

Welfare reform must fix safety net

By Pamela J. Loprest, Sheila R. Zedlewski¹
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In the decade since the path breaking welfare reforms of 1996, the share of single mothers working has increased, and the welfare rolls have been halved, experts concur.

But the reforms' influence on family incomes and children's well-being isn't as clear-cut. Did welfare's overhaul drive the drop in child poverty in the late '90s? Do recent increases in child poverty suggest that the system doesn't work in a weak economy? Are state programs effective safety nets for America's most disadvantaged families?

New research shows that how low-income families have fared over the past decade depends on whether they stayed on welfare, left, or avoided it altogether. Many families now on welfare are much better off since the reforms took hold. In most states, welfare recipients can work at a paid job and still get a welfare check for at least a while, and about one in three families is taking that route.

Most such families are still poor (living on annual incomes below the official poverty line of roughly \$20,000 for a family of four), but fewer live in deep poverty (on less than half that amount).

Families able to leave welfare have higher incomes and work more than those remaining on welfare. But as the changed welfare system evolved, the share of income from earnings declined, while income from government disability benefits increased; average family income stagnated. An increase in the receipt of government work supports — such as child care, Food Stamps, and health insurance — helped counteract the flat income trends.

In 2002, more than three in five of these families had incomes below the poverty line. One in five had no jobs or any type of public cash assistance. Surprisingly, low-income families that have never been on welfare have done the worst since 1997.

True, compared with current or former welfare recipients, more are married and fewer have incomes below the poverty line. Yet fewer were working in 2002 than when reforms first rolled out, and their incomes have stalled. Extreme poverty ensnared more single parents (those most likely to turn to welfare under the old system) in this group in 2002 than in 1997. And one in 10 low-income families with no welfare history had no job or cash public assistance.

In short, life for many low-income families under today's welfare regime is extremely precarious. In 2002, more than 900,000 families with children somehow scraped by without jobs or any cash help from the government. Whether these families leave or forgo welfare voluntarily, or whether states' reformulated programs have created a new class of destitute families disconnected from the safety net, is unknown.

What we do know is that welfare's current way of doing business discourages participation, penalizes parents who do not find employment, and eventually cuts all but the most disabled parents off welfare. So even though these reforms have led to increased work and reduced caseloads, there is growing consensus that we need to understand why some families are falling through the safety net.

States now shoulder most responsibility for fixing America's safety net. Their first order of

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²For the article and cites to related research:
<http://www.urban.org/url.cfm?ID=900991>

business should be giving parents access to unemployment-insurance benefits or a cash welfare benefit to tide them over during periods of unemployment. And parents with limited skills, insufficient work experience and health problems — characteristics that distinguish extremely poor disconnected parents — need hands-on help in finding a job. These families also need child care, health insurance and Food Stamps as they move into work.

In short, states' welfare programs should encourage work, invite the most disadvantaged families to seek help, and provide them with more intensive case-management services.

Unfortunately, recent federal policy changes have made it harder for states to fix their safety nets. The welfare legislation reauthorized in February requires states to get a much larger share of welfare recipients into federally defined work activities by October, or else face funding cuts. Compliance will probably distract states from innovating with services that have longer-term payoffs for the most disadvantaged. A more effective policy would increase work-participation rates more gradually and reward states financially for reducing the number of families coping without jobs or cash assistance.

If the revolution in work was the great success of welfare reform's first decade, creating a secure safety net for low-income families should be the next frontier.

TANF At 10 Program Results are More Mixed Than Often Understood (Excerpts)³

By Sharon Parrott and Arloc Sherman⁴
Center on Budget and Policy Priorities

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Many discussions of TANF focus on three sets of trends —

- the decline in the number of families receiving cash assistance through TANF programs,
- the increase in employment rates of single mothers during the 1990s, and
- the decline in child poverty during the 1990s.

Broader Indicators

While important, these three sets of trends miss important information about the functioning of the TANF program and the impacts on low-income families over the last decade. Examining a broader set of indicators reveals these important facts:

- Child poverty fell during the 1990s, but has increased significantly in recent years as has the number of children living below *half* the poverty line.
- Employment rates among single mothers are higher today than in the mid-1990s, but they have fallen since 2000.
- The number of poor single mothers who are jobless, do not receive cash public assistance (from TANF or other programs), and do not live with

³ Find the full report at <http://www.cbpp.org/8-17-06tanf.htm>

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others who work or receive cash income support has increased significantly.

- TANF now helps a much smaller share of the families that are poor enough to qualify for the program than it used to.

