Leaving Welfare without Working

How do mothers do it? And what are the implications?

Douglas J. Besharov

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Welfare Reform Academy
University of Maryland
American Enterprise Institute
1150 Seventeenth Street, N.W.
Washington, D.C. 20036
www.welfareacademy.org

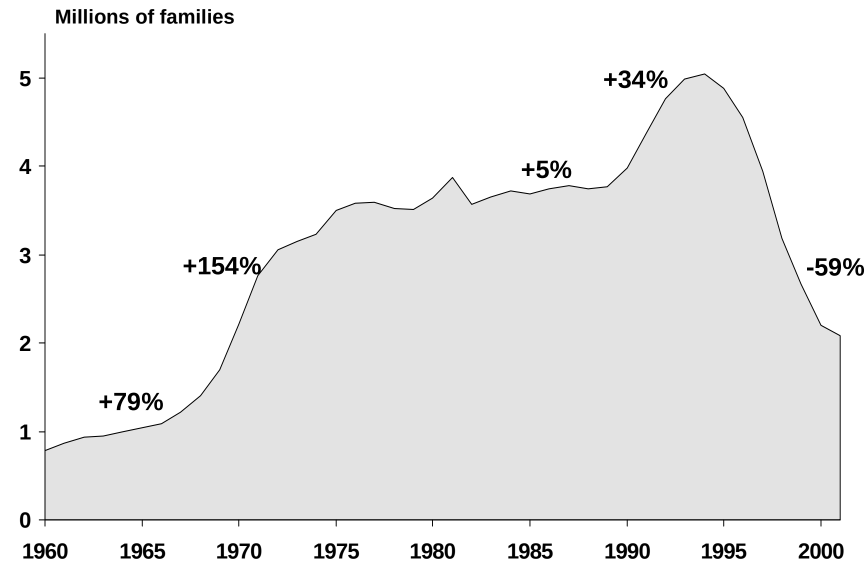
Douglas J. Besharov is the Joseph J. and Violet Jacobs Scholar in Social Welfare Studies at the American Enterprise Institute, and a professor at the University of Maryland School of Public Policy. This paper was prepared for the Workshop on "Welfare Reform: A Comparative Assessment of French and U.S. Experiences," sponsored by the Center for Child and Youth Policy, University of California, Berkeley, the French Ministry of Social Affairs, and the International Social Security Association, and was held at the University of California, Berkeley, February 21–23, 2002. It is published in *Welfare Reform: a Comparative Assessment of the French and U.S. Experiences*, eds. Neil Gilbert and Antoine Parent (New Brunswick, NJ: Transaction Publishers, 2004).

Contents

For nearly sixty years, it seemed to most analysts that welfare rolls in the United States could only grow. With the exception of a few short-lived declines, the rolls grew from 147,000 families in 1936 to about 5 million in 1994—from less than 1 percent of all American families with children to about 15 percent.[1] Then, starting in 1994 they began to fall. By June 2001, welfare rolls had fallen an amazing 59 percent from their historic high of 5.1 million families in March 1994.[2] That translates into about 9 million parents and children who are no longer on welfare.[3] (See figure 1.)

The declines were greater in some states than in others, and came earlier in some states than in others. But, by 2000, they had spread to almost all parts of the country, even to the big cities with the largest caseloads, the highest unemployment rates, and the hardest to serve populations.[4] It appears that it took longer for the caseloads to fall in the big cities but, eventually, they fell almost as much as in the nation as a whole.

Figure 1. Welfare's Growth and Decline, 1960-2001



Source: Douglas J. Besharov, 2001

[1]Authors' calculations based on U.S. Department of Health and Human Services, Administration for Children and Families, "Temporary Assistance for Needy Families: 1936-2000," available from: http://www.acf.dhhs.gov/news/stats/3697.htm, accessed January 7, 2002.

[2]U.S. Department of Health and Human Services, Administration for Children and Families, unpublished data (March 1994) and "Temporary Assistance for Needy Families, Total Number of Families," available from: http://www.acf.dhhs.gov/news/stats/families.htm, accessed January 7, 2002.

[3]U.S. Department of Health and Human Services, Administration for Children and Families, unpublished data (March 1994) and "Temporary Assistance for Needy Families, Total Number of Recipients," available from: http://www.acf.dhhs.gov/news/stats/recipients.htm, accessed January 7, 2002.

[4]*See generally* Paul Leonard and Maureen Kennedy, *What Cities Need from Welfare Reform Reauthorization.* (Washington, DC: Brookings Institution Center on Urban and Metropolitan Policy, November, 2001), pp.10-11, 17-18, available from: http://www.brookings.edu/es/urban/publications/leonkencitieswelfare.pdf, accessed January 23, 2002.

An ignored reality

A major, but little appreciated, aspect of the caseload decline is that many mothers seem to be leaving welfare without taking jobs. (Or, if they are working, it is only part time and they are not earning enough to be self-sufficient.)

The best source of data about families who have left welfare are surveys of former welfare recipients ("leaver studies") that have been conducted by various states and by the Urban Institute. Although all of these studies have some weaknesses, such as low response rates and insufficiently detailed information, the best studies tell roughly the same story: Between 60 and 70 percent of those who have left welfare were employed at the time they were surveyed (and 60 to 85 percent had been employed at some point since leaving). Of those who were working, about 60 to 80 percent seem to work full-time, earning about $6 to $8 per hour (or about $800 to $1,000 per month). The remainder worked fewer hours and thus earned less money. (Many studies, however, exclude the 20 to 30 percent of leaver families who have returned to welfare, which tends to minimize the difficulty that some mothers face in finding and keeping a job.)[5]

Broader measures of employment are consistent with this high level of nonwork among leavers. For example, between March 1994 and March 2000, the number of employed single mothers with children under age eighteen increased by 1.34 million (from 5.712 million to 7.052 million).[6] During the same period, welfare caseloads (comprised mainly of single mothers) fell by 2.81 million (from 5.098 million to 2.288 million). Even if the entire 1.34 million increase in the number of single mothers working in this period represented those who were previously on welfare (or who would have gone on welfare during that time), an unlikely possibility, this would still amount to less than half of the caseload decline. (Of course, it is theoretically possible that many nonwelfare mothers left the labor force thus making room for all leaver mothers, but there is no indication of such an exodus.)

Some of the mothers who have left welfare, of course, may not be reporting their employment. A series of interviews in four cities conducted by researchers Kathryn Edin and

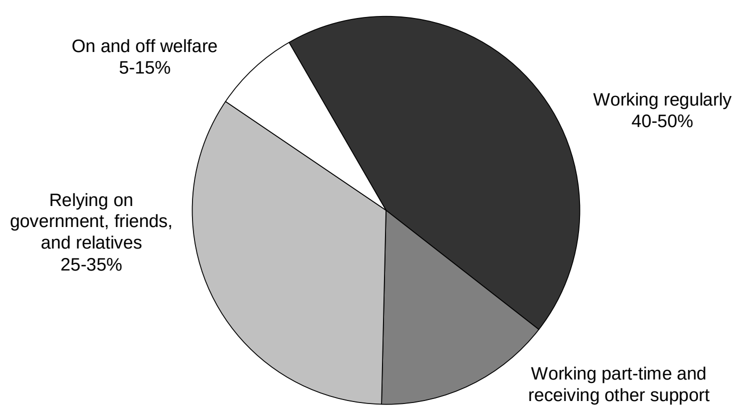
[5]U.S. General Accounting Office, *Welfare Reform: Information on Former Recipient Status* (Washington, D.C.: GPO, April 1999; Sarah Brauner and Pamela Loprest, *Where Are They Now? What States' Studies of People Who Left Welfare Tell Us* (Washington, D.C.: Urban Institute, May 1999); Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, D.C.: Urban Institute, 1999); Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers* (Washington, D.C.: The Urban Institute, April 2001), p. 3, available from: http://newfederalism.urban.org/pdf/anf_b36.pdf, accessed February 15, 2002, reporting that about 66 percent of single-parent former TANF recipient families in 1997 and 71 percent of single-parent former TANF recipient families in 1999 were "employed" at the time of the interview. (There was apparently no minimum amount of work required to answer in the affirmative.) *See also* Richard Bavier, "Welfare Reform Data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, pp. 13-24.

[6]Unpublished data from the Bureau of Labor Statistics.

Laura Lein in the early 1990s found that about 30 percent of low-income working mothers and about 50 percent of welfare mothers did not report the jobs held (and hence the money they were earning),[7] but there is no reason that the percentage of individuals not reporting work should have grown in recent years. If anything, the expansions in earnings disregards and the Earned Income Tax Credit (EITC) should have encouraged more low-income mothers to report their employment.

