

Ten Things Everyone Should Know about Welfare Reform - Summary

By Alan Weil, Urban Institute May 2002

The full report may be accessed at <http://www.urban.org/template.cfm?Template=/TaggedContent/ViewPublication.cfm&PublicationID=7692&NavMenuID=95>

1. Welfare reform has taken hold

PRWORA has ushered in an era of substantial change. States have made four major changes in their welfare systems:

1. Work first with less emphasis on skills development; narrower work exemptions and job searches immediately on applying for welfare;
2. Making work pay by expanding earned income disregards so that recipients can keep cash benefits even if working; 16 states have earned income tax credits supplementing the EITC
3. Implementing sanction policies to reduce or eliminate benefits for failing to follow rules; imposed 5 year limit on benefits with 10 states having shorter lifetime limits;
4. Orientation systems for recipients emphasizing the temporary nature of benefits and work requirements.

2. The welfare caseload remains dynamic

Two groups comprise the welfare caseload: long-term recipients--about half of those receiving welfare--and short-termers, the majority who receive benefits over time. People leave and return to the welfare rolls. Among long-term recipients who returned to the rolls, 39% had poor physical health and 46% had poor mental health. The percentage of these two groups with less than a high school education is 50% and 38% respectively.

3. More on welfare are working than in the past

Work participation has increased from around 7% in the early 1990s to 33% in 1999. Wages for these working welfare recipients are low, with a median hourly wage of \$6.65. People with limited education or work experience, raising young children, in poor physical or mental

health, caring for a severely disabled child, or with limited English proficiency are less likely to be working. Between 1997 and 1999, work among welfare recipients facing two or more of these barriers increased four-fold, from 5 percent to 20 percent. The most dramatic increase is in work among single mothers, from 59 percent employed in 1993 to 73 percent employed just five years later

4. Most welfare leavers are working, but for low wages

Sixty-four percent of those who left the welfare rolls between 1997 and 1999 and remain off welfare were working in 1999 in the lower end of the job market with few benefits. Most adults who leave welfare and work full-time for a full year at the median wage do not receive all supplementary benefits that could move them out of poverty. In addition, several hundred thousand people--one in seven adults who leave welfare--report no visible means of support.

5. States are doing more to support work

Almost 30 percent of TANF funds were going to child care and work activities in 2000, up from just 9 percent four years earlier. Additional funds were going to a combination of activities, including transportation support, tax credits for low-income families, and programs to promote marriage or reduce non-marital pregnancies.

In 2000, nine states were devoting less than a quarter of their TANF spending to cash benefits, while three states, including California, spent more than 55 percent on cash benefits. States are also increasing their spending on services that support those who have substantial barriers to work. The "hard-to-serve" includes those with mental or physical disabilities, substance abuse problems, and limited English language proficiency. Increased income disregards that permit families to keep more of their cash benefits as they begin to have earnings, and the federal EITC represents a major commitment to making work pay.

6. The work support system often does not meet the needs of workers

Despite increased financial commitment to supporting work, this shift has been plagued with administrative difficulties. Most recently, the door of the welfare office are quite likely to find connections to a panoply of other supports, such as food stamps, health insurance, and, to a lesser

degree, child care and child support assistance. However, those who enter through the door of the employment agency or the child support agency are far less likely to be informed of, directed to, or have their services coordinated with other agencies.

Subsequent analysis demonstrated that people who left welfare and remained eligible for these other support programs failed to obtain these benefits. The story in child care is different. Moving so many from welfare to work yielded more use of child care supports. However, in many sites administering child care subsidies places time and documentation demands on applicants that are burdensome for someone holding a job and raising children

7. Deep hardship has increased

AFDC benefits were never sufficiently generous to lift families above the poverty level. However, the benefits the program did provide usually averted deep poverty.

Recent evidence suggests that the safety net post-PRWORA is less effective at supporting the neediest families than AFDC was. Independent single-parent families—those 1.3 million with a single adult caring for one or more children without any other adults in the household—have experienced an average net decline in financial resources of \$630, or 8 percent.

8. Family structure changes are modest

States have made two kinds of efforts to achieve the family structure goals of welfare reform. They have:

1. attempted to realign financial incentives to eliminate preexisting disadvantages that married-parent families faced.
2. designed and implemented programs to dissuade teenagers and unmarried women from having children.

Overall these programs have not yielded the behavioral results that can be measured.

9. Effects on children remain unclear

While many aspects of welfare policy could improve or harm children's well-being, evidence to date shows few measurable effects. Across a variety of measures, children in families on welfare and those in families that have left welfare fared no better or worse in 1999 than

they did in 1997. While parental employment and family income may change rapidly, aggregate measures of children's well being likely change more slowly.

10. Welfare's effects on subgroups are varied

More blacks than whites who have left welfare indicate that they did so for administrative reasons. Fewer blacks than whites report receiving government supports in the few months after leaving welfare. A few small-scale studies have shown disturbing evidence of differential treatment between blacks and whites.

Immigrants were the target of a substantial set of new legal provisions designed to bar them from receiving certain benefits. Before welfare reform, participation rates in AFDC and Food Stamps were lower in families headed by legal permanent-residents than by citizens. Studies have demonstrated that the immigrant provisions had a "chilling effect," meaning families that retained eligibility left or failed to apply for the program out of fear or confusion. More recent evidence showing substantial declines in TANF participation among refugees—a group that should have been unaffected by the PRWORA provisions—affirms the existence of this phenomenon.

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

Welfare Reform Update December 2003
By California Budget Project

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

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 2000.¹ 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

¹ The annual average number of unemployed persons increased 39.2 percent between 2000 and 2002.

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. 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:²

- ***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.

- ***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.

Latest Information & Analysis

American Prospect-- *Moving Ideas* links you to the latest on Welfare Reform & Poverty at <http://www.movingideas.org/issuesindepth/welfare.html>



² 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.