Impact of the DRA

Many of the TANF provisions included in the Deficit Reduction Act (DRA) passed earlier this year could exacerbate the decline in TANF participation among eligible families and further increase the number of poor families with neither a job nor income support. The DRA gives states a strong incentive to assist fewer families — especially the families with barriers to employment who need the most help — because it raises states’ work participation targets while simultaneously narrowing the range of welfare-to-work activities that can be counted toward those targets. These restrictions will make it considerably harder for states to design welfare-to-work programs tailored to recipients’ needs.

Multiple Causes

The poverty trends discussed above — including both the reduction in child poverty in the 1990s, the rise in child poverty since 2000, and the increase in children in single-mother families living below half the poverty line — have multiple causes.

These include the broader labor market and the effectiveness of assistance programs such as TANF, food stamps, EITC, the Unemployment Insurance program, and SSI in reducing the extent and depth of poverty.

The importance of work-promoting policies outside of TANF — such as the expansions of the EITC in 1990 and 1993, the Medicaid and SCHIP expansions of the late 1980s and 1990s that enabled parents to leave welfare for work without jeopardizing their children’s health care coverage, and increased support for child care assistance (through both CCDBG and TANF funding) — should not be underestimated.

These policies created an environment where work was rewarded and supported.

Unfortunately, progress on this “make work pay” agenda has stalled in recent years. Funding shortfalls have resulted in a *contraction* of child care assistance, state and federal law changes may make health care for children in low-income working families less, rather than more, available, and the real value of the minimum wage now stands at its lowest level since 1955.

Cuts in Other Programs

In addition to creating the TANF block grant, Welfare Reform cut low-income programs by almost \$55 billion over six years. Nearly all of this \$55 billion came from programs *other* than AFDC, with especially large cuts made in the Food Stamp Program and in legal immigrants’ eligibility for SSI, food stamps, and Medicaid. Cuts were also made that restricted SSI for some children with disabilities.

Only a tiny amount of the cuts reflected reductions in administrative costs or savings resulting from anti-fraud measures; virtually all took financial support away from low-income individuals. Many of these cuts remain in effect today, weakening the Food Stamp Program and making life more difficult for low-income legal immigrant families.

State Welfare-to-Work Efforts

States sought to enforce a strong work message and help families find work in several ways:

- through employment and training activities,
- policies that “make work pay” such as expanded earnings disregards
- supportive services that helped make work possible for many families — most notably child care assistance and also transportation assistance, help purchasing a car, and one-time help to cover work expenses such as new uniforms
- improved child support enforcement (which helped some families leave TANF due to a combination of earnings and child support).

Conclusion

Over the next ten years, the real test of success will be whether states and the federal

government can find ways simultaneously improve on three fronts:

- ensuring that needed income support is provided to the poorest children,
- helping those with the greatest problems find jobs, and
- assisting those at the bottom rungs of the labor market get the skills they need to advance.

Without progress in all three areas, a group of very poor families will go without the help they need to make ends meet and another group of poor and near-poor families will work but fail to "get ahead."

Moving Beyond Welfare: What Do We Know About Former CalWORKs Recipients?

By California Budget Project
Welfare Reform Update December 2003⁵

Key Findings

California's welfare caseload has declined steeply since 1995, and has continued to drop despite an increase in the number of out-of-work Californians since 2000.⁶ However, steep caseload reductions are not enough to declare welfare reform a success. What happens to California families when they leave welfare?

This *Update* examines recent studies of California welfare "leavers," as well as studies that focus on leavers in other states or from a national perspective. Most of these studies define leavers as former welfare recipients who have been off cash aid for at least two consecutive months.

Key findings of this analysis include:

- Leavers commonly cite work and increased earnings as their reason for leaving welfare.

⁵ The full report may be accessed at <http://www.cbp.org/pdfs/2003/0312leaversupdate.pdf>

⁶The annual average number of unemployed persons increased 39.2 percent between 2000 and 2002.

About half of leavers in some Bay Area counties said they left welfare for a work-related reason. While only about one-third of Los Angeles County leavers reported leaving cash aid for a work-related reason, work was the most frequently cited reason for leaving welfare in Los Angeles County.

- Statewide, about half of leavers who left welfare in 1999 were working in any given quarter after leaving aid. Leaver employment levels were substantially higher in certain Bay Area counties, but less than half of Los Angeles County leavers were employed about one year after leaving. National data indicate that the percentage of leavers with jobs declined from about 50 percent in 1999 to about 42 percent in 2002 due to the recession. This suggests that recent welfare leavers are less likely to find and keep jobs than in the late 1990s.