Based on the various studies reported in this paper, a very rough estimate is that about 40 to 50 percent of the mothers who have left welfare (and have stayed off) are working regularly (that is, working at least almost full-time for a substantial period of time). Depending on the measure, most of them seem to be doing better financially than when they were on welfare. Another 10 to 20 percent or so are working part time and are probably only making ends meet with support from other government programs and from family and friends (or from both). About 25 to 35 percent are relying only on these other sources of support, but they also seem to be doing at least as well as while as when they were on welfare. Finally, between 5 and 15 percent seem to be doing much less well–bouncing in and out of jobs, on and off welfare, and, perhaps, in and out of various living arrangements. (See figure 2.) (These figures do not include families that go back on welfare for an extended period, nor do they reflect the mothers who did not go on welfare because of welfare reform or the economy (entry effects), which some observers believe could be a substantial number.)

Figure 2. What Are Welfare Leavers Doing--Roughly



Source: Author's estimates.

The surprisingly large number of individuals leaving welfare without work–although

[7] Kathryn Edin and Laura Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997), pp. 150-151. The generalizability of these findings is not established, since the sample was not randomly selected. The mothers were recruited from various sources within the communities, and many of the mothers were asked to recommend friends who were also interviewed (a "snow-ball" sample). Nevertheless, although their sample is not representative of welfare mothers nationally, it provides important insights into the survival strategies of these mothers (often confirmed by more representative surveys).

calculated in most leaver studies–has been all but ignored by most commentators.[8] The only reference to this dynamic by a senior policy maker that we were able to find was a subordinate comment made by Donna Shalala when she was Secretary of Health and Human Services:

> Today, fewer than 4 percent of Americans are on welfare. What we don't know is precisely what is happening to all of these former welfare recipients. *We know that some have married or moved in with family or friends*. Others have left the rolls and are holding on to jobs that they were already going to – what is sometimes called the "smoke out effect." But what's important is that many are looking for work – and finding it.[9]

Even severe critics of welfare reform–who might be expected to see these mothers as being pushed off welfare–seem silent on the issue.[10] Yet this is key to a fulsome understanding of the dynamics of the caseload decline–and has profound implications for the economic and social conditions of low-income families.

Other sources of support

Some commentators have assumed that welfare leavers cannot survive without being employed, and so believe that, since they are not employed, they must be in dire straits. One group of researchers, for example, looking for the nonworking leavers in Wisconsin concluded that, since "these women had disappeared from the work and assistance rolls," the mothers must have migrated to other states.[11] But that cannot be right, because, nationally, there are over a

[8]A partial exception at least, is Anu Rangarajan and Robert G. Wood, *Current and Former WFNJ Clients: How Are They Faring 30 Months Later?* (Princeton, NJ: Mathematica Policy Research, Inc., November 16, 2000), p. 95, *stating*: "Former WFNJ [Work First New Jersey] clients who have not worked recently and do not live with employed spouses have extremely low income. In fact, 23 percent reported having no income at all during the month prior to the survey. How do these clients support themselves on little or no income? A closer look at their living situations and sources of support reveals that these clients rely heavily on support from friends and relatives, many of whom share a household with the client." *See also* Robert A. Moffitt, *From Welfare to Work: What the Evidence Shows (*Washington, D.C.: The Brookings Institution, Policy Brief No. 13, January 2002), available from: http://www.brook.edu/wrb/publications/pb/pb13.pdf, accessed February 12, 2002; Richard Bavier, "Welfare Reform Data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, pp. 13-24; and Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* (Washington, D.C.: Urban Institute, 1999), available from: http://newfederalism.urban.org/pdf/discussion99-02.pdf, accessed February 17, 2002.

[9]Donna Shalala, remarks at the American Enterprise Institute Conference Welfare Reform: What Happens After Time Limits, Sanctions, and Diversion?, February 6, 1998 (emphasis added).

[10]Peter Edelman, "Reforming Welfare–Take Two," *The Nation*, February 4, 2002; and Barbara Ehrenreich and Frances Fox Piven, "Who's Utopian Now?" *The Nation*, February 4, 2002.

[11]Sammis B. White and Lori A. Geddes, "Disappearing Wisconsin Welfare Recipients: Where Did They Go?," *Wisconsin Policy Research Institute Report,* 14 (9) (December 2001), p. 1, *stating*: "The big question is what happened to the other 24,516 women (25% of the original 1990 cohort) that were not working or receiving aid in

million nonworking welfare leavers. They would all have to be on the move for that explanation to hold.

Work requirements and heightened levels of hassle in the process of going on welfare or staying on would be expected to cause mothers to leave welfare for work, even for relatively low-paying work. But why would mothers leave welfare without having jobs? And how could so many working leavers survive with such low earnings? The burdens placed on them hardly seem a sufficient reason to abandon the only means of support for themselves and their children. The plain fact is that they have other sources of support–both other government programs (primarily food stamps, housing assistance, Supplemental Security Income/SSI, and Social Security) and relatives, friends, and boyfriends, with whom they are often living. And often they have help from multiple sources. In a study of New Jersey leavers, researchers at Mathematica Policy Research, Inc., found considerable evidence of a wide variety of sources of support for nonworking leavers:

> Clients who have left TANF [Temporary Assistance for Needy Families] and are not working are diverse. Some have conditions that have permitted them to switch to SSI; others are living with an employed spouse or have worked recently themselves. However, about half this group (12 percent of clients in our study) have none of these more substantial sources of financial support; they get by on very little income and face more hardships than other TANF leavers, relying heavily on help from friends and relatives to make ends meet.[12]

When faced with the newly established work and behavioral requirements, mothers who had other sources of support sufficient to permit them to forego welfare simply left welfare without looking for work. This would be nothing new. For example, in the Teenage Parent Demonstration, about 11 percent of the young mothers left welfare rather than comply with the program's requirements, explains Rebecca Maynard, "primarily because they had other means of support and so left welfare rather than participate."[13]

Wisconsin in 1998. These women had disappeared from these systems. The term 'disappeared' is ambiguous, as it must be in this situation. These women disappeared from the work and assistance rolls, the two most likely ways they can be supported. If these options are out, then the remaining ones, such as receipt of Social Security benefits, marriage or cohabitation, incarceration, and the like, are the options in the state. The other option is a move out of state. The move out is likely for a substantial portion of these women, especially those who left the welfare rolls and employment early in the decade. It seems less and less likely these women could survive without aid or work over the decade. This fact strongly suggests that many of these women left Wisconsin."

[12]Anu Rangarajan and Robert G. Wood, *Current and Former WFNJ Clients: How Are They Faring 30 Months Later?* (Princeton, NJ: Mathematica Policy Research, Inc., November 16, 2000), p. xv.

[13]Rebecca A. Maynard, "Paternalism, Teenage Pregnancy Prevention, and Teenage Parent Services," in *The New Paternalism: Supervisory Approaches to Poverty,* ed. Lawrence Mead (Washington, D.C.: Brookings Institution Press, 1997), p. 28.

This is particularly the case in low-benefit states where it may simply no longer "pay" to be on welfare. In Alabama, for example, in 2001, the welfare benefit for a family of three was just $164 per month, compared to a food stamp allotment of $341.[14] (Moreover, the food stamp benefit comes with virtually no strings attached, whereas cash assistance can be accompanied by work and other behavioral requirements that further reduce its value.) So mothers in low-benefit states can leave welfare and not suffer a complete loss of income, especially if there are other adults in the household with an income. (The continued availability of Medicaid also encourages mothers to leave welfare without finding work, even if the family does not sign up for coverage until someone becomes ill.)

Their behavior makes economic sense. If one assumes that these mothers value their time at the minimum wage or above, then there is little incentive for them to engage in work activities for twenty to thirty hours per week to avoid being dropped from welfare, when the income loss can be as little as $20 to $50 per week.[15] The added income from complying with these requirements translates into an effective wage of fifty cents to two dollars per hour, which, for most, does not compensate for the lost free time (what economists call leisure time) that mothers can use, for example, to care for their children or take a job with unreported income.

These dynamics also explain the behavior of those mothers whom Larry Mead of New York University calls the "happily sanctioned." Such mothers accept less in welfare benefits rather than choose to work or meet other behavioral requirements, especially since the sanctions in higher-benefit states generally involve only a partial reduction in benefits. In about fourteen states—which include about half of the national welfare caseload—the sanction for non-compliance is only a partial reduction in benefits; that is, the family's grant is reduced by some percentage, usually representing the mother's share of the grant (about one-third of the welfare check). These mothers may not actually be happy, but since this reduction typically amounts to only one-sixth of their total benefit package (excluding Medicaid), one can see why they willingly make the trade-off.[16]

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[14]Center for Law and Social Policy and Center on Budget and Policy Priorities, *Monthly Cash Assistance and Food Stamp Benefits For a Single-Parent Family of Three with No Earnings, 2001,* (State Policy Documentation Project website, May 1999), available from: http://www.spdp.org/tanf/financial/maxben2001.pdf, accessed January 8, 2002.

[15]The amount of the income loss depends on whether the sanction involves a partial or complete reduction in assistance.

