Does it Pay to Move from Welfare to Work?

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Revised April 2000

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Abstract

Kathryn Edin and Laura Lein (1996; 1997) conducted interviews with wage-reliant and welfare-reliant single mothers between 1988 and 1992, gathered information about income sources, consumption patterns, and experiences of material hardship and concluded that wage-reliant women fared worse economically than welfare-reliant women: “[M]others generally found it more difficult to make ends meet when they worked than when they collected welfare.” (1996, p.254) The conclusion that “it does not pay to move from welfare to work” may have been the case when Edin and Lein did their fieldwork, but we find that the economic gains from work relative to no work have increased over the 1990s.

The economic boom of the 1990s and increases in federal and state benefits that supplement the earnings and subsidize the work expenses of the working poor have raised the net income gain associated with moving from welfare to work. In addition, changes in welfare regulations following the 1996 Welfare Reform Act have led more recipients to look for work, have made it much more difficult for nonworking recipients to remain on the welfare rolls, and have made it easier for them to continue to receive welfare benefits if they work part-time at low-wage jobs. We analyze data from a sample of single mothers, all of whom received welfare in February 1997, and find that those who left welfare and work or who combined work and welfare were financially better off, on average, than those who remained on the welfare caseload but did not work. Those who worked had higher household incomes, experienced less material hardship, engaged in fewer activities to make ends meet and had lower expectations of experiencing hardship in the near future than did nonworking welfare recipients.
Kathryn Edin and Laura Lein (1996; 1997) interviewed wage-reliant and welfare-reliant single mothers between 1988 and 1992 about their income sources, consumption patterns and experiences of material hardship. They found that working mothers had higher incomes than welfare mothers, but concluded that the former fared worse economically than the latter because, in most cases, the costs of work were greater than the benefits: “[M]others generally found it more difficult to make ends meet when they worked than when they collected welfare.” (1996, p.254)

The conclusion that “it does not pay to move from welfare to work” may have been the case when Edin and Lein did their fieldwork. In the late 1990s, however, due to a combination of economic and public policy changes, single mothers who had been welfare recipients are, on average, economically better off working or combining work and welfare than remaining as non-working welfare recipients. To reach our conclusion, we analyze panel data gathered from a sample of single-mothers who received cash welfare in February 1997. Single mothers who were working about 20 months after the sample was drawn had higher household incomes, experienced less material hardship, engaged in fewer activities to make ends meet, and had lower expectations of experiencing hardship in the near future than did nonworking welfare recipients.

I. Economic and Public Policy Changes in the 1990s

Our conclusions regarding the relative financial benefits of moving from welfare to work differ from those of Edin and Lein for several reasons. First, several policy changes that affect the net income of single mothers were implemented in the years after Edin and Lein completed their interviews. Most importantly, in 1996, the Aid to
Families with Dependent Children program was replaced with the Temporary Assistance for Needy Families (TANF) program. The new program dramatically reduces the likelihood that a single mother can “choose” to remain welfare-reliant, even if she finds that the economic benefits of working do not exceed its costs. There is no longer an entitlement to cash assistance; rather welfare is a transitional program with cash assistance conditional on the performance of work-related or community service activities. On its own, this change makes work more attractive than welfare by reducing a nonworking recipient’s expected welfare income.

In addition, most states have adopted policies to encourage recipients to combine work and welfare, notably by increasing the earnings disregard and allowing recipients to have some earnings that do not directly offset their welfare benefits (Acs et al., 1998; Gallagher, L.J. et al., 1998) and by increasing spending on child care for recipients and former recipients. Changes in welfare policy have required more recipients to look for work, have made it more difficult for non-working recipients to remain on the rolls, and have made it easier for them to continue to receive cash assistance if they work part-time at low-wage jobs (Corcoran, Danziger, Kalil and Seefeldt, 2000).

Other policy changes have increased the benefits of working in the late 1990s relative to that in the early 1990s. The minimum wage increased from $4.25 to $5.15 in 1997 just after welfare reform was implemented. In constant dollars, the real minimum wage was about 9 percent higher in 1998 than in 1990. In addition, in 1993, President Clinton proposed and Congress passed a major expansion of the Earned Income Tax Credit (EITC). The maximum EITC in 1990 was $950; in 1998 a working single mother
was eligible for a maximum credit of $2,272 if she had one child and $3,756 if she had 2 or more children.

In 1990, women who moved from welfare to work risked losing health care coverage for both themselves and their children one year after leaving welfare. In 1997, the Child Health Insurance Program (CHIP) was passed. CHIP and changes in Medicaid policy extend health care coverage for children of the working poor, making jobs that do not provide health care coverage more attractive. Transitional Medicaid is also a source of coverage for adults leaving TANF.¹

Second, the labor market in the late 1990s was much tighter than it was when Edin and Lein conducted their interviews, increasing the likelihood that welfare mothers who are required to search for work will find jobs. In October 1991, the national unemployment rate for adult females was 5.9 percent; it had fallen to 4.0 percent by Fall 1998 when the earnings data reported here were collected.

