

## **Leavers, Stayers, and Cyclers**

### **An Analysis of the Welfare Caseload**

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Between 1994 and 1999, the welfare caseload fell by almost 50 percent. In other words, about two million fewer families were receiving welfare in 1999 than five years earlier. To some observers, this trend is evidence that welfare reform has been a success. To others, it raises a host of new questions and concerns and suggests that the 1996 law was only the first step in the process of reforming welfare. For example, how are the families who have left welfare doing? Are most of them working and earning enough to lift themselves above poverty? And who are the families who are still left on the welfare rolls? Do they face especially severe circumstances that may prevent them from going to work?

This report looks at the changing nature of the caseload by examining the characteristics and circumstances of three groups: people who leave welfare and stay off for at least a year (leavers), people who stay on welfare persistently (stayers), and people who cycle on and off the rolls (cyclers). The report uses a unique data set consisting of over 30,000 people who were targeted for a variety of welfare-to-work programs over the past decade. The programs were each evaluated using a random assignment design, in which some families were assigned into the new program being tested and others were assigned into the existing welfare system in the state at the time of the evaluation. The programs include three key components—mandatory participation in employment or education activities, enhanced financial incentives, and time limits—used alone and in combination. Together, they cover the range of policies that states now have adopted as part of their new welfare programs. Data from these welfare-to-work programs make it possible to track the employment, welfare, and economic status of families for up to five years after they entered the evaluation. By dividing the caseload into stayers, leavers, and cyclers, the following key questions can be addressed:

- Who is leaving welfare long term? What potential employment barriers do welfare leavers face, and how are they faring economically? How do their circumstances differ from those of people who stay on welfare persistently and of people who cycle on and off welfare?
- How many families leave welfare without work? Who are they, and what potential employment barriers do they face? How are they faring relative to families who are working when they leave welfare?
- What effects have welfare-to-work programs had on the caseload? Who remains on welfare persistently, despite being subject to a welfare-to-work

program? Do they face more barriers to employment than people who stay under the traditional AFDC system?

Understanding the circumstances of families who leave welfare long term is important to designing effective programs for welfare recipients and for low-income families in general. If many who do work are still poor, for example, more effort might be devoted to post-employment services that help low-wage workers increase their earnings. It is equally important to find out about the families who stay on welfare. If many of the families receiving welfare today face severe employment barriers, then welfare policies that have been used in the past may not work for this new type of caseload. Finding new policies for the hard-to-employ may have also gained added urgency if welfare reform, by encouraging more and more families to leave welfare, has left a caseload that is even harder to employ than in the past. Examining the effects of several welfare-to-work programs on the composition of the caseload provides hints as to the effects of welfare reform more broadly. Finally, there has been little research on cyclers, or people who return to welfare intermittently but do not stay on it persistently. It is not clear, for example, whether cyclers face more dire economic circumstances than stayers and leavers or whether they possess fewer or more barriers to employment.

## Findings

- **Long-term welfare leavers face fewer barriers to employment than long-term stayers and generally fare better economically. People who cycle on and off the welfare rolls look more similar to leavers than to stayers.**

Leavers differed from stayers in a variety of expected ways (see Table S1). Leavers were older, more educated, and had fewer children than stayers. They also faced fewer barriers to employment; they were less likely to report child care problems, for example, and were more likely to have had work experience prior to entering the evaluation. Cyclers, on the other hand, looked fairly similar to long-term leavers, in part because many of them had only one or two short spells on welfare.

Although each of the groups had low incomes during the follow-up period, leavers and cyclers had somewhat higher incomes than stayers and were much less likely to have income below the poverty line. However, leavers and cyclers were more likely to report facing material hardships, particularly problems in accessing health care.

