

TITLE	WELFARE TO WORK: WHAT HAVE WE LEARNED?	
SUBJECT	FINDINGS FROM RESEARCH ON WELFARE REFORM IN THE MIDWEST	3-2002
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FOREWORD

As Congress reconsiders the federal welfare bill in 2002, we believe that the lessons from the Midwest are critical. This report, drawing on the work of some of the nation's top researchers, shows how the region's pioneering welfare reforms have affected the lives of poor families.

Even before President Clinton signed the 1996 law overhauling the nation's safety net, Midwest states were already reshaping their welfare systems. They have continued to pioneer innovative strategies to support welfare recipients' transition to work, including "work first" and "making work pay" by offering cash assistance and other supports to working families.

Since 1996, the Joyce Foundation has invested over \$8 million in research to study the effects of welfare reform in the Midwest, specifically Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin. This book summarizes the results of these and other leading evaluations of the first five years under the new system. The studies themselves are listed in the References section. State-by-state results are examined and cited in more detail in the companion volume: *Welfare to Work: What Have We Learned? Findings from Research on Welfare Reform in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio and Wisconsin*.

The studies examine whether Midwest families are moving from welfare to work and from poverty to economic stability based on employment. Other welfare issues (marriage, teen pregnancy, health, child welfare, general family well-being), while important concerns, are not the focus of the Joyce-funded research or of this report.

Because welfare policies changed across the board and all at once, only a handful of the studies reported here are classic "impact evaluations," where some people are randomly assigned to a new program, others stay in the old

THE MIDWEST AND WELFARE REFORM

system, and researchers compare the two. Lacking such studies (except for projects that were started before the 1996 reform or operated independently of it), we cannot generally draw causal connections; instead we simply report the data and make inferences.

Also not included in this report are studies examining how welfare departments changed their operations to carry out the new policies (“implementation studies”); instead, the focus is on the experiences of families moving from welfare to work.

Finally, these studies document how welfare policies worked during the economic good times of the 1990s. The current recession creates new challenges for poor families and for policymakers. This report includes recommendations based on both the lessons of welfare reform in good times and the challenges in a tougher economic climate.

We hope policymakers will find this report useful as they seek to build on the gains of the last five years, help working families achieve economic stability, and reach out to the poorest families who remain outside the mainstream economy.

Chicago

March 2002



For decades, national policy for helping poor families centered on welfare. In the 1990s, with the cost of welfare steadily increasing and caseloads at an all-time high, some state policymakers began shifting families off welfare and into paying jobs. Midwest states took the lead:

Wisconsin Works (W2) insisted that all welfare recipients work and increased supports, including child care and medical care, for those who did.

Michigan's Project Zero adopted a “work first” strategy: get people jobs first, worry about education and training later.

Minnesota's Family Investment Program (MFIP) sought to “make work pay” by increasing both supports for working families and the wages they could earn without losing their welfare checks.

In 1996, Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act. Widely hailed as the most important piece of social legislation since the 1960s, PRWORA ended the federal welfare entitlement and set work requirements and time limits on assistance. Federal spending was frozen at 1994 levels, the money was converted into block grants, and welfare policymaking was turned largely over to the states through a new program called Temporary Assistance to Needy Families (TANF). The TANF program set out four goals: helping needy families; ending welfare dependency by promoting job preparation, work, and marriage; preventing out-of-wedlock births; and encouraging two-parent families.

States then crafted their own TANF plans to achieve those goals. Midwest states were innovators.

Illinois allowed people working their way off welfare to continue collecting benefits, which were paid by the state out of state funds, without using up their federally mandated five-year benefit limit.

Indiana combined aggressive employment efforts with more lenient sanctions than most other states apply.

Ohio gave county officials unprecedented authority and flexibility to craft policies to fit local needs.

Wisconsin extended medical coverage to former welfare recipients who went to work.

How have such policies affected low-income families? This report draws together conclusions from studies funded by the Joyce Foundation and others on the first five years of welfare reform in the Midwest.

The research shows remarkably consistent patterns across the states.

Hundreds of thousands of Midwest citizens—more than either the bill’s critics or its advocates ever imagined—have at least begun the journey from welfare to work. In part, they appear to have been prodded by the clear message that the new world of welfare requires them to work. They also took advantage of economic good times. Midwest unemployment rates dipped below 5% in September of 1994, as state pioneers were developing their proposals, and had broken 4% by summer 1997, as states were implementing the federal legislation. Clearly, given job openings and some combination of carrots and sticks, people who once depended on welfare were able to go to work.