Against this background of state and federal public policy and economic changes, welfare caseloads fell dramatically after the mid-1990s. Some of this decline is undoubtedly due to welfare reform and the other policy changes; some to the booming economy (Danziger ed. 1999). We do not attempt to account for the relative contribution of the various economic and policy changes to our finding that current and former welfare recipients who are working are financially better off than nonworking welfare recipients. To do so requires a behavioral model of labor supply and welfare participation decisions that is beyond the scope of this paper. Rather, we present
descriptive results that document how the economic circumstances of working mothers compare to those of non-working welfare recipients.

**II. Related Studies**

The findings we present below that are based on interviews with a random sample of current and former welfare recipients are consistent with those of two recent studies that also question Edin and Lein’s conclusions. The first uses data gathered prior to welfare reform; the second evaluates a hypothetical scenario. Bauman (1999) compares rates of poverty, material hardship and neighborhood conditions by household type and work/welfare status using nationally representative data from the 1991 and 1992 panels of the Survey of Income and Program Participation (SIPP). He finds that work is associated with decreased levels of material hardship for single-parent households and that single parent households receiving welfare had greater levels of poverty and worse neighborhood conditions than those not receiving welfare.\(^2\)

Ellwood (1999) describes a hypothetical scenario and shows that a single mother who moved from welfare into a full-time job paying $10,000 per year would have increased her net income by only $1,625 in 1986, but by 1996, the net gain would have been $6,740. This additional gain from taking a job is due to a decline in inflation-adjusted welfare benefits, the increase in the earned income tax credit, and an increase in the amount of child care subsidies available to low-income working mothers. Ellwood

\(^1\) As we discuss below, however, loss of health insurance for a substantial number of women who make the transition from welfare to work remains a problem.

\(^2\) However, Bauman’s results are not directly comparable to those of Edin and Lein because he used a different hardship measure and did not directly compare the hardship experiences of welfare-reliant and work-reliant single mothers.
documents that the incentive structure facing welfare mothers entering the labor force changed substantially in the years following Edin and Lein’s interviews.

**III. Data**

We use data from the 1998 wave of the Women’s Employment Study (WES) to compare differences in objective and subjective measures of economic well-being between working and nonworking single mothers, all of whom where first observed as welfare recipients. The women in the sample were systematically selected with equal probability from an ordered list of single mothers with children who were welfare recipients in an urban Michigan county in February 1997. To be eligible, they had to reside in this county, receive cash assistance from Temporary Assistance to Needy Families (TANF), be U.S. citizens between age 18 and 54, and be either Caucasian or African-American. Interviews were conducted with the women in Fall 1997 and in Fall 1998. The response rate was 86 percent for the first wave (N=753), and 92 percent for the second wave of this panel study (N=693). Both interviews lasted approximately one hour.³

We analyze data from the Fall 1998 interview, which occurred about 20 months after the sample was drawn. Respondents were asked to report, for the month before the interview, work hours, earnings, welfare receipt, income from a variety of sources, and work-related child care and transportation expenses.⁴ They were asked about most of the income sources covered by Edin and Lein (1997) -- own earnings, earnings of other

³ A third interview was fielded during Winter 1999/2000; a fourth interview is planned for Fall 2001.
household members, cash assistance from TANF, Food Stamps, Social Security and other pension and disability income, Supplemental Security Income (SSI), unemployment compensation, child support, and cash contributions from other household members and from outside friends and family, and about any other sources of income not previously mentioned. Information on the amounts of cash assistance received were also available from official welfare agency records.

In addition, respondents were asked about nine kinds of material hardships -- food insufficiency, lack of health insurance (mother), unmet medical needs (mother), lack of health insurance (child), unmet medical needs (child), utility cut-offs, evictions, experiences of homelessness, and lack of a telephone. These hardships are similar to those reported in Jencks and Mayer (1989) and Edin and Lein (1997:Table 4-9, p. 13).

Respondents were asked about their subjective assessments of well-being ("How difficult is it to live on your income right now?") and whether they had engaged in any of the following activities to make ends meet in the six months prior to the interview -- pawned or sold personal possessions; taken food items without paying for them; searched in trash cans, asked for spare change, or begged for work; sold or traded food stamps; engaged in illegal activity; and received food, shelter, or clothing from a charity.

These data are well-suited for testing the hypothesis that, in the post welfare reform era, single mothers who move from welfare to work are economically better off than if they had remained nonworking welfare recipients. Edin and Lein gathered data from a “snowball” sample of 214 welfare-reliant and 165 wage-reliant women, which

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4 Detailed information on these income and expense sources is available only for the month prior to the
they acknowledge to be neither random nor representative. Because our data on a variety of measures of well-being were gathered from a random sample of women who were all welfare recipients in February 1997 and because the response rate at both waves was so high, our results are more representative of the economic well-being of current and former welfare recipients in the post-welfare reform era.

