Economic success among TANF participants: How we measure it matters

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The precipitous decline in cash welfare caseloads since the late 1990s has heightened concern about the adequacy of alternative income sources for former recipients, who continue to experience high levels of poverty. In a project that constructed comparable estimates of economic well-being for welfare participants in New Jersey, Washington, and Wisconsin, for example, we found that, two years later, between half and three-quarters of the families had incomes below the poverty line. Fairly high levels of hardship have also been documented—around a quarter of families in various studies reported that they sometimes or often did not have enough food, or had housing problems (utility disconnection, eviction, or homelessness).[1] Moreover, families that no longer receive cash welfare may be receiving a variety of other benefits or services: food stamps, Medicaid, child care assistance, housing subsidies. These families may have left cash welfare, but they continue to rely on government aid.

Do these and other difficulties mean that welfare reform has not succeeded? There is little agreement. In the current debates over this issue, very different kinds of evidence are used. Some arguments emphasize caseloads, others poverty and employment, others material hardship. We know little about the extent to which the perception of success depends on the construct used, or the way it is measured, and the disagreements in themselves suggest that different measures may not capture the same thing.

Whether different measures of success can lead to consistent conclusions has important implications for the adequacy of particular data sources. No one body of information exists to answer all researchers' questions. Administrative data, for example, readily provide some indicators of success, such as the use of formal public benefits, but in general cannot speak to levels of hardship. Researchers have as a consequence drawn upon multiple sources: administrative data, survey data, and qualitative interviews. If different measures largely point to the same conclusions, policy analysts can more comfortably rely on the most readily available or easily measured indicators. If different measures suggest very different levels of success or identify some populations as more vulnerable than others, both academic researchers and policymakers need to explicitly consider the sensitivity of their conclusions to the measures they have chosen.

Research indeed offers some evidence that different measures may not be identical. For example, material hardship does not appear to be strongly correlated with poverty in the United States or in Europe.[2] The evidence is, however, somewhat contradictory. One study found that low-wage working mothers experienced higher levels of hardship than welfare recipients, but others have found that those who work more in fact have lower levels of hardship.[3]

Three measures of success

Our goal in the research summarized here was to consider several measures of success and assess the extent to which they coincide or capture significant differences in outcomes. Our measures reflect three concepts of economic well-being: independence from government assistance, being out of poverty, and freedom from material hardship. We compare the levels of success that each definition measures and examine the extent to which success in one realm is associated with other forms of success. Are those who are above poverty also able to escape material hardship? Are they still dependent upon government assistance?

The women whose economic well-being we examine were early participants in Wisconsin Works (W-2), the state welfare program under Temporary Assistance for Needy Families (TANF), which took effect in September 1997. Although requiring high hours of work participation, counting all earned income in estimating benefits, and offering no adjustment for family size, W-2 paid fairly generous cash benefits ($673 a month for the larger proportion of participants). The state also offered child care and health insurance subsidies to TANF participants and low-income working families more generally.

Our analysis uses a unique data set combining state administrative records of TANF benefits, food stamps, and other programs for low-income families with data for 1999 from the Survey of Wisconsin Works Families, a two-wave panel study of a random sample of mothers included in the administrative data. The sample includes women who participated in the W-2 program at any time during the first 10 months of its operation—from September 1997 through early July 1998.[4]

Measuring "independence"

We include this measure although we believe the term is problematic. Nearly all families with children receive some benefit, direct or indirect, from the government, and measures that consider only what is normally thought of as "welfare" implicitly stigmatize some forms of support.[5] Universal programs like public education, for example, are not generally considered indicators of "dependence." Nor are those programs whose benefits are viewed as earned, such as social security or unemployment insurance. Nevertheless, the most common conception of "dependence" connects it to the use of any government benefit *available only to those with low incomes*. Under this conception, a family receiving benefits from programs such as TANF, the Food Stamp Program, Medicaid, Supplemental Security Income (SSI), housing assistance, the earned income tax credit (EITC), a child care subsidy, or free and reduced-cost school meals might in theory be considered "dependent."

