

# COMMENTARY

The paper by Pamela Loprest provides a rich description of the characteristics and economic well-being of recipients who have left welfare. Loprest’s work differs from other recent “welfare leaver” studies in two important ways. First, while most leaver studies are based on data from a single state, her study uses the Urban Institute’s National Survey of America’s Families (NSAF), thereby offering a national picture. Second, by pooling several years of NSAF data, the study can provide a *comparison* of the circumstances of different leaver cohorts. There has been some concern that the most able and job-ready welfare recipients would leave welfare soon after the reforms were put in place, leaving the least job-ready on the caseloads. However, prior to this study, there were very few data to support this claim. Loprest’s paper fills a large gap in the literature and provides an important contribution to our understanding of the effects of welfare reform.

In this commentary, I summarize the study’s results and discuss what I see as its limitations. Most of my comments apply not only to the Loprest paper, but to leaver studies more generally. However, given the unique nature of the NSAF data, there is an opportunity here to push beyond the usual descriptive analysis that characterizes leaver studies.

Loprest compares the characteristics and economic well-being of two cohorts of welfare leavers: those leaving in the 1995-97 period and those departing in the 1997-99 period. The main results of her paper are summarized in Table 1. The composition of leavers is found to change very little between

cohorts. The leavers are older, more likely to have a married partner, slightly more educated, and have fewer children. But none of these differences is statistically significant. The measures of economic well-being show somewhat mixed results. Changes in employment, earnings, wages, recidivism, and job tenure suggest increases in well-being between the cohorts. However, significant increases in the percentage of leavers citing a work limitation and material hardship suggest substantial decreases in economic well-being.

The main goal of leaver studies is to assess the circumstances of welfare recipients after leaving welfare. In the Loprest paper, this analysis is extended to examine how the characteristics of leavers are changing over time. A strength of leaver studies—especially when using survey data like the NSAF data—is that one can design the questionnaire to include a broad list of measures (such as material hardship) that would not be found on the usual household surveys. I think there is a temptation, however, to interpret the results beyond what is valid. For example, since the characteristics and outcomes of the leavers have not changed substantially over time, can we conclude that job readiness has not declined? The answer, simply, is no, because the outcomes (employment, recidivism, earnings) of the two cohorts are taking place in different economic environments. One (probably very important) example of this is the changing labor market. To illustrate, Table 2 presents labor market characteristics for the United States in 1997 and 1999. This short period saw an improved economy and

---

Hilary Williamson Hoynes is an associate professor of economics at the University of California, Davis.  
<hoynes@ssds.ucdavis.edu>

The views expressed are those of the author and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System.

dramatic increases in the employment of less educated female heads of households. The changes found here for the second leaver cohort are *substantially* below the improvement of all less educated women. This *could* suggest a decline in job readiness.

My general point is that the major limitation of leaver studies is that with a changing environment, you are limited in terms of the conclusions that can be drawn from the studies. In particular, one cannot make any causal links to try to explain the differences in outcomes.

It is possible, I think, to extend the analysis to address this concern. The NSAF data are not limited to welfare recipients, but are nationally representative. So it is possible to explore this issue using “control groups,” such as all less educated female heads of households. Such an analysis would allow one to compare the change in economic well-being among leavers with a broader population of less educated women. This could be very useful and would provide a context for evaluating the observed changes of former recipients.

Finally, a few additional suggestions. First, for comparison purposes, it would be useful to include tabulations for a leaver group in the pre-reform period. Is what we are seeing a leaver effect just like in the past? For example, are recidivism rates in

the post-reform period higher or lower than they were in the pre-reform period? Are employment and earnings different? Second, the nature of the Temporary Assistance for Needy Families reforms is very different across states. For example, the earnings disregard has been liberalized in California, leading to large increases in employment while on welfare and somewhat smaller reductions in the caseload (that is, fewer leavers) compared with other states. In order to capture this aspect of reform, it would be nice to supplement Loprest’s work by selecting the sample of persons ever *on welfare* in the past two years (as opposed to her sample, which is ever *left welfare* in the past two years). In addition, there is significant value in using as inclusive a measure of family income as possible to examine changes in economic well-being. Here the analysis is limited to family earnings. The reason cited is that the only measure of total family income corresponds to income last year, which may include a period in which the family was on welfare. I think that this is still a useful measure and should be used.

In sum, the Loprest paper provides very useful information describing the circumstances of former welfare recipients. It will surely be read and used by researchers and policymakers alike.

TABLE 1  
Summary of the Loprest Study’s Main Results

Variable	Change between 1995-97 and 1997-99
Demographic characteristics	
Age	+
Percentage nonwhite	-
Number of children	-
Percentage with unmarried partner	++
Education	+
Percentage with work limitation	++*
Economic well-being	
Recidivism	--
Own employment rate	+
Family employment rate	+
Hourly wages	+
Hours worked	-
Job tenure	++*
Family earnings	+
Food stamp receipt	--
Material hardship	++*

Notes: The +/- indicates whether the mean of the measure was higher or lower in the later cohort compared with the earlier cohort (++/- is a large increase/decrease). An \* indicates that the difference is statistically significant at the 10 percent level.

TABLE 2  
U.S. Labor Market Characteristics in 1997 and 1999

	1997	1999	Change
Unemployment	4.9%	4.2%	-0.7
Employment rate of less educated single women (twelve years of education or less) with children			
Worked at all last week	0.58	0.64	+0.08
Worked at all last year	0.71	0.77	+0.06

Source: Author’s calculations, based on 1997 and 1999 Current Population Surveys.

*The views expressed in this article are those of the author and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System. The Federal Reserve Bank of New York provides no warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any information contained in documents produced and provided by the Federal Reserve Bank of New York in any form or manner whatsoever.*