IV. Results
We define wage-reliant mothers as those who reported positive earnings, but no cash assistance in the month prior to the interview; they represent 43.1 percent of the sample (N=291). We define welfare-reliant mothers as those who reported no income from earnings in the month prior to the interview, but positive income from Temporary Assistance to Needy Families (TANF). They represent 19.2 percent of the Fall 1998 sample (n=137). The third group analyzed here are combiners, defined as women who reported both earnings and cash assistance in the month prior to the interview; they represent 27.6 percent of the sample (N=183). There is no comparable group in the Edin/Lein study because it was quite difficult to combine welfare and formal work in the same month in the late 1980s and early 1990s. During those years, after several months of work, welfare benefits were reduced by one dollar for every dollar of earnings.

The remaining 10.1 percent (N=90) of the WES sample includes women who were neither working nor receiving TANF benefits, including those who moved from interview. A summary measure of household income received during the 1997 calendar year is also available.

5 Our use of income sources during a single month may overstate well-being differences across the three groups if wage income is less stable than welfare income. However, we examined alternative categorizations in which mothers were classified as wage-reliant and welfare-reliant only if they were in these categories for three consecutive months. These results were consistent with those presented here.
TANF to Supplemental Security Income (SSI). The well-being of women in this fourth category is not analyzed here because they differ so much from the profile of women interviewed by Edin and Lein.

Net Monthly Income

Table 1 presents, for each of the three groups, the percentage of respondents who received income from each source or reported work-related expenses and the average value for recipients for each income source and for work-related transportation and child care expenses.

(Table 1 about here)

Work-based Income. Work-based income is the sum of two sources of earnings, respondents’ own earnings from work and the earnings of other household members, plus the estimated value of the Earned Income Tax Credit (EITC), less payment of Social Security taxes. We imputed the value of the EITC based on respondents’ own earnings, unemployment insurance and number of children. The employee’s share of Social Security taxes is 7.65 percent of reported earnings.

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6 The 18 women who received SSI benefits for themselves in Fall 1998 were not considered welfare-reliant because they were not subject to the work requirements of the new welfare system. Any SSI income reported by respondents in our sample was received by their children or another household member.

7 We do not subtract housing expenses from gross income in Table 1 because they are not work-related. Our treatment of housing expenses is consistent with the recommendations for a new measure of poverty of the Panel on Poverty and Family Assistance (Citro and Michael, 1995). The panel proposed that resources should include all sources of cash and near cash income and subtract taxes paid, work-related transportation and child care expenses, and out-of-pocket medical expenses. We do not have data on out-of-pocket medical expenses. However, residents of assisted housing will pay higher rents when they move from welfare to work. Only 12 percent of wage-reliant mothers and 19 percent of combiners reported living in assisted housing.

8 We estimated the monthly EITC in 1998 by using monthly income sources as proxies for annual income (i.e. We multiply monthly income from own earnings and unemployment insurance by 12 months). The credit was calculated using only earned income as the law requires and with our estimates of adjusted gross income (which includes unemployment insurance). According to IRS rules, the EITC is the lesser value of the two amounts computed from these income definitions. Eligibility was determined by the number of
By definition, all wage-reliant women and all women who combine work and welfare had monthly earnings, whereas welfare-reliant mothers did not. Wage-reliant mothers earned more per month than do women who worked but still receive welfare – $981 versus $626. This earnings differential reflects both the higher work hours and the higher wage rates of wage-reliant women. Compared to women who combined work and welfare, wage-reliant mothers were much more likely to work 35 or more hours per week (66 percent versus 37 percent), and they earned a higher average hourly wage ($7.63 versus $6.52).

Working families with children who have annual family incomes less than $26,500 if they have one child and below $30,095 if they have two or more children are eligible for the EITC. Given these income cutoffs, almost every working mother in the sample was eligible for the EITC. Wage-reliant mothers received, on average, $203 per month; combiners received $191. Social Security taxes decreased the earnings of wage-reliant mothers by $75 per month and those of combiners by $48 per month.

The EITC is a more important component of the income of working mothers in the late 1990s than it was in the early 1990s, because, as mentioned above, its maximum value was greatly expanded after 1993. While the EITC was about $200 per month in our sample, it was only about $25 per month in the Edin and Lein sample.

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children and amount and source of income. We assumed that no untaxed earned income, interest and dividends, student loan interest or scholarship income was received, and no IRA deductions were paid by respondents. We assumed income reported in the category of “disability, pension or social security income” reflected Supplemental Social Security benefits or pension income of other household members and is therefore non-taxable. We assumed that all respondents file returns with themselves and their children as a single tax unit. We thus excluded other household members’ income and assumed that all of the respondents’ children are their dependents.
Substantial numbers of respondents co-reside with another household member who works. About 36 percent of wage-reliant mothers, 21 percent of those combining work and welfare, and 17 percent of welfare-reliant mothers live in a household with an additional earner. These other earners, many of whom are husbands or cohabiting partners, earned on average more than the respondents.