[16]In the median state, the TANF benefit is $421, so a one-third reduction would be $139. However, in addition to TANF benefits, the family would receive $248 in food stamp benefits, raising its total to $669 before the sanction. Most families would also receive assistance from at least one other noncash benefit program, such as Medicaid, the school lunch program, housing assistance, or other like program. Even excluding the value of Medicaid, the $139 sanction is conservatively estimated to be one-sixth of the benefit package. However, the reduction could be greater in those apparently few states that impose corresponding penalties on food stamp and Medicaid benefits, as allowed under the 1996 welfare law. [Vivian Gabor and Christopher Botsko, *State Food Stamp Policy Choices Under Welfare Reform: Findings of 1997 50-State Survey* (Alexandria, VA: U.S. Department of

Even in states with high TANF benefits, though, it may not be worthwhile for a mother confronted with work first and other requirements to stay on welfare. It all depends on the amount of other government benefits she receives. For example, the average housing benefit for those who get one (about one-quarter of all welfare recipients) can easily exceed $500 per month[17] and the federal SSI benefit for an adult or child is $512 a month.[18] And, of course, she may receive help from a relative or friend, probably a boyfriend. All these sources of support are encapsulated in a case reported by Jason DeParle of the *New York Times*:

> Maggie Miller had eight children by six men, no diploma, no work history and no interest in the work program. She lost her check and moved in with her sister, Debbie, who is unmarried, pregnant and has seven children of her own. Now Debbie Miller, 37, supports the combined family with $324 in food stamps, $484 in Supplemental Security Income for a disabled daughter, and $744 in Social Security benefits for two sons whose father has died. Plus, she added, " I got a man–somebody's helping me with the kids.[19]

The big question, of course, is how common are cases like Maggie Miller's. The evidence is that they are quite common.

Other government assistance programs

Almost every study of welfare leavers finds that large numbers of leavers receive support from other government assistance programs, often a substantial amount. Significantly, nonworking leavers are appreciably more likely to receive such aid than are leavers with jobs, suggesting that such aid either made it easier for them to leave welfare or reflected underlying physical or emotional barriers to work. Here are some findings from the most reliable leaver studies:

Agriculture, May 1998).]

[17] In 2000, federal expenditures under the Section 8 housing choice voucher program averaged $6,948 per unit. *See* Vee Burke, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1998-FY2000* (Washington, D.C.: Congressional Research Service, November 19, 2001).

[18] U.S. House of Representatives, Committee on Ways and Means, 2000 Green Book (Washington, D.C.: Committee on Ways and Means, October 6, 2000), p. 228.

[19] Jason DeParle, "Welfare Reform Creates New Hardship in Mississippi," *The New York Times*, October 16, 1997, available from: http://www-personal.umd.umich.edu/~mtwomey/newspapers/1016welf.html, accessed January 21, 2002.

- South Carolina: Nonworking leavers were almost twice as likely as working leavers to be receiving benefits from Social Security (13 percent versus 6 percent) and SSI (20 percent versus 8 percent).[20]

- Iowa: Nonworking leavers were more than three times as likely as working leavers to be receiving Social Security, Unemployment Insurance, General Assistance, SSI, and Emergency Assistance (34 percent vs. 11 percent).[21]

- New Mexico: Nonworking leavers were about three times as likely as working leavers to be receiving SSI or Social Security benefits (18 percent versus 6 percent).[22]

- North Carolina: Nonworking leavers were more than twice as likely as working leavers to be receiving SSI or Social Security benefits (13 percent versus 6 percent).[23]

- Washington, D.C.: Nonworking leavers were almost twice as likely as working leavers to receive some form of government assistance (TANF, food stamps, SSI, and WIC) in the previous month (72.7 percent vs. 38.3 percent).[24]

Richard Bavier, a policy analyst at the Office of Management and Budget, examined the income sources of welfare leavers in the month they exited using data from the 1996 SIPP panel.[25] Leavers reported a variety of income sources in the month of exit in addition to their own earnings, including: living with other household members who had income (62 percent), food stamps (44 percent), rental assistance (25 percent), child support (12 percent), general

[20]South Carolina Department of Social Services, Office of Program Reform, Evaluation, and Research, *Comparison Between Working and Non-Working Clients Whose Cases Were Closed between January and March 1997* (Columbia, S.C.: South Carolina Department of Social Services, March 1998), p. 7.

[21]Author's calculation based on Jacqueline Kauff, Lisa Fowler, Thomas Fraker, and Julita Millner-Waddell, *Iowa Families That Left TANF: Why Did They Leave and How Are They Faring?* (Washington, D.C.: Mathematica Policy Research, Inc., February 2001), p. 70.

[22]Philip Richardson, Greg Schoenfeld, Susan LaFever, Gary Larsh, Mark Tecco and Kim Reniero, *New Mexico TANF Longitudinal Study: Results of the First Year of Follow-Up Surveys* (Washington, D.C.: MAXIMUS, April 14, 2000), p. V-5.

[23]Philip Richardson, Kim Reniero, Susan LaFever, Gregg Schoenfeld, and Frances Jackson, *Evaluation of the North Carolina Work First Program: Study of Families Leaving Work First in Selected Counties* (Washington, D.C.: MAXIMUS, May 2000), p. IV-9.

[24]Gregory Acs and Pamela Loprest, *The Status of TANF Leavers in the District of Columbia: Final Report* (Washington D.C.: The Urban Institute, January 3, 2001), p. 31.

[25]Richard Bavier, "Welfare reform data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, p. 15. Bavier defines a leaver as someone with at least two months of AFDC/TANF receipt followed by at least two consecutive months without receipt of benefits.

assistance (9 percent), SSI (14 percent), Social Security (9 percent), and a majority remained on Medicaid.[26] He, too, found that nonworking leavers were much more likely to be receiving assistance from other government programs:

- food stamps (48 percent vs. 41 percent);
- general assistance (13 percent vs. 6 percent);
- SSI (22 percent vs. 6 percent);
- Social Security (15 percent vs 6 percent);
- rental assistance (25 percent vs. 26 percent)–the one exception besides Medicaid;
- child support (9 percent vs. 15 percent)–presumably a sign that the working leavers were more likely to have been married; and
- a majority of both groups remained on Medicaid.[27]

(These figures are for households, and so include government benefits to other adults and the children living with the mother. Interestingly, if the benefits to children are removed, the differences are more striking–suggesting that the mothers may be disabled and that is why they have not taken a job.)[28]

There is some evidence that participation in the Supplemental Security Income (SSI) program has increased as a consequence of welfare reform. SSI provides cash assistance to low-income individuals who are blind or have other disabilities (as well as to the low-income

[26]Richard Bavier, "Welfare reform data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, p. 15. Bavier defines a leaver as someone with at least two months of AFDC/TANF receipt followed by at least two consecutive months without receipt of benefits.

[27]Richard Bavier, "Welfare reform data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, p. 15. Bavier defines a leaver as someone with at least two months of AFDC/TANF receipt followed by at least two consecutive months without receipt of benefits.

[28]Excluding children from the calculation, Bavier found that, in the exit month, nonworking leavers were more than eight times more likely to receive Supplemental Security Income (SSI) (16.1 percent vs. 1.7 percent), twenty-one times more likely to receive Social Security (10.6 percent vs. 0.5 percent), and 21 percent more likely to receive Medicaid (68.6 percent vs. 56.9 percent). [Richard Bavier, "Welfare Reform Data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, p. 15.]

elderly).[29] Even before TANF, welfare families had an incentive to apply for SSI, because it generally offered higher benefits and imposed fewer requirements on recipients. For example, the federal SSI benefit standard for 2000 was $512 a month for an individual, compared to a $421 benefit for an entire family of three under TANF in the median state.[30] Moreover, SSI benefits are generally not counted in determining the eligibility of the remaining family members for welfare or TANF and, as a result, many families receive benefits from both programs at the same time.[31] Thus, researchers at Carnegie Mellon Census Research Data Center and the Heinz School of Public Policy find that the erosion of Aid to Families With Dependent Children (AFDC) benefits between 1975 to 1990 increased SSI participation:

> Our results indicate that a 10% decrease in AFDC benefit levels is associated with roughly a 2.5% increase in SSI participation. While recent reforms that tighten the eligibility requirements for SSI might limit the extent to which low-income households can now substitute from one program into another, the presence of term-limits will clearly provide economics [*sic*] incentives for program participants to substitute out of AFDC into SSI where possible.[32]

However, before the passage of TANF, many mothers who might have qualified for SSI's disability payments simply did not apply, apparently because they either were unaware of their possible eligibility or because they did not want to go through the time consuming disability determination process, which involves a medical examination and determination.

Whatever the past situation, TANF makes being on SSI rather than welfare even more attractive. Unlike TANF, SSI benefits are not time limited, and there are no work requirements. Thus, if the mother receives SSI for herself and the children receive TANF, the mother is exempt from TANF's various requirements. Moreover, as discussed below, the size of the SSI benefit is sometimes sufficient to allow a family to leave welfare (in order to avoid TANF's work and other requirements). Thus, if a mother obtains SSI benefits for herself, a child, or another family

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[29]The maximum income limit depends on the source of the income. For an individual receiving only Social Security, the maximum income limit was $532 per month ($789 per month for a couple) in 2000, but was $1,109 for an individual receiving only wage income ($1,623 for a couple). *See* U.S. House of Representatives, Committee on Ways and Means, *2000 Green Book* (Washington, D.C.: Committee on Ways and Means, October 6, 2000), p. 218.