But the studies also make it clear that the journey out of poverty can be long and difficult for many families, and requires considerable support along the way. In the best of economic times and given the best of intentions, poor mothers struggle to stay employed and to earn enough to support their families at even a minimum level. The right combination of supports (child care, medical care, food stamps, and the Earned Income Tax Credit) can help them stretch low wages to pay the bills, but in many cases they remain poor. Many families face substantial hardships each month. Meanwhile, some people—700,000 families nationally, according to the Center on Budget and Policy Priorities—actually have lower annual incomes than they would have had if the 1996 law had not been passed.

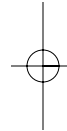
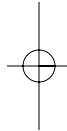
That’s in the best of times. More recently, unemployment levels have been creeping back up. The first layoffs came in technology and other sectors that don’t normally hire people coming off welfare. But last September’s terrorist attacks and the general economic downturn have hit hard at the travel and tourism industries, which provided many low-skilled jobs in the boom times of the 1990s. Other industries are cutting back their low-skilled workforce as the troubles reverberate around the economy.

Historically, according to economist Rebecca Blank, Dean of the Gerald R. Ford School of Public Policy at the University of Michigan, a 1% increase in unemployment boosted welfare rolls between 9% and 17%. Early anecdotal evidence suggests that many ex-welfare recipients are determined to respond to layoffs by finding more work. But in the meantime, they need support, including access to unemployment insurance (which most low-wage and part-time workers do not get) as well as additional training to qualify them for new and possibly better opportunities. Meanwhile child care, health insurance, and other services that have proved critical for supporting working families are threatened by state budget problems caused by the economic downturn. If this continues, states will likely need some “countercyclical” funding to help them through this period.

Finally, no one has yet figured out what to do about the minority of families that are not coping in the new world of welfare. Many of them, as the research shows, are people who are themselves sick or are caring for a sick family member; and many others are “lost”—from the welfare rolls and from researchers alike—so that no one knows their status and whether or not they still need assistance.

This report documents gains achieved through the hard work and good faith of thousands of Midwest families over the last five years, and it makes clear the serious problems they still face. As PRWORA comes up for reauthorization, the task facing policymakers is to build on the gains and address the problems: to stabilize working families, help them weather economic downturns, and provide the support they need to climb out of poverty; and meanwhile to reach out to the poorest families still untouched by policy reforms or national prosperity.

WHAT WE HAVE LEARNED



LESSON 1

Welfare caseloads declined dramatically in most Midwest states in the late 1990s.

If its only purpose was to reduce the number of families dependent on a monthly public aid check, welfare reform would be a spectacular success.

Each of the seven states in our region saw substantial declines in welfare caseloads after welfare policies were revised, either through state action prior to 1996 or in response to the federal law. Wisconsin and Michigan, which were first and most aggressive in pushing welfare-to-work policies, saw significant reductions, but so did Ohio and Illinois.

Down Across the Board

Percent Change in AFDC/TANF Recipients, 1990-2001

	Recessionary Period*	Waiver Experiments**	PRWORA
State	FY 90–FY 93	Jan 94–Aug 96	Aug 96–Sept 01
Illinois	8.3%	-9.5%	-74.9%
Indiana	37.2%	-34.6%	-11.0%
Iowa	3.1%	-22.1%	-35.0%
Michigan	5.0%	-25.3%	-59.8%
Minnesota	12.2%	-10.5%	-31.5%
Ohio	13.7%	-20.5%	-65.3%
Wisconsin	-0.2%	-35.4%	-71.1%
National average	23.4%	-14.2%	-56.4%

*July 90–March 91 declared recession by National Bureau of Economic Research in Dec. 92.

**HHS granted 43 states waivers to experiment with changes to their AFDC programs.

Data source: U.S. Department of Health and Human Services, Administration for Children and Families

Change in TANF Caseloads, www.acf.dhhs.gov/news/stats/case-fam.htm

Total AFDC, Average Monthly Number of Cases, Fiscal Years 1987–1996

www.acf.dhhs.gov/programs/opre/timetren/tca.htm

Change in TANF Caseloads (total families and recipients)

www.acf.dhhs.gov/news/stats/caseload/htm

Total Number of Recipients, Oct 2000–Sept 2001, www.acf.dhhs.gov/news/stats/recipients.htm

The overall decline is clear and unambiguous—and historic. Past attempts to reform welfare had much more modest outcomes. Caseload declines of one-third, half, or two-thirds are truly extraordinary.