- **More than one-third of welfare leavers did not work in the months immediately following their welfare exit. These nonworking leavers faced more barriers to work than other leavers but had similar incomes.**

Thirty-six percent of long-term welfare leavers did not work in the months immediately following their exit, according to earnings data from state Unemployment Insurance systems. In general, people who did not work at welfare exit were more disadvantaged than those who did

**Table S1: Characteristics of Stayers, Leavers, and Cyclers**

	Stayers	Cyclers	Leavers
No high school diploma/GED	54.7	46.6	46.9
Had children under age 6	64.0	54.9	54.4
Reported barriers to work:			
Child care problems	69.2	52.7	58.9
Health or emotional problems	30.9	20.5	23.3
Did not work in year prior to entering evaluation	61.2	40.5	52.8
Income below poverty in year before follow-up survey	61.3	43.8	42.7

**Table S2: Characteristics of Nonworking and Working Leavers**

	Not working at welfare exit	Working at welfare exit
No high school diploma/GED	55.0	40.9
Had children under age 6	51.8	56.0
Reported barriers to work:		
Child care problems	62.6	56.3
Health or emotional problems	30.2	17.6
Did not work in year prior to entering evaluation	67.7	41.5
Income below poverty in year before follow-up survey	45.1	40.2

work (see Table S2). They were less educated, more likely to report other barriers to work, and much less likely to have had recent work experience. On average, however, they had similar incomes as working leavers by the time of the follow-up survey. Although they had lower earnings, they were more likely to rely on other sources of income and more likely to eventually return to welfare, Food Stamps, or both. There is little evidence that many nonworking leavers left welfare for marriage or cohabitation.

- **People who stayed on welfare while subject to a welfare-to-work program had similar characteristics and employment barriers as people who stayed on welfare under the traditional AFDC system.**

The effects of welfare reform on the characteristics of the caseload can be inferred by comparing stayers in the program groups with their counterparts in the control groups. People in the program groups were subject to one of the programs being tested—each of which contains elements of states’ new Temporary Assistance for Needy Families (TANF) programs—while those in the control group were subject to the traditional AFDC system. In general, the two groups looked fairly similar in terms of demographic characteristics and potential barriers to employment (see Table S3).

**Table S3: Characteristics of Stayers in the Program Versus Control Groups**

	Program Group	Control Group
No high school diploma/GED	54.7	49.3
Had children under age 6	64.0	65.3
Reported barriers to work:		
Child care problems	69.2	68.4
Health or emotional problems	30.9	26.7
Number of months worked during years 1 to 3 of follow-up	9.8	7.4
Income below poverty in year before follow-up survey	61.3	66.0

- **People who stayed on welfare while subject to a welfare-to-work program had more work experience during the follow-up period than people who stayed under the traditional AFDC system. These differences were found only for the two welfare-to-work programs with the most generous financial incentives.**

Although several programs included financial incentives to work, in the form of enhanced earnings disregards, stayers in the two programs with the most generous incentives differed in two key ways from their control group counterparts. First, stayers in the program groups were more likely to have worked while on welfare, because the earnings disregards allowed more of them to work and still qualify for benefits. Second, because stayers in the program groups were more likely to have worked and because they received more generous welfare benefits when they did work, they had higher incomes than stayers in the control groups.

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The findings show that many families continue to need assistance after they leave welfare. Many families who leave and stay off long term remain poor after they leave, and many lack access to important benefits, such as Food Stamps and health insurance, for which they are probably still eligible. People who leave welfare without work have always been a group of special concern, and the findings indicate that they did not leave welfare without work because they got married. Rather, they were unable to overcome a range of potential barriers to work, such as low education and little prior work experience. These leavers need services to help them find and keep jobs. It is encouraging that people who cycle on and off welfare do not face more severe employment barriers than other groups in the caseload. Nonetheless, many of them obviously need assistance to avoid returning to welfare, which may not be an option in the era of time limits. Finally, although welfare-to-work programs were found to have few effects on the characteristics of the caseload, they do affect stayers' economic status. Enhanced incentives, in particular, increase both the employment rates and the incomes of stayers. Although the fact that most states now use enhanced incentives is encouraging, most states also impose time limits. Time-limit policies could be designed so that the "leavers" who are forced off the welfare rolls by these programs would have adequate incomes. Time limits could also be combined with post-exit services that would be available to all leavers.