**Welfare-based Income.** Three sources of welfare-based income are shown in Table 1 -- TANF cash assistance, Food Stamps, and SSI income from household members other than the respondent. All welfare-reliant mothers and those combining work and welfare, by definition, received cash TANF benefits that averaged $441 and $275 per month, respectively.\(^9\) In Michigan, in 1998, the maximum cash benefit for a mother with two children was $489. Recipients who work can keep the first $200 without it affecting their grants; each additional dollar of earnings beyond this amount reduces the welfare grant by 80 cents. Assuming no income other than earnings, a single mother with two children can earn approximately $800 a month before the cash benefit ends (Seefeldt, 1999).\(^11\)

\(^9\) We do not adjust for federal and state income taxes; this would reduce the value of work further. On the other hand, we also do adjust for the tax credit which Michigan provides working renters through the state income tax.

\(^10\) We used administrative data for TANF income rather than self reports, because the latter tends to be too low for women whose rent or utilities are vendored (i.e. paid directly to the landlord or utility company). For example, in fall 1998, almost 15 percent of welfare recipients had their rent vendored. On the other hand, for some respondents, the TANF benefit in the administrative record for the month prior to the interview will be too high. The state pays benefits “prospectively.” Thus, if a woman has just begun a new job or increased her hours of work, the current month’s TANF payment will later be adjusted downward. After these earning were reported, the state would recover the overpayment.

\(^11\) Some women we classify as “combiners” report amounts of earnings to us that are high enough to make them ineligible for TANF. In some cases this may be due to administrative error and benefits may have been recouped at a later date. However, some women may not be reporting these earnings to the welfare agency. Edin and Lein find that a substantial percentage of their respondents did not report all of their incomes to the welfare agency. We did not ask respondents if they reported their earnings to the state. However, the fact that we have cases where a women reports substantial earnings and the state reports that
Both welfare-reliant mothers and those combining work and welfare were more than twice as likely to receive Food Stamps as wage-reliant mothers—about 90 percent of those in the former two groups, compared to about half of the latter. The average value of Food Stamps ranged from $182-$240 across the three groups. The Food Stamp grant amount is set by the federal government and is a function of the state’s TANF grant amount. The maximum value of food stamps in Michigan for a single welfare-reliant mother with two children and no income other than welfare is approximately $305.

One in ten working and one in four welfare-reliant mothers reported receiving SSI income for a child or another household member. The average amount received was around $500 per month. The higher incidence of SSI receipt among welfare-reliant mothers suggests that care-giving responsibilities for disabled household members may deter some respondents from working or allow them to receive deferrals from work requirements.

Network-based Income. Two sources of network-based income are reported in Table 1 -- child support and cash contributions from friends and/or family, both within and outside the household. Mothers who worked were more likely to receive child support from an absent father than welfare-reliant mothers, and the average amount of child support received by wage-reliant mothers was higher than that received by welfare-

she received the TANF benefit for a family of her size with no earnings suggests that some respondents have higher incomes as combiners than they would have if they followed the reporting requirements. Thus, under-reporting of earnings and administrative errors may account for the relatively small difference in TANF benefits between combiners and welfare-reliant mothers ($275 vs. $441).
reliant mothers.\textsuperscript{12} One-quarter of wage-reliant mothers, one-fifth of mothers who combined work and welfare, and one-sixth of welfare-reliant mothers reported receiving child support. The average monthly amounts of child support received by those who received any support were $194, $77, and $84, respectively.\textsuperscript{13}

About 25 to 30 percent of each group reported receiving cash contributions from friends and/or family; the average amounts received ranged from $210 to $340 per month. There are no statistically significant differences across the three groups in the percentage who reported receiving cash contributions.\textsuperscript{14}

\textbf{Work-related Transportation and Child care Expenses.} Edin and Lein concluded that higher work-related transportation and child care costs were one reason wage-reliant mothers experienced more material hardship than welfare-reliant mothers. Like Edin and Lein, we find that wage-reliant women had higher child care and transportation costs than did welfare-reliant women. The majority of both groups of working mothers (77 percent of wage-reliant mothers and 64 percent of women combining work and welfare) reported work-related transportation expenses that averaged $74 and $63 per month, respectively.

Slightly more than one-quarter of the two groups of working mothers reported out-of-

\textsuperscript{12} Edin and Lein also reported that wage-reliant mothers were more likely to receive child support than were welfare-reliant mothers and received higher levels of child support. Receipt of child support may enable some women to work.

\textsuperscript{13} In Michigan, as in many other states, welfare recipients are required to assign their child support rights to the state. The state passes on to those recipients the first $50 of child support collected monthly. Amounts over that are used to compensate the state for providing cash assistance. Therefore, women not receiving welfare would receive higher amounts in child support even if the absent parents of their children made the exact same payments as did absent parents of the children of welfare-reliant mothers. That the average amount of child support received by welfare-reliant mothers and combiners is over the $50 amount suggests that some respondents are reporting to us unofficial child support payments that have not been collected by the state.
pocket child care expenses that averaged $264 to $316 per month\textsuperscript{15}. Welfare-reliant mothers who are searching for work may incur work-related costs as well--11 percent of welfare-reliant mothers reported work-related transportation costs, and 7 percent work-related child care costs.