But there is an implicit hierarchy among programs that complicates the definition of dependence. People clearly view programs that provide cash supports with greater concern than programs that provide in-kind benefits—though food stamps, which are strictly speaking an in-kind benefit, have a more ambiguous position because they are considered "almost cash." Some programs are available only to working people (the EITC or child care subsidies) and so may be seen as work supports. And if receipt of a cash benefit is contingent upon participating in an activity that the government seeks to promote, it may be more benignly regarded. So TANF benefits linked to work might not be considered an indication of dependence.

Complications do not end when we have defined the benefits that signify dependence. People may take a different view depending on whether benefits are tied to work activities or other requirements, the proportion of total income that they represent, or the length of time over which they are given. The federal government reflected these concerns when it proposed to define a family as dependent "if more than 50 percent of its total income in a one-year period comes from AFDC [TANF], Food Stamps, and/or SSI, and this welfare income is not associated with work activities."[6]

We preferred a different definition in this research. We included all W-2 cash payments, SSI payments, and the cash value of food stamps in our base measure of dependence. We used the cash value of the benefits, in contrast to the federal definition that is based on a proportion of income. By so doing we excluded those with very low levels of welfare and other income, but did capture those who receive high levels of benefits, regardless of their income. Somewhat arbitrarily, we chose $1,000 as our baseline, because those with lower amounts most likely only briefly received welfare or were receiving small amounts of cash benefits along with other income.

The structure of the W-2 program, with its tiers of benefits depending upon the work participation required, offers an unusual opportunity to explore the implications for "success" of the new federal measure also. We compare the different measures in Table 1. By our base measure (item A), only about a quarter of TANF recipients are "independent"; as other income- and asset-tested program benefits are added, the proportion shrinks, until fewer than 2 percent could be considered independent under the most rigorous definition (less than $1,000 in any income-tested program, item C). But the sensitivity of this measure to the definition is very clear. As expected, the measure is also sensitive to the cutoff point: when we raised our cutoff point to $5,000, two-thirds of women were independent under our base measure.

Under a proportional measure reflecting the federal government's 50 percent threshold, the percentage of families considered to be "independent" was higher even

Table 1
Measures of Independence among W-2 Participants

Using a Cash Measure	
26%	A. < $1,000 from W-2, food stamps, and SSI
Counting more sources	
7%	B < $1,000 in an income- and asset-tested program (W-2, food stamps, SSI, Medicaid)
2%	C. < $1,000 in an income-tested program (W-2, food stamps, SSI, Medicaid, child care subsidy, EITC)
Raising the cutoff point	
66%	D. < $5,000 from W-2, food stamps, and SSI
Using a Proportional Measure	
70%	E. < 50% personal income from W-2, food stamps, and SSI
13%	F. No income from W-2, food stamps, and SSI
87%	G. Any income in addition to W-2, food stamps, and SSI
And excluding work-related cash benefits	
81%	H. <50% personal income from W-2, food stamps, and SSI, excluding W-2 payments for a Community Service Job (CSJ).
88%	I. <50% personal income from W-2, food stamps, and SSI, excluding W-2 payments for a CSJ or W-2 Transitions participation.

Source: Survey of Wisconsin Works Families.

Note: The sample size varies because not everyone responded to all questions. The base sample = 2,242; the lowest response was 2,120 for E.

than under our $5,000 cutoff. Very few mothers were completely independent, primarily because so many received food stamps. Equally, the vast majority of women had at least some income from an "independent" source (item G). Again, the result is very sensitive to the definition: the proportion defined as "dependent" fell to 12 from 19 percent when we excluded TANF cash benefits tied to worklike activities (Table1, items H and I).[7]

Measuring poverty

Many state TANF programs—including Wisconsin's—do not have an explicit goal of bringing family income over the poverty line, but poverty status remains a key measure of success. Though often criticized, the official federal poverty threshold is a well-known measure and is central to the definitions of eligibility for many federal and state welfare programs. As with measures of independence, we find that poverty as a measure of success is highly sensitive to where we set the cutoff point and what we include in income (Table 2).