The patterns underlying caseload decline are complex. Caseloads could decline because many people left to go to work. They could decline because, unlike previous years, people who got off welfare stayed off, instead of cycling back into the system. They could also decline because fewer people signed up for assistance, deserving or not. They could decline because people got kicked off or left voluntarily because they were upset with new rules.

In Illinois, the number of those leaving welfare was generally higher each year after 1996 than it was in the early years of the decade.¹ But an even greater difference resulted from substantial declines in the number of people joining the welfare rolls in those years. One Illinois study found that the percent of those leaving welfare who returned within six months dropped from 28.8% in 1996 to 16.3% two years later.

Moreover, in the Midwest as nationally, because welfare reform coincided with a period of strong economic growth and tight labor markets, some portion of the caseload declines likely reflected strong job opportunities, rather than the policy changes alone. Nationally, an estimated 21 million jobs were created during the boom times of the 1990s. Midwest regional unemployment rates hit 4% in May 1997, and stayed at or below that figure through March 2001.²

¹ For sources and details of state results, see *Welfare to Work: What Have We Learned? Findings from Research on Welfare Reform: Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin* (Joyce Foundation 2002).

² Julie Hatch and Angela Clinton, “Job Growth in the 1990s: A Retrospect,” *Monthly Labor Review*, December 2000; Bureau of Labor Statistics, Local Area Unemployment Statistics, Midwest Region.

However, defenders of the 1996 reforms point out that previous periods of economic growth did not see such dramatic reductions in welfare. In the economic expansion of the 1980s, the welfare rolls actually increased by well over 10%.³

LESSON 2

Most people who left welfare went to work. Many took jobs that were part-time or lasted only a few months.

Reducing the numbers of families receiving assistance, by itself, was never the purpose of welfare reform. If it had been, the states could simply have terminated the programs, and caseloads would have declined to zero. Rather, the bill's title language—"Personal Responsibility and Work Opportunity"—announces its goal of shifting families thought to be dependent on welfare over to employment as their primary source of income.

or at least an important

That transition has clearly begun for many families. But it is a long and complex journey with many stops and starts along the way. Meanwhile, some two million families have not yet taken the first steps.

The movement to work has been especially well-documented in MICHIGAN. University of Michigan researchers found that of people on welfare at the start of the research, in February 1997, the percentage who were working

increased steadily in each successive wave of the study, as did the percentage of people relying solely on wages (not wages and cash welfare) for their income. By late 1999, nearly three-fourths (73%) were working and the percentage of those relying solely on wages had risen from 21% to 55%.

Most ILLINOIS recipients (as high as two-thirds, depending on the study) who left welfare for whatever reason found work. Between a third and a half of them were working full-time. Even those still on welfare were more likely to work. Illinois law allows people who work at least 30 hours a week to continue to receive benefits paid for out of state funds; federal time limits aren't invoked as long as recipients are working.

In WISCONSIN—where the state's pioneering welfare-to-work policy virtually eliminated non-work-related benefits—large percentages (64–84%) of those leaving welfare worked in the first year after leaving. However, fewer than half of them were continuously employed throughout the first three years. About one out of six worked for only a single employer, while a quarter worked for more than five employers—telling indications of the instability of the low-wage labor market that most of those leaving welfare entered.

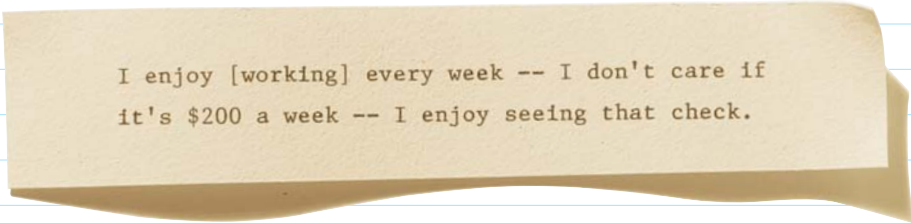
OHIO saw similar patterns. Most (71%) of those leaving welfare worked, although only 40% of them worked the entire year after they left. Instability was also apparent: over half of those leaving the rolls changed jobs at least once, working for two or more employers; some (5%) reported working for five or more.

In INDIANA, again, most welfare recipients (87–89%) worked in the period after they left welfare. About two-thirds held full-time jobs; but on the other hand, many did not work year-round, and only about half were still working at the end of the second year.

³ Ron Haskins, "Effects of Welfare Reform on Family Income and Poverty," in Rebecca Blank and Ron Haskins, eds., *The New World of Welfare* (Washington, DC: Brookings Institution, 2001), p. 122.