\textbf{Net Monthly Income.} We evaluate two measures of monthly income. We first sum income from all sources, except the earnings of other household members, and subtract transportation and child care expenses. (We excluded earnings of other household members because we do not know if they actually shared their earnings with the respondents). The average net monthly income was $1250 for wage-reliant mothers, $1274 for combiners, and $929 for welfare-reliant mothers. Adding in the earnings of other household members raised these income averages to $1745, $1527 and $1107, respectively.

For both measures, working mothers have a substantial income advantage over welfare mothers. When we excluded earnings of other household members, average net income for wage-reliant mothers was about 35 percent higher than that of welfare-reliant mothers. When we included earnings of other household members, wage-reliant mothers had an average net income that was 58 percent higher than that of welfare reliant

\textsuperscript{14}Edin and Lein also found that wage-reliant and welfare-reliant women were equally likely to receive cash contributions from others (1997: 150-151). Overall rates of receipt of cash contributions are higher in their sample than in the WES sample.

\textsuperscript{15}The percentages of working mothers who reported child care expenses were low because many of them received subsidized child care and/or relied upon friends and family members or had no young children. In Michigan, child care subsidies are available for all welfare recipients and for working families whose incomes fall below 85 percent of the state’s median income (Seefeldt, 1999). Child care costs were higher for wage-reliant mothers than for women combing work and welfare, in part, because the former worked, on average, 6 more hours per week on all jobs than the latter. Wage-reliant mothers averaged 39 hours per week on all jobs; women combining work and welfare averaged 33 hours.
mothers, and women combining work and welfare had a net income that was 38 percent higher than that of the welfare-reliant.

Both of these measures document that women who have the lowest income are those who remained on welfare and do not work. We also evaluate the poverty rate for these three groups (data not shown in Table 1). Poverty was calculated by dividing total monthly household income excluding the earnings of other household members minus Social Security taxes and work-related transportation and child care expenses and including the estimated value of the EITC, by 1/12th of the official federal poverty threshold for a household of that size in 1998. A large portion of workers remain poor—55.0 percent of wage-reliant mothers and 62.8 percent of women combining work and welfare. Almost all welfare-reliant mothers were poor—95.6 percent. When the earnings of other household members were included, the poverty rates for the wage-reliant, combiners and the welfare-reliant were 33.3 percent, 50.3 percent, and 89.8 percent respectively.

The data in Table 1 show that women who work have higher net income levels than those who do not. However, it is unlikely that the nonworking welfare recipients could earn as much as the respondents who were working. First, our previous research (Danziger et al., 2000) showed that nonworking WES respondents have a higher number of barriers to work (e.g. physical health problems, mental health problems, low education and labor force skills) than those who were working. When we examine the prevalence of the 14 barriers to work measured at wave one, we find that wage-reliant women averaged 2.05 barriers, combiners, 2.2 barriers, and welfare-reliant mothers 3.37 barriers.
Second, nonworkers may have other unmeasured attributes which lower their likelihood of employment and their expected earnings if employed.

To gauge the extent of these differences, we estimated a logistic regression in which the probability of working was a function of the women’s demographic, human capital, and mental and physical health characteristics. We found that welfare-reliant mothers have a lower predicted probability of working than do wage-reliant mothers and combiners—49.9 percent, 68.5 percent, and 67.1 percent, respectively. (Regressions available upon request.)

Welfare-reliant mothers have a greater number of characteristics that reduce their likelihood of employment. However, these characteristics do not predict large differences in expected monthly earnings conditional on the probability of working. We estimated a regression for the determinants of the natural log of monthly earnings that corrected for selection bias, and found that wage-reliant mothers were estimated to earn about 13 percent more than welfare-reliant mothers. These analyses suggest that, on average, if welfare-reliant mothers went to work, they would earn less than wage-reliant mothers or combiners, but that their expected earnings are still high enough to support our conclusion that working mothers are now financially better off than nonworking welfare recipients. In addition, when we compare the actual earnings of each wage-reliant mother to the maximum benefit she would receive if she were a nonworking welfare recipient, we find that 80 percent have higher incomes when working.

Although wage-reliant mothers in the Edin and Lein study had higher incomes than did welfare-reliant mothers, as the data in our Table 1 show, they concluded that
because of the time and expense of working, “mothers who relied on wages struggled even harder to make ends meet than those who relied primarily on welfare…” (1997: 229). Our analyses of experiences of material hardship and the extent to which mothers engage in activities to make ends meet challenge this conclusion.16

**Experiences of Material Hardship**

Our next measure of financial well-being is based on reports of actual material hardships. Using questions similar to those reported in Mayer and Jencks, (1989), and Edin and Lein (1997: Table 4-9, p.113), we asked respondents about the nine types of material hardship listed in Table 2. Wage-reliant mothers were less likely to experience seven of the material hardships than were welfare-reliant mothers. Wage-reliant mothers were less likely than welfare-reliant mothers to report having experienced food insufficiency17 (17.0 percent vs. 31.0 percent), unmet medical needs for themselves (3.8 percent vs. 8.8 percent), unmet medical needs for their children (1.4 percent vs. 2.9 percent), utility cut-offs (11.0 percent vs. 12.0 percent), an eviction (5.5 percent vs. 8.8 percent), an experience of homelessness (2.8 percent vs. 4.1 percent) or having no phone