One measure we explored approximated the official poverty measure (item I). It included the income of husbands but excluded food stamps, Medicaid, the EITC, taxes, and the income of cohabitors; it also adjusted for family size. By this standard, only one-third of women in our sample succeeded in escaping poverty.

Given their growing importance in income support policy, our preference was for a baseline measure that included food stamps, the EITC, and taxes in family income. By this measure, just over half of families in the sample (56 percent) had incomes above the official poverty line, though even by this definition not 25 percent of families had incomes that reached 150 percent of the poverty line. Counting the income of cohabitors makes little difference to the poverty rates in this sample. There is substantial debate regarding the value of Medicaid benefits to participants. Nonetheless, we note that adding the cost of Medicaid to income moved more than 75 percent of the families out of poverty, by far the biggest rise produced by any income source.

Measuring economic hardship

Measuring hardship is difficult; less is known about it than about poverty, and there is no official government measure. Researchers have typically inquired about food insecurity and hunger, about shelter hardships (homelessness, doubling up, utility cutoffs), and unmet medical needs.[8] Our base measure asked whether families reported either a food or a shelter hardship: that they "often" or "sometimes" did not have enough to eat in the previous year; that they had the gas or electricity disconnected, moved in with another family or into a shelter, or were homeless because they could not pay the rent. By these criteria, 59 percent of families had avoided food and shelter hardships. A fairly large proportion of these families had actually sought assistance, however. For example, 85 percent of families had avoided food hardships, but a third of those had needed help in doing so, perhaps by going to a food pantry.

Table 2
Measures of Avoiding Poverty

56%	A. Family income > 100% poverty
23%	B. Family income > 150% poverty
7%	C. Family income > 200% poverty
Counting different family members' income	
51%	D. Personal income > 100% poverty
51%	E. Family income (without cohabitors) > 100% poverty
Counting different income sources	
47%	F. Family income (without food stamps) > 100% poverty
76%	G. Family income (with cost of Medicaid) > 100% poverty
45%	H. Family income (without EITC or taxes) > 100% poverty
Sources approximating the official poverty measure	
33%	I. Family income (without EITC, taxes, food stamps, Medicaid, or cohabitors' income) > 100% poverty

Note: Sample size for those with personal income = 2,120; for those with family income = 2,009.

Only about a third of families reached the most expansive measure of success; they reported no hardships, nor did they require assistance to avoid hardships.

Are the measures of success interrelated?

Our three base measures suggest that families moving from welfare achieve different levels of success: over the period during which we tracked this W-2 sample, 26 percent were able to avoid "dependence," 56 percent to achieve incomes above the poverty threshold, and 59 percent to avoid hardship. Figure 1 illustrates the interrelationship among these measures—their joint distribution. Although there is substantial overlap, the three measures appear to capture different aspects of success. Only 16 percent of women were successful by all three measures. Another 30 percent succeeded in two out of three; 33 percent succeeded in one measure or another; and 21 percent failed by all three.

Because long-term recipients of welfare were a primary target of the reform efforts, we examined separately the measures for women who had received welfare for more than 18 months in the two years before the transition to W-2. We found patterns of success and failure as complex as, and quite similar to, the patterns for the entire group of mothers. Only 11 percent of long-term recipients succeeded by all three measures, and 26 percent failed by all measures. Only 17 percent were able to avoid depen-