- Statewide, average earnings were higher for individuals who left welfare in the mid-to late 1990s than for those who left welfare earlier, but overall earnings remain low. For instance, 1999 leavers earned an average of about \$1,500 in their first *quarter* after leaving aid. Earnings varied between Los Angeles County and several Bay Area counties. Median hourly wages among leavers in these counties were well above the state minimum wage, but much lower than what it costs to meet a family's basic needs in California.

- In Los Angeles County and several Bay Area counties, household income – which includes earnings and other sources of financial support – tends to be higher than in some other states. However, more than half of Los Angeles County leaver families had household incomes below the federal poverty level.

- Not all welfare leavers are employed. While some non-working leavers have alternative sources of income, such as a working spouse, national data indicate that one out of seven welfare leavers have no visible means of financial support. These "disconnected" leavers are more likely to have barriers to work and to experience food-and housing-related hardships than working leavers.

- Many families do not receive supports designed to help them transition to employment and self sufficiency after they leave aid. These supports include food stamps, Medi-Cal health coverage, child care, and the federal Earned Income Tax Credit. While Medi-Cal enrollment among leavers increased in the late 1990s, the proportion of former recipients with Medi-Cal coverage declines with time away from welfare. However, Medi-Cal enrollment among leavers is notably high and steady in Los Angeles County compared to other California counties and the state as a whole.

- Many families experience hardships after they stop receiving cash assistance. For example, nearly one-third of leavers in certain Bay Area counties reported not having enough food to eat. Leavers in various California counties also reported medical and housing hardships.

- Not all leavers stay off welfare permanently. While a smaller proportion of California leavers return to aid than in other states, several county level studies have found higher rates of welfare return than is indicated by recent statewide data.

Conclusion

Despite CalWORKs' emphasis on finding jobs, not all of the individuals who leave welfare have a job or retain employment. Moreover, national data indicate that welfare leavers are finding it harder to find and keep jobs in the current economy.

Among those who are working, earnings are typically quite low, often above the federal poverty level for a family of three, but about half of what it costs to raise a family in California. Most employed leavers work in low wage industries with few opportunities for advancement and limited access to employer provided health insurance. While some counties have relatively high Medi-Cal enrollment, a large proportion of families do not benefit from programs for which they are eligible, such as food stamps, Medi-Cal, subsidized child care, and the EITC. Low wages combined with lack of participation in benefit programs creates economic difficulties for many families that have left CalWORKs.

Information gaps prevent a full understanding of how leavers are doing. While the RAND statewide CalWORKs evaluation provides valuable information regarding employment, quarterly earnings, and Medi-Cal receipt among California leavers, there has been no recent statewide reporting on wages and the types of jobs that former recipients find. Little is known about variation in outcomes among counties, and the county-level research that has been conducted to date has been in urban areas with strong economies. Relatively little is known about former recipients in California who neither work nor return to cash assistance, and about whether outcomes for California differ by race and ethnicity.

The state and counties can take several actions to help fill information gaps and help support former welfare recipients and their families:⁷

- **The state should initiate ongoing monitoring and evaluation of welfare leavers, including those without jobs.** This should include surveys regarding hourly wages and hours worked. Without systematic and ongoing tracking of leavers at the state and county levels, it is difficult to determine to what extent welfare reform improves the lives of low-income California families.

- **The state needs to differentiate among counties and include rural areas in its tracking and monitoring efforts.** Relative to rural areas, Bay Area counties were characterized by strong economies and plentiful jobs, particularly during the economic boom of the late 1990s. While unemployment has increased significantly in Bay Area counties since the 2001 recession, regional economic disparities between rural and urban counties remain.

⁷ At least one important research project is under way: The University of California's Welfare Policy Research Project is sponsoring a study of the impact of the CalWORKs time limit that is scheduled for completion in 2006. The next article summarizes the findings from this study, *Time Running Out*.

• **The state needs to monitor outcomes for leavers by race and ethnicity.** Where substantial variation exists, the state should examine the causes and design programs accordingly.

• **The state and counties need to ensure that leavers know about and receive work supports to help them make the transition from welfare to self-sufficiency.** Work supports include food stamps, Medi-Cal, subsidized child care, and the EITC. The state should document and disseminate county best practices for linking leavers to the benefits for which they are eligible. For example, Medi-Cal enrollment is notably high and steady in Los Angeles County compared to other California counties.

• **Counties should design welfare-to work programs that are geared toward jobs with opportunities for advancement, to the extent that they are not already doing so.** This could help CalWORKs recipients not only move off the welfare caseload, but also obtain jobs that can support a family.