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16 The data analyzed here were gathered during in-home interview that lasted about an hour. Edin and Lein conducted in-depth and repeated interviews and spent much more time with each of their respondents. Thus, our data on income and expenses may not be as complete as theirs. We do, however, have data on most of the income sources that Edin and Lein asked about. In addition, we have little reason to expect that there are differential response biases in our sample across the three groups of women. As documented below, we asked additional questions about experiences of hardship and activities to make ends meet. There is little reason to expect differential reporting or under-reporting about these more subjective evaluations of well-being across the three groups of women.

17 Food insufficiency is defined as the percentage of respondents who reported often or sometimes not having enough to eat (Aliamo et al., 1998).
(15.8 percent vs. 32.4 percent). The extent of hardship for women combining work and welfare falls between those of these two groups for most measures.

[Table 2 about here]

The only exceptions to this general pattern were lack of health insurance. Almost 30 percent of wage-reliant mothers did not have health insurance for themselves, and over 15 percent did not have insurance for their children. In contrast, almost all welfare-reliant mothers and women combining work and welfare had medical insurance for themselves and their children. Despite the lack of health insurance, unmet medical needs were a problem for only 3.8 percent of wage-reliant mothers and only 1.4 percent of their children. Medicaid expansions now provide coverage for all children below 150 percent of the poverty line. Thus, the lack of insurance reported here may indicate a lack of knowledge about Medicaid eligibility rather than a lack of coverage for serious medical problems. If these children came to an emergency room for treatment, it is likely that they would be signed up for Medicaid. The loss of health insurance in the transition from welfare to work is a finding that confirms the Edin/Lein conclusion that working mothers fare worse than welfare-reliant mothers.

In the bottom part of Table 2 we report the percentages of each of three groups of women who experienced no hardships, one hardship, and two or more hardships – first

18 Respondents were asked, “Since the Wave 1 interview date, was there a time that you (your children) did not receive emergency or routine medical care?”
19 The loss of Medicaid by women who leave welfare for work and who do not work for an employer who provides health insurance or who cannot afford the premiums employers require presents a serious problem that was not addressed by the 1996 welfare reform. Health insurance for children, however, was partially addressed by the Child Health Insurance Program (CHIP).
20 The health insurance gap in our sample—about 25 percentage points—is, however, smaller than theirs. They report that all of their welfare-reliant mothers had health insurance, but that 42 percent of wage-reliant mothers did not.
including all nine hardship measures, and then excluding the two medical insurance questions. Working mothers experienced fewer total hardships than the welfare-reliant. When medical insurance was included, 28.2 percent of wage-reliant mothers, 17.5 percent of combiners, and 31.4 percent of welfare-reliant mothers reported experiencing two or more hardships. The contrast is greater when medical insurance was excluded – 13.8 percent of wage-reliant mothers, 16.4 percent of women combining work and welfare, and 29.4 percent of welfare-reliant mothers experienced two or more hardships.

**Activities to Make Ends Meet**

Respondents were questioned about a number of activities that they might have pursued to make ends meet and to raise their material well-being, including informal or irregular work-related activities ranging from baby-sitting for pay to selling food stamps. Edin and Lein note that “taking a job made the pursuit of work-based strategies more difficult, so that mothers that relied upon these strategies would realize a net loss when they went to work.”(1996: 263).

In Table 3, we show the proportion of women who reported engaging in each of the listed activities to make ends meet during the six months prior to the Fall 1998 interview. Welfare-reliant mothers were significantly more likely than wage-reliant mothers to have pawned or sold personal possessions for cash (21 percent versus 13 percent), sold or traded food stamps (4.4 percent versus 0.7 percent) and received food, shelter or clothing from a charity (49.6 percent versus 24.7 percent). About three-fifths of welfare-reliant mothers reported engaging in at least one of the hardship-mediating
activities, compared to about two-fifths of mothers combining work and welfare and one-third of wage-reliant mothers.

(Table 3 about here)

Although the results in Table 3 are consistent with the findings of Edin and Lein, our interpretation differs. They suggest that wage-reliant mothers had less time to pursue these alternative strategies and were thus disadvantaged by working. Our conclusion is that working mothers were less likely to pursue these strategies because they had less need to do so. Because their net income was sufficiently higher and their experiences of material hardship were lower, they did not have to pursue activities such as pawning possessions, selling food stamps, or seeking charity, all of which carry social stigma or legal risk.

**Subjective Well-Being**

Finally, we examine mothers’ subjective assessments of their material well-being. Table 4 reports the distributions of responses to the question: “How difficult is it for you to live on your income right now?”

(Table 4 about here.)

