% months working	-	-	**1.053****
% months on TANF	-	-	**0.957****
State economic indicators			
Low unemployment rates	1.318	1.664	2.029
Medium unemployment rates	-	-	-
High unemployment rates	0.853	0.643	0.751
Low wages	0.671	0.825	1.341
Medium wages	-	-	-
High wages	0.888	1.300	1.183
State welfare policies			
Low benefits	1.344	1.823	**2.797***
Medium benefits	-	-	-
High benefits	0.67	0.888	1.812
Low income disregards	1.005	0.892	0.842
Medium income disregards	-	-	-
High income disregards	4.243	1.563	2.473
No time limit extensions	1.339	1.487	2.233
Time limits extensions	-	-	-
No time limits	0.393	0.370	0.303
Lenient act. Requirements	1.520	1.476	1.236
Lenient sanctions	0.667	0.549	0.503
Model Chi-Square	179.24****	262.67****	615.18****
df	78	96	102

*p<.10, **p<.05, ***p<.0l, ****p<.001

[a] There is no statistically significant difference between previously married and never married women.

Table 4 –Multinomial Logistic Regression Models of Combining Work and TANF versus TANF-Only Outcomes at Time 2

| | Both versus TANF - odds ratios | | |
	Model 1	Model 2	Model 3
Individual and family characteristics			
Individual TANF receipt	**0.322****	**0.400***	0.553
Age (years)	**0.954*****	**0.964****	**0.944*****
White	-	-	-
Black	1.020	0.931	1.273
Latino	0.766	0.584	0.475
Other	1.114	0.877	2.098
Urban	**0.459***	0.532	0.524
Low income	0.673	0.614	1.018
Medium income	-	-	-
High income	**2.577***	**2.506***	0.606
Less than high school	0.914	0.737	0.608
High school	-	-	-
Some college	1.923	1.360	1.008
Married	-	-	-
Previously married	1.457	1.699	1.218[b]
Never married	0.777	0.773	**0.350****
Number of kids in family	1.155	1.138	1.043
Own children in family	0.934	0.811	0.580
Life course events			
Moved	-	0.933	0.689
Disabled	-	**0.239*****	0.769
Enrolled in school/training	-	1.903	2.673
Food stamps receipt	-	0.950	1.872
Child care assistance	-	2.084	0.688
Subsidized rent	-	0.523	**0.266****
Work and welfare histories			
% months working	-	-	**1.058*****
% months on TANF	-	-	**1.017***
State economic indicators			
Low unemployment rates	0.338	0.424	0.331
Medium unemployment rates	-	-	-
High unemployment rates	**0.471***	**0.336****	**0.298****
Low wages	0.769	0.823	1.546
Medium wages	-	-	-
High wages	1.894	3.175	2.477
State welfare policies			
Low benefits	0.904	1.265	1.171
Medium benefits	-	-	-
High benefits	2.681	**4.040****	**12.094****
Low income disregards	1.221	1.103	1.948
Medium income disregards	-	-	-
High income disregards	2.289	0.859	1.412
No time limit extensions	1.141	0.936	1.177
Time limits extensions	-	-	-
No time limits	0.178	**0.116***	**0.057****
Lenient act. requirements	1.227	1.230	0.912
Lenient sanctions	0.769	0.595	**0.412***
Model Chi-Square	179.24****	262.67****	615.18****
df	78	96	102

*p<.10, **p<.05, ***p<.0l, ****p<.001

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[b] The odds ratio associated with previously married versus never married is 3.48 and is significant at the 0.05 level.

Table 5- Multinomial Logistic Regression Models of Combining Work and TANF versus Work-Only Outcomes at Time 2

	Both versus Work - odds ratios		
	Model 1	Model 2	Model 3
Individual and family characteristics			
Individual TANF receipt	1.194	1.495	0.885
Age (years)	1.003	1.003	0.968
White	-	-	-
Black	1.163	1.316	1.320
Latino	0.945	0.915	0.606
Other	1.719	1.573	2.163
Urban	0.557	0.623	0.557
Low income	1.804	1.491	1.271
Medium income	-	-	-
High income	0.995	1.595	1.041
Less than high school	1.658	1.774	1.187
High school	-	-	-
Some college	0.792	0.779	0.831
Married	-	-	-
Previously married	1.677	1.833	**2.864******c**
Never married	1.139	1.127	1.120
Number of kids in family	**1.435******	**1.556******	**1.422****
Own children in family	0.650	0.600	0.493
Life course events			
Moved	-	**0.351****	**0.278****
Disabled	-	1.501	1.333
Enrolled in school/training	-	2.184	2.140
Food stamps receipt	-	**3.829*****	**3.150***
Child care assistance	-	1.187	0.585
Subsidized rent	-	**0.269*****	**0.179*****
Work and welfare histories			
% months working	-	-	1.005
% months on TANF	-	-	**1.062******
State economic indicators			
Low unemployment rates	**0.257***	**0.254***	**0.163****
Medium unemployment rates	-	-	-
High unemployment rates	0.552	0.523	**0.397***
Low wages	1.146	0.997	1.153
Medium wages	-	-	-
High wages	2.134	2.442	2.093
State welfare policies			
Low benefits	0.672	0.694	0.419
Medium benefits	-	-	-
High benefits	**4.004****	**4.548****	**6.674***
Low income disregards	1.204	1.236	2.313
Medium income disregards	-	-	-
High income disregards	0.539	0.549	0.571
No time limit extensions	0.852	0.630	0.527
Time limits extensions	-	-	-
No time limits	0.453	0.313	0.187
Lenient act. requirements	0.807	0.834	0.738
Lenient sanctions	1.152	1.084	0.819
Model Chi-Square	179.24****	262.67****	615.18****
df	78	96	102

[c] The odds ratio associated with previously married versus never married is 2.56 and is significant at the 0.10 level.