Time Running Out: A Portrait of California Families Reaching the CalWORKs 60-Month Time Limit in 2004 (Excerpts)

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In this report, the second in a series, the authors analyze responses to the first-wave survey of CalWORKs recipients approaching the sixty-month time limit. The researchers describe the recipients' characteristics, and address two key questions:

⁸ Read the full report at <http://wprp.ucop.edu/>

1. To what extent do the survey respondents understand the relevant CalWORKs time limit policies?

2. How, if at all, are they preparing for time-limit grant reductions?

The authors interviewed 1,797 recipients in Alameda, Los Angeles, Orange, Riverside, Sacramento, and Tulare counties who were within six months of reaching the sixty-month time limit. The survey explored the demographic characteristics of the recipients as well as family employment and employment history, barriers to employment, material hardship, and knowledge of the time-limit policy and the amount of time on aid still available to them.

Key Findings

1. The CalWORKs population nearing the sixty month time limit is ethnically and linguistically diverse.

Nearly all of the analyses demonstrated that to understand the CalWORKs caseload nearing the time limit, one must consider its ethnic diversity. County variation in respondent and programmatic outcomes is shaped by tremendous variation across counties in the ethnicity of CalWORKs recipients and languages spoken by them. This diversity is important for a variety of reasons. Serving a population that speaks many different languages is a challenge for county offices, which strive to offer verbal and written communication in the native languages of their non-English-speaking recipients.

Beyond the practical concern of communicating effectively, cultural factors influence key aspects of CalWORKs recipients' attitudes toward work, their family size and relationships and, consequently, their grasp of time-limit policies and their response to them.

2. Recipients close to reaching the time limit focus on employment, but their earnings are low and their job-related benefits are limited.

Policymakers and CalWORKs staff emphasize that, for those who are able to work, employment is crucial to achieving self-sufficiency. CalWORKs recipients in the focus counties also view work as the logical alternative to welfare.

When asked about activities they were undertaking as they neared the time limit, most reported that they were working or engaged in activities to move them toward work. And indeed, of those families still receiving CalWORKs benefits, roughly half were employed at the time of the survey, an indication that many will be employed once they reach the sixty-month time limit.⁹

At the same time, however, the jobs that current or former recipients typically held pay low wages and provide few or no benefits. Most employed recipients nearing the time limit in the six focus counties did not have jobs that offered health insurance (84 percent), sick leave (87 percent), or vacation leave (83 percent). Moreover, the very fact that almost all of these families still qualified for CalWORKs cash aid while employed indicates that they had low earnings, close to or below the poverty level.¹⁰

3. Barriers to employment are pervasive among those approaching the time limit, yet few recipients realized they might qualify for exemptions or extensions.

In the survey we conducted, we asked CalWORKs recipients about conditions that make it difficult to obtain or keep a job, attend school, or care for children. We found these so-called barriers to employment to be pervasive among those nearing the time limit. Adult recipients experiencing such chronic problems might seek to qualify for a time-limit exemption or extension. However, we found that even recipients who reported domestic violence, ongoing health problems, or other qualifying problems were usually unaware that their conditions might warrant an exemption or extension. Without such knowledge, recipients cannot make informed decisions about their futures on and off CalWORKs.

⁹ See the Legislative Analyst's Office, Analysis of the 2006-2007 Budget Bill, Health and Human Services Chapter, pp. C-188 through C-196.

¹⁰ Eighty-nine percent of survey respondents reported receiving CalWORKs cash aid in the month preceding the interview.

4. More than half of the CalWORKs families nearing the time limit have very young children.

Much of the national discussion of welfare reform has focused on adults' characteristics. However, in California, the characteristics of the children whose parents are nearing the time limit are very important because some, perhaps many, of these children will enter the state-funded Safety Net program. More than half of the CalWORKs families nearing the time limit in the six focus counties had a pre school age child or one who had just entered kindergarten. These very young children could remain in the Safety Net program for thirteen or more years if their parents do not earn enough to make their children ineligible for aid.

5. There is wide variation in recipients' understanding of time-limit policies, but understanding improves when counties employ frequent communication in various forms.

Survey respondents' knowledge about various aspects of the time-limit policy varied tremendously. Language, immigrant status, and education level proved particularly important in predicting which CalWORKs recipients best understood the rules. The form and frequency of communication from the welfare office were also of critical importance. Respondents who reported both having conversations with county staff and receiving letters and brochures better understood time-limit policies.

Respondents who remembered receiving such communication were more knowledgeable about relevant policies. This finding suggests that frequent and varied types of communication from the county were key to promoting understanding. Given recipients' diverse language needs and limited formal education, it is crucial that counties develop easily understood materials in a multitude of languages, and that they communicate this information regularly to recipients.