Working mothers reported less difficulty living on their incomes. If Edin and Lein’s conclusion about the economic disadvantages of moving from welfare to work remained true in the post-welfare reform era, wage-reliant mothers should, on average, have reported higher levels of difficulty living on their household income. We find just the opposite: 48.8 percent of wage-reliant mothers and 37.9 percent of women combining work and welfare answered that it was “not at all difficult” or “a little difficult” compared
to 25.5 percent of welfare-reliant mothers; only 10.7 percent of wage-reliant mothers and 14.3 percent of women combining work and welfare said that it was “extremely difficult”, compared to 23.4 percent of welfare-reliant mothers. According to their own subjective evaluations, working mothers reported less difficulty making ends meet than did welfare-reliant mothers.

V. Conclusion

When Edin and Lein (1997) compared the material well-being of wage-reliant and welfare-reliant single mothers in the late 1980s and early 1990s, they concluded that it did not pay for welfare mothers to take a job because wage-reliant mothers experienced more material hardship than did welfare-reliant mothers. We revisited this issue for a sample of single mothers who were receiving welfare in February 1997. We found that those who were working were now objectively and subjectively better off financially than those who did not work. Working mothers had higher household incomes, experienced fewer material hardships, were less likely to engage in activities to make ends meet, and reported less difficulty living on their incomes.

What factors contributed to this change? First, the net income gap between wage-reliant and welfare-reliant mothers was larger for our 1998 sample than for Edin and Lein’s sample. This was due to some combination of a tighter labor market, a higher minimum wage, a much increased EITC, and increased subsidies for child care.

Second, almost one-third of our sample, but virtually none of Edin and Lein’s sample, combined welfare and work. This reflects a recent welfare policy shift, as many states have increased the amount of earned income which is disregarded in the
computation of welfare benefits. Women whose earnings would have disqualified them from cash assistance a decade ago can now receive some welfare benefits.

Our results are consistent with those of Edin and Lein in two respects. First, we confirm that many working mothers could not make ends meet on their paychecks alone; they continue to receive government assistance (e.g., TANF, Food Stamps, EITC) and/or to rely upon cash contributions from friends and family. Second, work does not protect all single mothers from economic distress. Poverty remains high, and about half of working mothers reported experiencing at least one material hardship during the previous year. Substantial minorities of working mothers also reported engaging in activities to make ends meet, the most common of which was receiving food, shelter or clothing from a charity.

The economic incentives now in place are in accord with the goals of policy planners—i.e., on average, wage-reliant mothers and those combining work and welfare are economically better off than welfare-reliant mothers. Yet, insufficient policy attention has been paid to factors which may prevent the welfare-reliant from going to work. The new economic incentives and the increased pressure to leave the welfare rolls make it unlikely that many welfare-reliant mothers are rejecting work and choosing to stay on welfare. Rather, many of them have problems, such as poor physical and/or mental health or lack of job skills, which prevent them from getting jobs even when unemployment rates are low (Danziger et al., 2000). In the aftermath of welfare reform, many welfare-reliant mothers are at high risk of losing their welfare benefits due to impending sanctions and/or time limits. And, in many states, mothers combining work
and welfare are also at risk of losing benefits due to impending time limits.\textsuperscript{21} Now that it is economically beneficial to move from welfare to work, there remains a need for policies to make work pay enough so that a greater percentage of working mothers can escape poverty and for enhanced policies to help welfare-reliant mothers move into regular jobs or into subsidized employment.

\textsuperscript{21} Although there is a five year time limit on receipt of federal benefits, states may use their own funds to continue supporting families. Michigan has indicated it will do this, and there is no time limit in state policy (State of Michigan, 1998). Vermont has received a federal waiver to continue operating a demonstration project that does not include the 60 month time limit. Other states use a 60 month, or shorter, time limit.
References


<table>
<thead>
<tr>
<th>Receipt in Month Prior to Fall 1998 Interview:</th>
<th>Wage-Reliant Mothers (N=291)</th>
<th>Combining Work &amp; Welfare (N=183)</th>
<th>Welfare-Reliant Mothers (N=137)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Reporting</td>
<td>Mean for Reporters</td>
<td>% Reporting</td>
</tr>
<tr>
<td><strong>Work-Based Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own earnings</td>
<td>100.0%</td>
<td>$ 981</td>
<td>100.0%</td>
</tr>
<tr>
<td>Estimated EITC</td>
<td>94.2%</td>
<td>$ 203</td>
<td>100.0%</td>
</tr>
<tr>
<td>Social Security Taxes (employee share)</td>
<td>100.0%</td>
<td>$ (75)</td>
<td>100.0%</td>
</tr>
<tr>
<td>Earnings of other household members</td>
<td>35.7%</td>
<td>$ 1,342</td>
<td>21.3%</td>
</tr>
<tr>
<td><strong>Welfare-Based Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TANF cash assistance</td>
<td>0.0%</td>
<td>$ -</td>
<td>100.0%</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>48.1%</td>
<td>$ 182</td>
<td>94.0%</td>
</tr>
<tr>
<td>SSI income from any household member</td>
<td>10.0%</td>
<td>$ 470</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>Network-Based Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child support</td>
<td>24.1%</td>
<td>$ 194</td>
<td>20.8%</td>
</tr>
<tr>
<td>Cash contributions from friends/family</td>
<td>24.7%</td>
<td>$ 341</td>
<td>25.1%</td>
</tr>
<tr>
<td>Other income (including unemployment insurance)</td>
<td>2.8%</td>
<td>$ 985</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Work-related transportation expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>77.0%</td>
<td>$ 74</td>
<td>63.9%</td>
</tr>
<tr>
<td>Child care expenses</td>
<td>26.5%</td>
<td>$ 316</td>
<td>29.0%</td>
</tr>
<tr>
<td>Net monthly income excluding earnings from other household members</td>
<td>100.0%</td>
<td>$ 1,250</td>
<td>100.0%</td>
</tr>
<tr>
<td>Net monthly income including earnings from other household members</td>
<td>100.0%</td>
<td>$ 1,745</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Table 2. Experiences of Material Hardship by Work and Welfare Status