[30]U.S. House of Representatives, Committee on Ways and Means, 2000 Green Book (Washington, D.C.: Committee on Ways and Means, October 6, 2000), p. 228 and p. 390.

[31]*See* the text at footnote 20 for an example.

[32]Dan Black, Terra McKinnish, and Set Sanders, "Are AFDC and SSI Substitutes," September 13, 1998, p. 3, available from: http://www.heinz.cmu.edu/tmp/1998-20.pdf, accessed February 11, 2002.

member, she may decide to leave TANF altogether.[33] Lucie Schmidt and Purvi Sevak of the Department of Economics at the University of Michigan elaborate:

> To illustrate the relative incentives, consider a single mother of one with no earnings in Maryland in 1996. As an AFDC recipient, she received a monthly benefit of $292. If she moved to SSI, she received a $470 monthly federal benefit. In addition, her child became an AFDC "child only case," and received $165 per month. As recipients of both programs were eligible for Medicaid, her family's health insurance was not affected by the move to SSI. The total monthly benefit she would have received under SSI was $343 higher than the benefit she received as an AFDC recipient. Alternatively, identification of her *child* as disabled for SSI purposes would have generated a similar financial gain.
>
> If the decision-making process is influenced solely by monetary benefits, there exists a clear incentive for an individual in this situation to switch to SSI. However, there are costs of participating as well. The application process for AFDC prior to welfare reform was relatively simple, and the requirements for benefits minimal. The application process for SSI includes the time-consuming disability determination process, which requires medical evaluation. Under the pre-welfare reform regime, for some individuals, the costs of participating in SSI likely outweighed the difference in benefit levels. However, as AFDC becomes increasingly restrictive, the individual calculus changes. The lack of time limits and work requirements in SSI shifts the relative costs of participating in the two programs, with SSI participation becoming relatively less burdensome.[34]

Similarly, states have always had an incentive to shift cases from welfare (partially funded by the states under AFDC) to SSI (an open-ended entitlement funded primarily by the federal government), but that incentive increased when with the creation of the TANF capped-block grant which gives states a larger financial gain for shifting cases. Writing before the economic downturn began in 2001, Lynn Karoly and her colleagues at RAND explain:

> the difference in the states' cost-sharing between SSI (a federal program) and AFDC (which required state matching funds) and now TANF (a block grant with fixed funding) gives states an incentive to move welfare recipients to SSI, and that incentive grew with the 1996 reforms. Indeed, some states are reported to have set up programs to encourage and help potentially qualifying welfare recipients to apply for SSI (Lewin-VHI, 1995; Davies, Iams, and Rupp, 2000). Given the currently robust economy and the states' relative fiscal largesse, the motivation for cross-program shifting since PRWORA has been diminished. However, if the economy worsens or the size of the TANF block grants

[33]*See* the text beginning at footnote 20.

[34]Lucie Schmidt and Purvi Sevak, "AFDC, SSI, and Welfare Reform Aggressiveness: Caseload Reductions vs. Caseload Shifting," (Ann Arbor, MI: University of Michigan, Population Studies Center, May 15, 2000 (Draft)), p. 6, available from: http://www.psc.isr.umich.edu/pubs/papers/rr00-444.pdf, accessed February 17, 2002.

is reduced, states may face greater fiscal pressure to move as many recipients as possible from TANF to SSI (Kubik, 1998).[35]

Writing before the economic downturn began in 2001, they also caution: “Given the currently robust economy and the states’ relative fiscal largesse, the motivation for cross-program shifting since PRWORA has been diminished. However, if the economy worsens or the size of the TANF block grants is reduced, states may face greater fiscal pressure to move as many recipients as possible from TANF to SSI.”[36]

On the other hand, in some circumstances, restrictions on SSI eligibility in the 1996 welfare reform law also create incentives for SSI recipients who lose their benefits to seek assistance under TANF. According to Karoly and her colleagues: “[T]hose who lose SSI benefits may seek income support from TANF or other safety net programs (such as general relief or general assistance). To date, evidence of these program transitions is rather limited, although some case study evidence suggests that families of disabled children who lose benefits may turn to TANF for income support, while adult former SSI recipients may apply for GA.”[37]

Sometimes the benefits from other government programs, especially if only food stamps, are not enough to make ends meet. But welfare leavers also get help from relatives, friends and boyfriends.

Relatives, friends, and boyfriends

There is a small amount of direct information about the financial assistance that relatives, friends, and boyfriends provide to welfare leavers. Here are some representative findings from various leaver studies:

- Iowa: Nonworking leavers reported being almost a third more than likely to receive income from other household members (46 percent vs. 35 percent).[38]

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[35]Lynn A. Karoly, Jacob Alex Klerman, “Effects of the 1996 Welfare Reform Changes on the SSI Program,” in *The New World of Welfare*, edited by Ron Haskins and Rebecca Blank (Washington, D.C.: Brookings, 2001), p. 493.

[36]Lynn A. Karoly, Jacob Alex Klerman, “Effects of the 1996 Welfare Reform Changes on the SSI Program,” in *The New World of Welfare*, edited by Ron Haskins and Rebecca Blank (Washington, D.C.: Brookings, 2001), p. 493.

[37]Lynn A. Karoly, Jacob Alex Klerman, “Effects of the 1996 Welfare Reform Changes on the SSI Program,” in *The New World of Welfare*, edited by Ron Haskins and Rebecca Blank (Washington, D.C.: Brookings, 2001), p. 492.

[38]Jacqueline Kauff, Lisa Fowler, Thomas Fraker, and Julita Millner-Waddell, *Iowa Families That Left TANF: Why Did They Leave and How Are They Faring?* (Washington, D.C.: Mathematica Policy Research, Inc., February 2001), p. 70.

- New Mexico: Nonworking leavers were almost twice as likely as working leavers to be living rent free (19 percent vs. 9 percent). They were about twice as likely to receive financial assistance from friends and family living with them (16 percent vs. 8 percent),[39] and about 50 percent more likely to receive help from family or friends not living with them (11 percent vs. 7 percent).[40]

- Milwaukee: A study conducted by the Hudson Institute and Mathematica Policy Research found that over two-thirds of all the mothers who left welfare received help (such as transportation assistance, a place to stay, or food) from family or friends. Nonworking leavers were about 15 percent more likely to be receiving such help (72 percent versus 63 percent).[41]

- South Carolina: Nonworking leavers were more than twice as likely as working leavers to have another adult in the home who “helps to pay bills” (17 percent versus 7 percent) or someone outside the home who “helps to pay bills” (22 percent versus 8 percent), and about 1.5 times as likely to get free housing from a parent or relative (15 percent versus 10 percent).[42]

But, by far, the larger body of evidence is indirect, and involves the substantial amount of coresidency observed in the households of welfare leavers (as well as among welfare recipients generally).

- Connecticut: The Manpower Demonstration and Research Corporation’s [MDRC] evaluation of Connecticut’s Jobs First Program found that nonworking leavers were about twice as likely as either working leavers and those who remained on welfare to have other potential sources of support. For example, nearly 14 percent of nonworking leavers were married and living with a spouse, compared to 8 percent of working leavers and 3.5 percent of those who remained on welfare. Another 14 percent of nonworking

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[39]Philip Richardson, Greg Schoenfeld, Susan LaFever, Gary Larsh, Mark Tecco and Kim Reniero, *New Mexico TANF Longitudinal Study: Results of the First Year of Follow-Up Surveys* (Washington, D.C.: MAXIMUS, April 14, 2000), p. V-5.

[40]Philip Richardson, Greg Schoenfeld, Susan LaFever, Gary Larsh, Mark Tecco and Kim Reniero, *New Mexico TANF Longitudinal Study: Results of the First Year of Follow-Up Surveys* (Washington, D.C.: MAXIMUS, April 14, 2000), p. V-5.

[41]Rebecca Swartz, Jacqueline Kauff, Lucia Nixon, Tom Fraker, Jay Hein, and Susan Mitchell, *Converting to Wisconsin Works: Where Did Families Go When AFDC Ended in Milwaukee?* (Madison, Wis.: Hudson Institute and Mathematica Policy Research, 1999), p. 66.

[42]South Carolina Department of Social Services, Office of Program Reform, Evaluation, and Research, *Comparison Between Working and Non-Working Clients Whose Cases Were Closed between January and March 1997* (Columbia, S.C.: South Carolina Department of Social Services, March 1998), p. 7.

welfare leavers lived rent-free with family and friends, compared to 5 percent of working leavers and 4 percent of those who remained on welfare.[43]

- Delaware: An Abt Associates evaluation of Delaware's A Better Chance Program (DABC) reported that a clear majority of nonworking leavers–58 percent–lived with another adult, compared to 49 percent of employed leavers. Specifically, nonworking leavers were nearly 63 percent more likely to be living with an unmarried partner and 40 percent more likely to be living with an adult other than their spouse or partner.