The IOWA research reported here focuses on participants in the state's Family Investment Program. Crafted under a federal waiver in 1993, FIP put much more emphasis on getting people into jobs or job-training activities than did AFDC. For comparison's sake, some families stayed under the old AFDC rules. About half (50–60%) of people in both programs were employed; the rates were slightly higher for those in the Family Investment Program. Employment among both groups rose over time, suggesting that the strong economy also played a part.

From April 1994 to June 1998, MINNESOTA operated a pilot welfare reform, the Minnesota Family Investment Program, which is the subject of the evaluations summarized in this report. MFIP explicitly included poverty reduction among its goals. It featured financial incentives to reward work, including relatively generous levels of earnings before the aid check was jeopardized; meanwhile, long-term recipients were required to engage in employment-focused activities. About half of recipients in the MFIP program worked in an average quarter, as compared to 37% of AFDC recipients. Fewer MFIP participants (43%) than AFDC recipients (55%) relied solely on welfare as their source of income, suggesting that MFIP's more generous benefits did not discourage recipients from entering the workforce.



I enjoy [working] every week -- I don't care if
it's \$200 a week -- I enjoy seeing that check.



Clearly, most Midwest families leaving welfare (as well as some of those staying on welfare) did go to work. But substantial minorities—as high as 40% in Iowa—did not. Of those who did work, many moved in and out of jobs, and they were generally unlikely to work full-time. Instability is characteristic of the low-wage labor market generally. And the experience of people, generally mothers, moving from welfare to work may resemble that of other mothers. Only about one-third of married women with children under six work full-time and year-round; of course, they generally can rely on income from husbands.⁴

LESSON 3

Many families who have moved from welfare to work remain poor because they earn low wages.

A major criticism of the old AFDC program was that, by encouraging dependence on welfare, it trapped families in poverty. One reform advocate decried “layers of intergenerational welfare which has corrupted [poor families’] souls and stolen their future.” Going to work, many argued, would bring welfare families out of the shadows of dependency and into the promise of “the American dream.”

Over the long term, moving into the workforce and gaining skills, experience, and self-esteem may indeed help families move out of poverty. But the results

⁴ Philip N. Cohen and Suzanne M. Bianchi, “Marriage, Children and Women’s Employment: What Do We Know?,” *Monthly Labor Review*, December 1999, p. 26.

so far in poverty reduction have been modest or in some cases disappointing.

Most families coming off welfare who rely on wages alone remain poor, where poverty is defined as a yearly income of \$11,610 for a mother with one child and \$14,630 for a family of three (2001 figures). Nationally, the

or in those states that allow it, wages plus welfare

programs that have been most successful in moving families away from poverty have combined wages with other benefits, including food stamps, Medicaid and/or child health insurance, child care and transportation subsidies, aggressive promotion of the federal Earned Income Tax Credit, and increasing what people can earn while keeping cash assistance.

In Illinois, Iowa, Michigan, Ohio, and Wisconsin, the average hourly wages earned by people who left welfare put a mother with one child slightly above the poverty line, a mother with two children well below the line. The pattern is similar, though less bleak, in Indiana. In Minnesota average wages of those under the MFIP program—which, unlike most other state programs, explicitly set poverty reduction as its goal—suggest that a mother with one child who works full-time and year-round can escape poverty; those with two children are likely to hover just around the line.

In Ohio, median earnings of welfare leavers actually declined slightly over time. In Iowa, about half (48%) of those who left welfare under reform were earning less than \$1,000 per month, and one-fifth were making less than \$500 per month.

The fact that so many families are not earning enough from wages to escape poverty in part reflects the “work first” philosophy that many states adopted in implementing welfare reform. They de-emphasized education and skills training, and instead concentrated on putting people to work. The obvious consequence is that people coming off welfare generally still do not qualify for better-paying jobs.

It is important to note that poverty in most of these studies is being assessed solely by looking at wages. Some analysts argue that other benefits, especially the Earned Income Tax Credit, which is available only to low-income workers, must be counted as part of the picture in assessing family poverty. Nationally, one study estimates that after all federal assistance, including the EITC, is taken into consideration, child poverty fell by more than 35% in the period 1993-1999.⁵ Others counter that work-related expenses, geographic disparities, and rising housing costs push up the cost of living for many working families, and these also aren't taken into account by the official poverty measure.

LESSON 4

Health problems, child care, lack of education, and other problems prevent some welfare recipients from getting jobs, and make it hard for others to stay employed.

Many problems led people to depend on welfare for their family income, and those problems did not go away because Congress passed PRWORA.