<table>
<thead>
<tr>
<th></th>
<th>Work-Reliant Mothers</th>
<th>Combining Work &amp; Welfare</th>
<th>Welfare-Reliant Mothers</th>
</tr>
</thead>
<tbody>
<tr>
<td>During Previous Year</td>
<td>(n=291)</td>
<td>(n=183)</td>
<td>(n=137)</td>
</tr>
<tr>
<td>Food insufficiency</td>
<td>17.0%</td>
<td>20.0%</td>
<td>31.0%</td>
</tr>
<tr>
<td>No health insurance (mother)</td>
<td>28.9%</td>
<td>1.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Mother did not receive needed medical care</td>
<td>3.8%</td>
<td>3.3%</td>
<td>8.8%</td>
</tr>
<tr>
<td>No health insurance (child)</td>
<td>15.1%</td>
<td>1.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Child did not receive needed medical care</td>
<td>1.4%</td>
<td>2.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Utilities cut off</td>
<td>11.0%</td>
<td>9.3%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Eviction</td>
<td>5.5%</td>
<td>7.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Homeless</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.1%</td>
</tr>
<tr>
<td>No phone</td>
<td>15.8%</td>
<td>20.3%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Including medical insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No hardships</td>
<td>47.1%</td>
<td>54.1%</td>
<td>37.2%</td>
</tr>
<tr>
<td>One hardship</td>
<td>24.7%</td>
<td>28.4%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Two or more hardships</td>
<td>28.2%</td>
<td>17.5%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Excluding medical insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No hardships</td>
<td>63.6%</td>
<td>56.3%</td>
<td>38.7%</td>
</tr>
<tr>
<td>One hardships</td>
<td>22.7%</td>
<td>27.3%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Two or more hardships</td>
<td>13.8%</td>
<td>16.4%</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

NOTE: Hardships are measured over the 12 months prior to the Fall 1998 interview; missing values range from 0 to 2 women per item.
Table 3. Percentage of Respondents Engaging in Activities to Make Ends Meet, by Work and Welfare Status

<table>
<thead>
<tr>
<th>Activity</th>
<th>Work-Reliant Mothers (n=291)</th>
<th>Combining Work &amp; Welfare (n=183)</th>
<th>Welfare-Reliant Mothers (n=137)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pawned or sold personal possessions</td>
<td>13.0%</td>
<td>15.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Taken food or items from stores without paying for them</td>
<td>0.3%</td>
<td>1.1%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Searched in trash cans, asked for spare change, or begged for work</td>
<td>0.7%</td>
<td>1.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Sold or traded food stamps</td>
<td>0.7%</td>
<td>3.9%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Engaged in illegal activity</td>
<td>1.4%</td>
<td>0.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Received food, shelter or clothing from a charity</td>
<td>24.7%</td>
<td>33.9%</td>
<td>49.6%</td>
</tr>
<tr>
<td>Percent engaging in one or more of above activities</td>
<td>30.6%</td>
<td>41.5%</td>
<td>59.1%</td>
</tr>
</tbody>
</table>

Note: Women were asked the following question: I’m going to read you a list of things that people might do when times are hard to make extra money to get things that they need. How often have you done the following things in the past six months? Percentages responding sometimes or often are shown above; missing values range from 0 to 1.
Table 4. Subjective Financial Strain by Work and Welfare Status

<table>
<thead>
<tr>
<th>At Fall 1998 Interview</th>
<th>Work-Reliant Mothers (n=291)</th>
<th>Combining Work &amp; Welfare (n=183)</th>
<th>Welfare-Reliant Mothers (n=137)</th>
</tr>
</thead>
<tbody>
<tr>
<td>How difficult is it to live on your total income right now?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not at all, or a little difficult</td>
<td>48.8</td>
<td>37.9</td>
<td>25.5</td>
</tr>
<tr>
<td>Somewhat or very difficult</td>
<td>40.5</td>
<td>47.8</td>
<td>51.1</td>
</tr>
<tr>
<td>Extremely difficult</td>
<td>10.7</td>
<td>14.3</td>
<td>23.4</td>
</tr>
</tbody>
</table>

Chi-square test for independence significant at p=.0001