- North Carolina: Nonworking leavers were almost a third more likely to report that there was another adult living in the household than were working leavers (49.7 percent vs. 38.4 percent).[44]

Lastly, Bavier's review of the income sources of welfare leavers in the month they exited (using data from the 1996 SIPP panel) found that 69 percent of nonworking leavers lived with other household members who had income, while 56 percent of working leavers did so.[45]

A central question is the nature and extent of these coresidential arrangements–and whether their number has grown in the wake of welfare reform.

Increased cohabitation (but not other forms of coresidency)

When welfare reform was being debated in 1996, many experts predicted that mothers pushed off welfare would be driven to live with others ("coresidency")–either moving with their parents (or other relatives), or moving in with a man ("cohabitation" with either a boyfriend or

[43] Laura Melton and Dan Bloom, *Connecticut's Jobs First Program: An Analysis of Welfare Leavers* (New York, NY: Manpower Demonstration Research Corporation, December 2000), p. 17. Of the remaining nonworking welfare leavers, about 37 percent lived in public or subsidized housing, compared to about 31 percent of working leavers and about 51 percent of those who remained on welfare. About 40 percent rented homes alone or with family or friends where they made partial rent payments, compared to about 60 percent of working leavers and about 42 percent of those who remained on welfare.

[44] Authors' calculations from data supplied by, Maximus, prepared for North Carolina Department of Health and Human Services, *Evaluation of the North Carolina Work First Program: Study of Families Leaving Work First in Selected Counties* (Boston, MA: Maximus, May 2000), pp. ES-11, II-5, IV-11.

[45] Richard Bavier, "Welfare reform data from the Survey of Income and Program Participation," *Monthly Labor Review*, July 2001, p. 15. Bavier defines a leaver as someone with at least two months of AFDC/TANF receipt followed by at least two consecutive months without receipt of benefits.

the father of one of her children), or “doubling up” with another adult (such as another low-income, single mother with children).[46]

There is a little direct evidence about welfare leavers moving in with others when their benefits are terminated. What there is suggests that income sharing is common. In Florida, for example, as families began to lose welfare benefits due to the state’s time limit, one-third of those who hit the time limit either moved or adopted a different living arrangement, such as adding another household member to help with the expenses.[47] Similarly, an Iowa study of how families coped after having their assistance terminated indicated that reliance on others for a place to stay increased by nearly one-third, from 24.9 percent before the sanction to 33 percent after benefits were terminated.[48] The researchers add, however, “While reliance on others for help with housing was a successful strategy for some clients, about 4 percent of clients in MPR's survey became homeless–that is, began living on the street and not in a shelter–since entry into a second LBP.”[49]

But the richest data about living arrangements involve surveys of single mothers generally, not just welfare leavers. These studies tell a sufficiently consistent story to reach some broad conclusions:

Cohabitation generally has increased. Several studies have found an increase in the proportion of single mothers that are cohabiting. Bavier’s analysis of CPS data finds that, between March 1997 and March 2001, the percentage of children under six living with a cohabiting unmarried mother rose nearly 28 percent, from 2.9 percent to 3.7 percent.[50] An indication that this was a real increase in cohabitation, rather than just a decline in other living

[46]*See, e.g.,*Gregory Acs and Pamela Loprest, *The Status of TANF Leavers in the District of Columbia: Final Report* (Washington D.C.: The Urban Institute, January 3, 2001), pp. 28-29, *stating*: “Proponents of welfare reform argued that stricter welfare laws would promote stable two-parent families while critics of reform feared that, lacking resources, single mothers would be forced into unstable living arrangements or possibly to break up their families, sending their children to live with relatives or friends.”

[47]Dan Bloom, Mary Farrell, James Kemple, and Nandita Verma, *The Family Transition Program: Implementation and Three-Year Impacts of Florida’s Initial Time-Limited Welfare Program* (New York: Manpower Demonstration Research Corporation, April 1999), p. 94.

[48]Lucia Nixon, Jacqueline Kauff, and Jan Losby, *Second Assignments to Iowa’s Limited Benefit Plan*, (Washington, D.C.: Mathematica Policy Research, August 1999), p. C20.

[49]Lucia Nixon, Jacqueline Kauff, and Jan Losby, *Second Assignments to Iowa’s Limited Benefit Plan*, (Washington, D.C.: Mathematica Policy Research, August 1999), p. 33.

[50]Richard Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers* (Washington, D.C.: Office of Management and Budget, December 21, 2001), Table A-6.

arrangements, is that the absolute number of children in such arrangements climbed 22 percent, from about 637,000 to about 779,000.[51]

Similarly, Jencks, Swingle, and Winship found that, between 1994 and 2001, the only statistically and substantially significant change in the living arrangements of single mothers was a 46 percent increase in the share who report having a nonrelative (usually a boyfriend) in their own household (from 8.4 percent or 827,000 mothers to 12.3 percent or 1.15 million mothers).[52]

Urban Institute researchers found an even more rapid increase using data from the National Survey of American Families (NSAF): Between 1997 and 1999, the number of single mothers living independently dropped nearly 6 percent, from 6.3 million to 5.9 million, while the number cohabiting grew nearly 47 percent, from 1.5 million to 2.2 million.[53] Again, the change in absolute numbers suggests that this was a real increase, not just a decrease in other arrangements.

Cohabitation among low-income couples has also increased. Wendell Primus of the Center on Budget and Policy Priorities examined the living arrangements of lower-income children (generally about twice the poverty line) between 1995 and 2000 using data from the Census Bureau's Current Population Survey (CPS).[54] He found that the proportion of lower-income children living with a cohabiting mother increased 1.2 percentage points, from 4.8 percent to 6.0 percent. There were decided differences by race and ethnicity. The proportion of white lower-income children living with a cohabiting mother rose 27 percent (from 6.2 percent to 7.9 percent).[55] The proportion of African American lower-income children living with a

[51]Richard Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers* (Washington, D.C.: Office of Management and Budget, December 21, 2001), Table A-6. Absolute figures obtained from Richard Bavier on February 11, 2001.

[52]Christopher Jencks, Joseph Swingle and Scott Winship, "Did Welfare Reform Alter Single Mothers' Income, Living Arrangements or Ability to Feed their Families?," prepared for the annual meeting of the Association of Public Policy and Management, Washington, D.C., November 1-3, 2001.

[53]Gregory Acs and Sandi Nelson, *"Honey I'm Home." Changes in Living Arrangements in the Late 1990s* (Washington, D.C.: The Urban Institute, June 2001), Table 2, available from: http://newfederalism.urban.org/pdf/anf_b38.pdf, accessed January 16, 2002. Absolute figures obtained from Gregory Acs during telephone conversation on January 17, 2002.

[54]Wendell Primus, "Child Living Arrangements by Race and Income: A Supplementary Analysis," paper presented at the Twenty-Third Annual APPAM Research Conference, *Public Policy Analysis and Public Policy: Making the Connection*, "Changing Incomes of Single-Mother Families Since Welfare Reform: What are the Implications for Policy?," November 1, 2001.

[55]Wendell Primus, "Child Living Arrangements by Race and Income: A Supplementary Analysis," paper presented at the Twenty-Third Annual APPAM Research Conference, *Public Policy Analysis and Public Policy: Making the Connection*, "Changing Incomes of Single-Mother Families Since Welfare Reform: What are the Implications for Policy?," November 1, 2001, table 4.

cohabiting mother increased 61 percent (from 3.6 percent to 5.8 percent).[56] For Hispanics, there was no statistically significant change.[57]

Cohabitation among welfare recipients may have increased. There is only one study on the subject, and there are enough issues with the survey that no definitive conclusion can be reached. According to Sheila Zedlewski and Donald Alderson of the Urban Institute, using data from the National Survey of America's Families, the proportion of single parents on welfare living with a partner doubled between 1997 and 1999 (from 7 percent to 14 percent).[58] The authors speculate that some of this increase may be due to changes in TANF policies affecting two-parent families:

> It is not possible to assess from the NSAF data how much of this is due to changes in welfare rules and how much to changing societal norms. But the evidence suggests that at least some of the change is due to TANF. The proportion of low-income mothers (below 200 percent of the federal poverty level) living with partners increased much less over the period (from 6 percent to 8 percent) than the increase in the proportion of TANF recipients living with partners.
>
> This change is consistent with the 1996 reforms. Most states, for example, have liberalized their TANF eligibility rules so that more two-parent families qualify for TANF benefits. AFDC required that the primary earner in a two-parent family be unemployed for at least 30 days, not have worked more than 100 hours per month, but have worked at least 6 of the last 13 months. Thirty-six states were using these rules in 1996, compared with only six states in 1999.[59]

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[56]Wendell Primus, "Child Living Arrangements by Race and Income: A Supplementary Analysis," paper presented at the Twenty-Third Annual APPAM Research Conference, *Public Policy Analysis and Public Policy: Making the Connection*, "Changing Incomes of Single-Mother Families Since Welfare Reform: What are the Implications for Policy?," November 1, 2001, table 5.