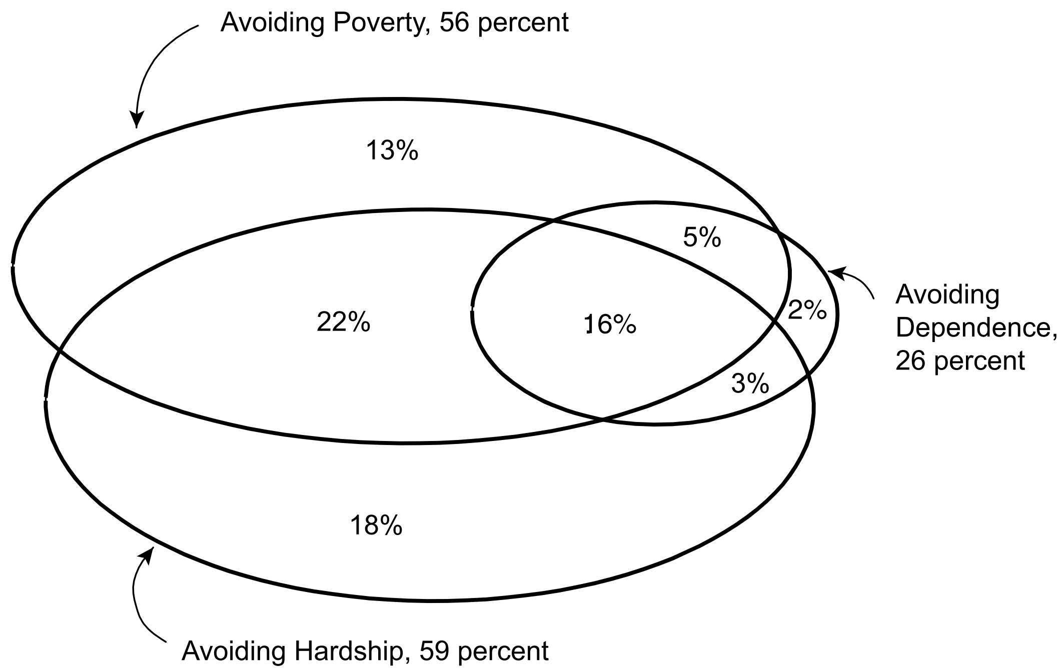

Figure 1. Interrelationship among three measures of success for W-2 participants.

Note: To simplify, we show only our three base measures: assistance (W-2, food stamps, and SSI) below $1,000; total family income above poverty; and freedom from food and housing hardships. N = 1,924 women for whom we had complete information on all measures of success.

dence, but as with all mothers, around half were able to avoid poverty or hardship.

What accounts for families who are successful by one measure but not by others? Our analysis of the pathways to different levels and types of economic success is still under way, but it has produced some suggestive evidence. For example, only about half of families who avoided poverty but not dependence received cash assistance, but virtually all received food stamps, averaging over $2,300 in value. The vast majority had earnings, averaging around $11,000. About 20 percent had a spouse or partner with income, and this income was, on average, over $14,000.

The vast majority of those who avoided dependence but not poverty were also working, but their earnings averaged around $4,500. Again, about 20 percent had a spouse or partner with earnings, but these earnings were low, only about $5,400. This group did not, by definition, receive substantial benefits; their dismal economic circumstances highlight the importance of understanding why some families do not receive the benefits for which they are apparently eligible.[9]

The measures of economic well-being that we examined did not allow us to evaluate the effects of TANF, but they did provide some indicators of the reasons that some TANF participants succeeded in moving toward economic self-sufficiency. About a year after welfare reform, more than half of the women in our sample were able to avoid poverty, and a similar percentage avoided hardship. But only about a quarter achieved "independence," and fewer than one family in ten received no benefits at all. The substantial differences between the rates of independence and our other measures of success suggest that very few former recipients have been able to achieve economic success, even at the modest level defined by the poverty threshold, without some governmental assistance.

These results also clarify the importance of moving beyond simple measures of welfare caseload and ending the dichotomy of poor families into "welfare recipients" and the "working poor." Many TANF programs included work activities designed to minimize the distinction between welfare participation and employment, a policy change reflected in the new federal measure of welfare dependence. Notably, the proportion of families classified as "dependent" in our sample fell from 30 to 12 percent when we excluded all cash benefit payments associated with a work activity. These distinctions have considerable policy interest as time limits associated with TANF benefits loom over larger numbers of participants. States, indeed, have begun redefining programs to allow work supports to be funded by TANF but not to count against time limits.[10]

The implementation of TANF has coincided with a decline in the receipt of cash assistance and, in many states, an increase in earnings, yet incomes for most families remain very low. Although caseload declines have been a central part of the political and scholarly discussion, other measures suggest much lower and also inconsistent outcomes. Our analysis demonstrates that how observers evaluate the success of the reforms may be strongly influenced by the measures they choose. It also highlights the need for policies that provide a variety of supports for those struggling to enter and stay in the labor market.