[57]Wendell Primus, "Child Living Arrangements by Race and Income: A Supplementary Analysis," paper presented at the Twenty-Third Annual APPAM Research Conference, *Public Policy Analysis and Public Policy: Making the Connection*, "Changing Incomes of Single-Mother Families Since Welfare Reform: What are the Implications for Policy?," November 1, 2001, table 6.

[58]Sheila R. Zedlewski and Donald W. Alderson, *Before and After Reform: How Have Families on Welfare Changed?* (Washington, D.C.: The Urban Institute, April 2001), p. 2, available from: http://newfederalism.urban.org/pdf/anf_b32.pdf, accessed February 15, 2002.

[59]Sheila R. Zedlewski and Donald W. Alderson, *Before and After Reform: How Have Families on Welfare Changed?* (Washington, D.C.: The Urban Institute, April 2001), p. 2, available from: http://newfederalism.urban.org/pdf/anf_b32.pdf, accessed February 15, 2002.

On the other hand, according to Zedlewski and Alderson, using the NSAF, the proportion of single parents on welfare who were living 'with other adults in [their] family' showed no real change, declining from 23 percent to 22 percent.[60]

No increases in single mothers living with parents or other relatives. A number of studies, using different data sources, have reached this conclusion. For example, Jencks and Swingle, using the Current Population Survey (CPS), found that the percentage of single mothers residing with adult relatives has remained stable since 1994, and so has the percentage living in a household headed by an adult nonrelative.[61] Similarly, Acs and Nelson, using NSAF, found that the number of single-mothers in other co-residential arrangements (living with parents or other adults who are neither parents or partners) barely changed, rising by less than 5 percent, from 2.3 million to 2.4 million.[62]

No increases in marriage. So far, there is a suggestion that there may have been increases in marriage, but the evidence is incomplete and mixed. An evaluation of the Florida Family Transition Program found no effects on marriage,[63] while an evaluation of Minnesota's Family Independence Program found, in ambiguous circumstances, a modest effect on marriage and family dissolution for some subgroups.[64]

A 1999 Abt evaluation of Delaware's A Better Chance experiment (ABC)–which enacted comprehensive revisions of welfare eligibility rules and implemented strict work requirements and financial incentives–offers modest evidence that welfare reform can lead to increases in marriage. After eighteen months of random assignment, women in the experimental group were

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[60] Sheila R. Zedlewski and Donald W. Alderson, *Before and After Reform: How Have Families on Welfare Changed?* (Washington, D.C.: The Urban Institute, April 2001), p. 2, available from: http://newfederalism.urban.org/pdf/anf_b32.pdf, accessed February 15, 2002.

[61] Christopher Jencks, Joseph Swingle and Scott Winship, "Did Welfare Reform Alter Single Mothers' Income, Living Arrangements or Ability to Feed their Families?," prepared for the annual meeting of the Association of Public Policy and Management, Washington, D.C., November 1-3, 2001. Absolute figures calculated by author and Christopher E. Brown from data supplied by Joseph Swingle of Wellesley College, via e-mail correspondence, January 29, 2002.

[62] Gregory Acs and Sandi Nelson, *"Honey I'm Home." Changes in Living Arrangements in the Late 1990s* (Washington, D.C.: The Urban Institute, June 2001), Table 1, available from: http://newfederalism.urban.org/pdf/anf_b38.pdf, accessed January 16, 2002. Absolute figures obtained from Gregory Acs during telephone conversation on January 17, 2002.

[63] Dan Bloom, James J. Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, and Richard Hendra, *The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program* (New York, NY: Manpower Demonstration Research Corporation, December 2000), p. 22.

[64] Virginia Knox, Cynthia Miller, and Lisa A. Gennetian, *Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Independence Program* (New York, NY: Manpower Demonstration Research Corporation, September 2000), p. 13 and p. 17.

18 percent more likely than control group members to be living with a spouse, 9 percent compared to 7.6 percent. Even larger effects were found among some subgroups: women in the experimental group under age twenty-five were 70 percent more likely to be living with a spouse than women in the control group under age twenty-five, 9.7 percent compared to 5.7 percent; and women in the experimental group who completed less than twelve years of school were almost 49 percent more likely to be living with a spouse than control group members with less than twelve years of education, 11.3 percent compared to 7.6 percent.[65]

Bavier's analysis, using the Current Population Survey (CPS), found that, while the share of children under six living with married parents increased slightly, from 68.8 percent in March 1997 to 70.8 percent in March 2001, the absolute number declined slightly over the period, from 15.1 million to 14.9 million[66]–suggesting that the effect may have had something to do with other factors, such as a relative decline in fertility among unmarried mothers.

When Primus used CPS data to determine the living arrangements of lower-income children between 1995 and 2000, he, too, found that the proportion of low-income children living with married parents rose by 2.2 percentage points, from 48.3 percent to 50.5 percent. But, again, this change could be the result of the decline in births to unwed mothers.[67]

Long-standing patterns of coresidency

These increases in cohabitation for low-income mothers involve mothers who may not have been on welfare, so they may not be large enough to account for all the welfare leavers who are either not working or not earning very much. Hence, it is important to remember that there is another way that mothers can leave welfare without working: They can fall back on *pre-existing* coresidency arrangements (together with other sources of support).

Based on a study by Rebecca London using data from the Survey of Income and Program Participation, it appears that, in 1990, before the declines in welfare caseloads, at least 37 percent

[65]David J. Fein, *Will Welfare Reform Influence Marriage and Fertility?: Early Evidence from the ABC Demonstration* (Cambridge, MA: Abt Associates, Inc., June 30, 1999), exhibit 2.

[66]Richard Bavier, *Recent Increases in the Share of Young Children Living with Married Mothers* (Washington, D.C.: Office of Management and Budget, December 21, 2001), Table A-6. Absolute figures obtained from Richard Bavier on February 11, 2001.

[67]Wendell Primus, "Child Living Arrangements by Race and Income: A Supplementary Analysis," paper presented at the Twenty-Third Annual APPAM Research Conference, *Public Policy Analysis and Public Policy: Making the Connection*, "Changing Incomes of Single-Mother Families Since Welfare Reform: What are the Implications for Policy?," November 1, 2001.

of all welfare mothers lived with other adults: 18 percent with their parents, 6 percent with a boyfriend, and 13 percent with others.[68]

Robert A. Moffitt, Robert Reville, and Anne E. Winkler provide a series of estimates based on their analysis of four data sets, each of which found that a significant number of welfare recipients were cohabiting. According to the Current Population Survey (CPS), in 1990, 9 percent of all welfare recipients were cohabiting, and among recipients under thirty years of age, with less than a high school education, and with children under eighteen, the rate was about 7 percent. Similarly, in the 1987 National Survey of Families and Households (NFSH), the overall cohabitation rate was about 9 percent, with the rate among those recipients who were under thirty years of age, with less than a high school education, and with children under eighteen was even higher, at almost 14 percent. In the Panel Study of Income Dynamics (PSID), in 1987, the overall rate was about 9 percent and about 18 percent among those under thirty years of age, with less than a high school education, and with children under eighteen. The fourth data set, the National Longitudinal Survey of Youth (NLSY), did not report a cohabitation rate for all recipients. For those under thirty years of age, with less than a high school education, and with children under eighteen in 1987, the rate was almost 24 percent.[69]

Finally, a new study designed to follow a birth cohort of nearly five thousand children and their parents provides additional support for the position that living arrangements are an important part of welfare reform. In data collected from sixteen cities from April 1998 through November 2000, over half of all births to unwed mothers involved a cohabiting relationship and, in another third, the mother and father were romantically involved but living apart. Four-fifths of the mothers received financial support from the child's father. In addition, over half of the mothers receiving welfare also received financial help from relatives during the pregnancy.[70]

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[68]Rebecca London, "The Interaction Between Single Mothers' Living Arrangements and Welfare Participation," *Journal of Policy Analysis and Management* 19, no. 1 (2000); and personal communication from Rebecca London, 5 April 2000.

[69]Robert A. Moffitt, Robert Reville, and Anne E. Winkler, "Beyond Single Mothers: Cohabitation, Marriage, and the U.S. Welfare System," Institute for Research on Poverty Discussion Paper no. 1068-95, July 1995, table 1. The universe for the CPS includes all women eighteen to fifty-five who were family or nonfamily heads or spouses in one-family or two-family households. Cohabitors were defined as those women in the universe who live in the same two-family household as an unrelated adult male. AFDC recipiency is based on receipt by the woman, her spouse, or her male cohabitor. The universe for the NSFH included all respondent women ages nineteen to fifty-five only. Welfare recipiency includes Food Stamps and is based on receipt by the woman, her spouse, or her male cohabitor. The universe for the PSID includes all women eighteen to fifty-five who were household heads, spouses of heads, or cohabitors of heads (subfamily heads are excluded). AFDC recipiency is based on receipt by the woman, her spouse or her male cohabitor. The universe for the NLSY includes all women ages twenty-two to twenty-nine only. AFDC recipiency is based on receipt by the woman or her spouse.

[70]Sara McLanahan, Irwin Garfinkel, Nancy E. Reichman, Julien Teitler, Marcia Carlson and Christina Norland Audigier, *The Fragile Families and Child Wellbeing Study Baseline Report* (Princeton, NJ: The Center for Research on Child Wellbeing, August 2001), tables 2, 3 and 5, available from:

These figures may seem surprising, but for many years now, the welfare system has largely ignored household income in such coresidency arrangements. Depending on the situation, the income of the grandparents with whom a welfare mother was living would not be considered (for example, if the mother was an adult herself); and the man-in-the-house rule (which denied benefits to households with a cohabiting male) was abandoned years ago.

Under the old AFDC program, the income of stepparents (because, by marrying the child's parent they were accepting at least partial responsibility for the child) and the parents of minor parents was generally counted toward the income of an AFDC family, after allowing for three deductions: the first $90 of earned income; the amount of the state's "need standard" for the stepparent (or grandparent) and other dependents who were not in the AFDC unit; and the amount paid by the stepparent (or grandparent) to other legal dependents outside the home (e.g., for child support or alimony). This could result in the reduction of assistance or even ineligibility in some cases. A number of states received waivers to increase these income disregards, thus expanding eligibility and benefits for those with such living arrangements.

In the early years of AFDC, many states denied benefits to mothers who cohabited with a man, the so-called "man-in-the-house rule." But the income of cohabitors has essentially been ignored as a result of two anachronisticly simplistic decisions made by the U.S. Supreme Court in the heyday of the welfare rights movement. In *King v. Smith* [1968], the Warren Court struck down Alabama's "substitute parent regulation" which had denied AFDC benefits to the children of mothers who permitted a man to live in the home for the purposes of cohabitation. Arguing that the once widely held notions of the "worthy" poor and "undeserving poor" had become outmoded, Warren claimed that "subsequent developments clearly establish that these state interests [in discouraging illicit sexual relations and illegitimacy] are not presently legitimate justifications for AFDC qualifications." After arguing for the unacceptability of Alabama's substitute-parent rule, in *Lewis v. Martin* [1970], the Supreme Court went even further in freeing the man in question from any financial responsibility, by striking down a California budgeting rule that included part of the cohabitor's income in the family being considered for AFDC. Based on the principle of "actual availability," the Court reasoned that welfare agencies could not attribute to the family the income of any person not legally obligated to support the family.[71]

After these decisions, under AFDC, the income of the cohabitors was generally not counted, unless there was evidence of an explicit contribution from the man to the mother for the support of her family. (If the cohabiting male was the biological father of at least one of the mother's children, the family could only be considered for the AFDC Unemployed Parent

http://crcw.princeton.edu/fragilefamilies/nationalreport.pdf, accessed February 19, 2002.

[71]R. Shep Melnick, *Between the Lines* (Washington, D.C.: The Brookings Institution, 1994), pp. 86-89. *King v. Smith* (1968), 392 U.S. at 334. 309. Lewis v. Martin (1970), 397 U.S. 552.

program.) Similarly, if a single adult AFDC mother lived with her parents or other adults, their income was generally excluded as well.[72] Practice has apparently not changed under TANF.

The financial significance of coresidency

There is little large-scale, nationally representative data on the incomes of these "coresident" households that include welfare leaver families. Census Bureau data about female-headed families in general, however, suggest the potential financial significance of coresidency.

Using the March 1999 Current Population Survey, Bavier calculates that, in 1998, the average income of all single-mother families was $20,682, counting just their own income. But 48 percent of female-headed families were living in someone else's household or had another adult in their household: 15 percent lived in a relative's household, 4 percent lived in the household of an unrelated adult (usually a boyfriend), and 29 percent shared their household with other adults (usually another relative or a boyfriend).[73]

Taking into account the total income in the households in which female-headed families reside provides a very different picture of their economic condition–and explains why it might be possible for mothers to leave welfare without taking a job. If one counts the income of the others in these mothers' households, the average household income of these women rises from $20,682 to $30,094, with large differences depending on the type of living arrangements:

- *All mothers living with others:* 29 percent of single mothers[74] share their own home with other adults, including relatives or boyfriends. Considering the income of these other household members would raise average household income from $23,815 to $35,742.

- *Mothers living with relatives*: 15 percent of single mothers live in their parents' home or that of another adult relative. Considering the income of these other household members would raise average household income rises from $11,267 to $44,534.

- *Mothers living with boyfriends*: 4 percent of single mothers live in their boyfriends' home or that of another unrelated adult. Considering the income of these other household members would raise average household income from $16,174 to $42,382.

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[72]*See generally* Robert A. Moffitt, Robert Reville, and Anne E. Winkler, *State AFDC Rules Regarding the Treatment of Cohabitors: 1993* (Madison, WI: Institute for Research on Poverty, March 1995).

[73]Unpublished tables prepared from the March 1999 Current Population Survey (CPS) provided to the author, from Richard Bavier, policy analyst, U.S. Office of Management and Budget, March 23, 2000.

[74]Technically, the Census Bureau data refer to female-headed families with related children under the age of eighteen.

Of course, having another person with income in the same household does not establish that there is any income sharing. As we saw, some leaver studies ask whether a leaver is receiving help from someone in the house. Other surveys ask the question the other way around: How many mothers in coresident arrangements receive help?

For example, in their study of welfare reform in three states, Bruce Fuller and Sharon Lynn Kagan found that many single mothers with young children (who were or had been on welfare) were living with others: 37 percent in Connecticut, 53 percent in Florida, and 62 percent in California.[75] About 25 percent to 40 percent lived with an employed coresident.[76] Across the three study states, about half of the mothers indicated that they lived with another adult and that, in about half of such arrangements, the other adult provided economic support to the family. Of course, even in the absence of direct financial assistance, the mothers can benefit from the economies of shared living arrangements and other forms of support, such as babysitting. (The degree of economic support provided by other household members may be understated, if respondents are concerned that their responses may affect the amount of financial assistance they receive from various public programs.)[77]

By the way, there is a more positive way to view the exits from welfare of cohabiting mothers. With the strong economy of the 1990s and the growth in aid to the working poor, more cohabiting households would have *become* economically comfortable enough for the mother to leave welfare without working. This would be consistent with earlier patterns. Greg Duncan of Northwestern University and his colleagues used data from the PSID to determine why mothers left welfare between 1986 and 1991.[78] ("Leaving welfare" was defined as receiving welfare in one year but not in the next year.) They found that about one-half of welfare exits were for work (or a rise in earnings); about one-quarter were due to changes in marital status or living arrangements; about 5 percent occurred because there were no longer children under eighteen living in the household; and the remainder were due to a variety of reasons, such as an increase in other transfer income or a change in the mother's state of residence. About one-third of the

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[75]Bruce Fuller and Sharon Lynn Kagan (Project Co-Directors), *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform* (Berkeley, CA: University of California and Yale University, 2000), p. 55.

[76]Bruce Fuller and Sharon Lynn Kagan (Project Co-Directors), *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform* (Berkeley, CA: University of California and Yale University, 2000), p. 55.

[77]Bruce Fuller and Sharon Lynn Kagan (Project Co-Directors), *Remember the Children: Mothers Balance Work and Child Care Under Welfare Reform* (Berkeley, CA: University of California and Yale University, 2000), p. 57.

[78]U.S. Department of Health and Human Services, Office of Assistant Secretary for Planning and Evaluation, *Indicators of Welfare Dependence: Annual Report to Congress* (Washington, D.C.: GPO, October 1998): Table 8b.

earnings-related exits involved an increase in the earnings of an adult *already* in the household other than the mother, thus demonstrating the importance of shared living arrangements.

This is also suggested by research on those dropped from welfare in Iowa. A 1998 survey of families conducted two to four months after their benefits had been terminated for a second time found that only one-third of sanctioned families reported a reduction in their household income (averaging $384 per month), despite the loss of their welfare check.[79] One-half of these families experienced an increase in household income (averaging $758 per month), nearly double their income before the sanction. The primary sources of this additional income were the former recipient’s own earnings and an increase in the earnings of other household members—which is, as we have seen, an important alternate source of family support.

It is, however, extremely difficult to tell exactly how much of the income from nonfamily cohabitors actually goes to the benefit of the single mother and her children. In an effort to answer this question, Kurt Bauman of the Census Bureau used seven questions from SIPP which asked household heads if during the past year the household had trouble: (1) meeting expenses, (2) paying rent, (3) paying utility bills, (4) paying phone bills, (5) going to the doctor due to a lack of money, (6) going to the dentist due to a lack of money, and (7) eating "enough of the kinds of food we want."[80] By pooling the answers to these questions together, Bauman was able to create a "freedom from hardship index" which he used as the dependent variable in a regression model designed to determine if cohabitors' income contributed to relieving the material hardship of the household as compared to the contribution made by the head of household. Since so many factors affect the material hardship of a household, Bauman's model included as independent variables things such as total household income, income from other family members, number of household members, whether or not the cohabitant lived in the home part-year or for the full year, whether or not people in the household had insurance, and whether or not people in the household received food stamps.