The research summarized here is discussed in detail in M. Cancian and D. Meyer, "Alternative Measures of Economic Success among TANF Participants: Avoiding Poverty, Hardship, and Dependence on Public Assistance," Journal of Policy Analysis and Management *23, no. 3 (Summer 2004): 531–48. It is used by permission of the journal.* ■

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[1]See, for example, G. Acs and P. Loprest, with T. Roberts, *Final Synthesis Report of the Findings from ASPE's "Leavers" Grants*, Report to the U.S. Department of Health and Human Services, Urban Institute, Washington, DC, 2001; M. Cancian, M. Klawitter, D. Meyer, A. Rangarajan, G. Wallace, and R. Wood, "Income and Program Participation among Early TANF Recipients: The Evidence from New Jersey, Washington, and Wisconsin," *Focus* 22, no. 3 (2003): 2–10.

[2]S. Mayer and C. Jencks, "Poverty and the Distribution of Material Hardship," *Journal of Human Resources* 24 (1989): 88–114; R. Layte, B. Maitre, B. Nolan, and C. Whelan, "Persistent and Consistent Poverty in the 1994 and 1995 Waves of the European Community Household Panel Survey," *Review of Income and Wealth* 47 (2001):427–49.

[3]K. Edin and L. Lein, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work* (New York: Russell Sage Foundation, 1997); S. K. Danziger, M. Corcoran, S. Danziger, and C. Heflin, "Work, Income, and Material Hardship after Welfare Reform," *Journal of Consumer Affairs* 34, no. 1 (2000): 6–29.

[4]The data were collected as part of the Child Support Demonstration Evaluation (CSDE). For a summary of the Survey, see D. Meyer and M. Cancian, eds., *Child Support Demonstration Evaluation Phase 1: Final Report*, Volume III, *Technical Reports*, Institute for Research on Poverty, 2001. The main CSDE report is D. Meyer and M. Cancian (with additional authors), *W-2 Child Support Demonstration Evaluation, Phase 2: Final Report*, Institute for Research on Poverty, University of Wisconsin–Madison, 2003.

[5]On the issue of tax advantages and other benefits for children, see D. Meyer, "Income Support for Children in the United States," *Focus* 21, no. 3 (2001): 38–41.

[6]U.S. Department of Health and Human Services, *Indicators of Welfare Dependence: Annual Report to Congress, 2002*. Available on the Department's Web site, http://aspe.hhs.gov/hsp/indicators02/index.htm.

[7]M. Cancian and D. Meyer, "Alternative Measures of Economic Success among TANF Participants: Avoiding Poverty, Hardship, and Dependence on Public Assistance," *Journal of Policy Analysis and Management* 23, no. 3 (Summer 2004): 531–48.

[8]For explorations of these issues, see, e.g., S. Beverly, "Using Measures of Material Hardship to Assess Well-Being," *Focus* 21, no. 2 (2000):65–69; K. Bauman, *Extended Measures of Well-Being: Meeting Basic Needs*, Current Population Reports P70-67, U.S. Bureau of the Census, Washington, DC, 1999.

[9]On this issue, see R. Haveman, T. Kaplan, and B. Wolfe, with S. Barone, *Patterns of Long-Term Utilization of Medicaid and Food Stamps by Wisconsin Welfare Leavers*, Special Report 82, Institute for Research on Poverty, University of Wisconsin–Madison, 2002.

[10]S. Fremstad and Z. Neuberger, "TANF's 'Uncounted' Cases: More than One Million Working Families Receiving TANF-Funded Services Not Counted in TANF Caseload," Center on Budget and Policy Priorities, Washington, DC, 2002 <http://www.cbpp.org/4-24-02tanf.htm>.

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