Bauman found that the strongest factors in relieving household hardship were household income, the age of the householder, and whether or not the household had medical insurance for the entire year.[81] The income of cohabitors, however, was not a significant factor in reducing household hardship, although cohabitors who lived in the home year round contributed more than those who lived in the home for only part of the year. At the same time, the model did not show that cohabitors contributed less than other household members (such as housemates, where

[79]Lucia Nixon, Jacqueline Kauff, and Jan Losby, *Second Assignments to Iowa’s Limited Benefit Plan* (Washington, D.C.: Mathematica Policy Research, August 1999), p. C32.

[80]Kurt Bauman, "Shifting Family Definitions: The Effect of Cohabitation and the Other Nonfamily Household Relationships on Measures of Poverty," Poverty Measurement Working Papers, U.S. Bureau of the Census (1997).

[81]Ibid., Table 4.

applicable) only that cohabitors contributed less than the household head. These results led Bauman to speculate that the more the cohabiting relationship approached that of a married-couple family, the more the cohabitor contributes.

Bauman's findings point to the final caveat of this discussion of family versus household income of female-headed families. As Mayer and Jencks have discussed, income measurements by themselves are relatively poor indicators of material hardship. Using the same types of questions later incorporated into the 1992 SIPP panel that Bauman analyzed, Mayer and Jencks asked 1,400 Chicago-area households about their experience with material hardship in 1982-83 and an additional 950 households about their experience with material hardship in 1984-85. They found that family income explained only about 14 percent of the variance in the number of times a household experienced hardship.[82] These results led Mayer and Jencks to suggest that perhaps more attention should be paid to directly measuring material hardship rather than relying solely on income measurements to determine how poor people are faring.

In a separate analysis, Mayer and Jencks have also written that income levels may not be correlated with levels of expenditure. In an attempt to correct for this problem, Mayer and Jencks looked at data from the Consumer Expenditure Survey (CEX) and compared it to the CPS. They found that CPS data from the late 1980s showed that households in the bottom quintile had 30 percent of the income of households in the middle quintile. The CEX, however, showed that households in the bottom quintile spent 40 percent as much as households in the middle quintile. When they looked at levels of consumption, they found that households in the bottom quintile consumed almost 45 percent of what the middle quintile consumed.[83]

Differences between levels of income, expenditure, and consumption among low-income families are commonly explained by four factors. First, families may borrow money during times of need in order to compensate for a loss in income. At the same time, low-income families may also spend their savings, thus allowing them to expend and consume more than they receive in income. Second, differences in income, expenditure, and consumption may be the result of widescale underreporting of income on the part of all income groups, something which both Christopher Jencks and Kathryn Edin say is more likely among low-income families.[84] Third, low-income families may be able to increase their levels of expenditure and consumption by selling off their assets. Fourth, the consumer survey and the income survey treat nonresponses and incomplete responses differently.

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[82]Susan Mayer and Christopher Jencks, "Poverty and the Distribution of Material Hardship," The Journal of Human Resources 24, no. 1 (1989): 111.

[83]Susan E. Mayer and Christopher Jencks, "Recent Trends in Economic Inequality in the United States: Income versus Expenditures versus Material Well-Being," 140-41.

[84]Kathryn Edin and Christopher Jencks, "Reforming Welfare," in *Rethinking Social Policy* by Christopher Jencks (Cambridge, Mass.: Harvard University Press, 1992), 204-35.

To these four factors, we would add another possibility. The female-headed families may be consuming some of the income from other household members.

Implications

There are many explanations for the changing living arrangements described in this paper. But certainly welfare reform is one of them. The failure of both sides of the ideological divide to acknowledge this reality is a two-edged sword: It threatens to undo past progress because it credits the wrong policies, and it makes it more difficult to assess any resultant hardship to welfare mothers (and their children) because it misunderstands the options available to them.

A myriad of factual and policy questions surround coresidency issues. The following seem to be among the most fundamental if we are understand how welfare policy should take coresidency into account.

How voluntary are these arrangements? Assuming that the measured increases in cohabitation are real (and do not represent a greater willingness of respondents to acknowledge living together), why are the couples deciding to live together? According to Christopher Jencks and Joseph Swingle of Harvard University: "When single mothers cannot make ends meet on their own, they usually try to move in with relatives. Thus if welfare reform had left single mothers worse off, we would expect to see more of them to be doubled up."[85] There is another side to this equation, however. If welfare reform lessened the marriage penalty associated with being on welfare, say by reducing the value of welfare through a work requirement, then we would likewise see an increase in cohabitation, if not marriage.[86]

The large number of mothers cohabiting *while on welfare* suggests that the decision to cohabit involves more than simply needing a place to stay after leaving welfare. But that is supposition. More information, even rigorous ethnographic work, is needed to shed light on the origins, conditions, and terminations of these relationships.

Did these female-headed families really need welfare assistance? Before they left welfare, the mothers' own incomes were low enough to qualify for benefits and welfare agencies were not supposed to consider the incomes of those with whom the mothers lived. So, if the measure of need is formal welfare law, then the answer is apparently yes. However, as we have seen, there is at least some income sharing in such relationships, probably a great deal in some and less (or nothing) in others.

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[85]Christopher Jencks and Joseph Swingle, "Without a Net: Whom the Welfare Law Helps and Hurts," *The American Prospect* , January 3, 2000, p. 38.

[86]Douglas Besharov and Timothy S. Sullivan, "Welfare Reform and Marriage," *The Public Interest*, No. 125, Fall 1996, pp. 81-94.

Surely, if only for reasons of horizontal equity, there is a need to at least reexamine the past policy of ignoring the incomes of those with whom welfare mothers live. For example, when a welfare mother is living with her middle-class mother, would imposing some expectation on the mother be so contrary to our sense of economic justice? What about work requirements? Why are they imposed on the mother if there is a man in the home? The problem, of course, would be to fashion rules that are not arbitrary, but that should not prevent the effort.

What is the impact of coresidency on children and mothers? Most observers seem to agree that cohabitation is not as good for children as is marriage,[87] while there is mixed opinion about whether it is at least better than having the mother and children on their own.[88] We do know that such relationships are more fragile. There is one study in the field on the subject,[89] but much more is needed to answer such questions as: How long do these arrangements last? How often do they lead to marriage? What is the nature of the relationship between the men and mothers? Do the men share income with the mother? Or do they get money from her? Do they help around the house? Are they abusive or exploitive? What is the impact on the children of having an unrelated man in the home? Do the men provide child care? Are they otherwise helpful? Are they abusive to the children ?

As for living with relatives, especially grandparents, most observers seem to assume that this is basically good for the mother and her children. Indeed, for teen parents, TANF prohibits states from spending TANF federal funds on assistance to an unmarried, minor, custodial parent unless the teen lives with a parent or other adult-supervised living arrangement. Exceptions are allowed when a parent or other adult is not available or when such living arrangements could result in harm to the minor teen or her child. However, there is little rigorous evidence on the point and it surely deserves additional inquiry.

[87]Wade Horn, "Comments," in *Family Well-Being After Welfare Reform*, edited by Douglas J. Besharov (College Park, MD: The University of Maryland, 2002), pp. 5-16 to 5-27, available from: http://www.welfare-reform-academy.org/pubs/familywellbeing/ch5-manning.pdf, accessed February 19, 2002.

[88]Sara McLanahan, Irwin Garfinkel, Nancy E. Reichman, Julien Teitler, Marcia Carlson and Christina Norland Audigier, *The Fragile Families and Child Wellbeing Study Baseline Report* (Princeton, NJ: The Center for Research on Child Wellbeing, August 2001), available from: http://crcw.princeton.edu/fragilefamilies/nationalreport.pdf, accessed February 19, 2002. *See also* "Fragile Families and Welfare Reform," Parts I and II, Irwin Garfinkel, Sara McLanahan, Marta Tienda, and Jeanne Brooks-Gunn (eds.), *Children and Youth Services Review* Vol. 23, Nos. 4, 5, 6, and 7 (2001).

[89]Sara McLanahan, Irwin Garfinkel, Nancy E. Reichman, Julien Teitler, Marcia Carlson and Christina Norland Audigier, *The Fragile Families and Child Wellbeing Study Baseline Report* (Princeton, NJ: The Center for Research on Child Wellbeing, August 2001), available from: http://crcw.princeton.edu/fragilefamilies/nationalreport.pdf, accessed February 19, 2002. *See also* "Fragile Families and Welfare Reform," Parts I and II, Irwin Garfinkel, Sara McLanahan, Marta Tienda, and Jeanne Brooks-Gunn (eds.), *Children and Youth Services Review* Vol. 23, Nos. 4, 5, 6, and 7 (2001).

Conclusion

The importance of these various coresidency arrangements for the economic (and emotional) well-being of single-mother families is often underestimated, if not ignored. One reason is that they are embedded within other households and it can be difficult (as well as time-consuming) to parse out the patterns involved. Even more important as an obstacle is the unwillingness of either side of the ideological debate to follow the data to the conclusions they suggest. One thing is clear, though: Despite measurement imperfections and ambiguities, it is misleading to attempt to assess the well-being of families that have left welfare without considering the fundamental role of coresidency.