Common barriers to employment encountered by women on welfare include:

- * Lack of high school diploma or GED
- * Low or nonexistent job skills
- * Child care problems (none available, too expensive, not at the right hours)
- * Children's health problems
- * Lack of transportation to job sites
- * Depression and other mental illness

- * Disability or other health problems
- * Substance abuse
- * Domestic violence
- * Other family health problems (e.g., caring for disabled parent)

University of Michigan researchers found that the vast majority (85%) of welfare recipients studied faced at least one of these barriers, and almost two-thirds faced two or more. Many recipients went ahead and found work despite such problems. But clearly those barriers inhibited success on the job. **The more such problems people faced, the less likely they were to work;** and those who were working 20 or more hours per week were much less likely to report such problems. Similarly, Indiana recipients who stayed on welfare had higher levels of such problems across the board than did people who left welfare (except that both groups were about equally likely to report substance abuse).

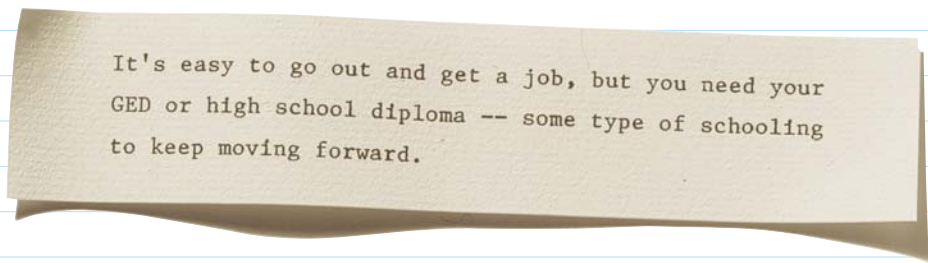
Child care: For all parents everywhere, going to work means struggling to find someone to take care of their children. But unlike many families, welfare recipients lack the economic resources to buy whatever child care they need. Midwest states have poured both federal and state money into developing subsidized child care for low-income workers as part of welfare reform; overall, Midwest states spent over \$1.8 billion, or 38%, of their welfare expenditures on child care in 2000.⁶

Many people work despite child care problems. In Minnesota, for example, over half (51%) of those who had worked more than seven quarters said they had child care problems, just slightly under the 58% of non-workers who reported such problems. Such figures suggest that welfare families, like other

⁶ "Welfare Then, Welfare Now: Expenditures in Some Midwestern States," *Focus*, Institute for Research on Poverty, vol. 22, no. 1, Special Issue. 2002. p. 11.

families, do find ways to address child care needs; but they also point to child care as a continuing source of problems on the job. In Wisconsin's Dane County, almost three-quarters of those studied reported missing work because they had no one to take care of a sick child; over a quarter reported trouble finding child care to accommodate their work schedule; and substantial minorities said they had quit a job (16.7%) or refused a job (18.2%) because of lack of child care. Similar percentages of families studied in Illinois reported a variety of child care problems (quality, cost, reliability, distance from home, accommodating work schedules), and 14% expressed worry that their children would somehow be harmed in child care.

Education: The 1996 reform abandoned an earlier tenet of welfare reform—giving people education and training to help them get better jobs, reduce poverty, and reduce dependence on public assistance in the long term. Instead, PRWORA stressed "work first," with education or training to come later, if at all.



It's easy to go out and get a job, but you need your GED or high school diploma -- some type of schooling to keep moving forward.

The research shows that poor education—especially the lack of a high school diploma or GED—is clearly a barrier to employment for people leaving welfare, but not an insuperable one. In Illinois, for example, nearly three-quarters of those leaving welfare who had a high school degree were working, compared to fewer than half of those without that credential. Some studies suggest that lack of education may not so much prevent people from getting a job as make it hard to hold onto one. In Minnesota, for example, 40% of those who worked less than seven quarters—but only 23% of those

→ who worked more than seven—had not completed high school. Such findings suggest that improving educational levels could be a valuable strategy for enabling families to become employed on a more stable basis.

Health Problems: Health problems are one of the most common reasons cited for not working, although welfare agencies, for the most part, have not conducted comprehensive assessments of recipients for health problems. In Iowa, 23% of those who had left welfare and were not working cited health problems. In Ohio, the figure was 32%. Of Minnesota recipients who were not working, 53% reported physical or emotional health problems. Looked at the other way, only 11% of Ohio welfare leavers who worked a full year reported health problems; and in Illinois, 72% of welfare leavers who reported excellent or very good health were working, as compared with 55% of those in fair to poor health.

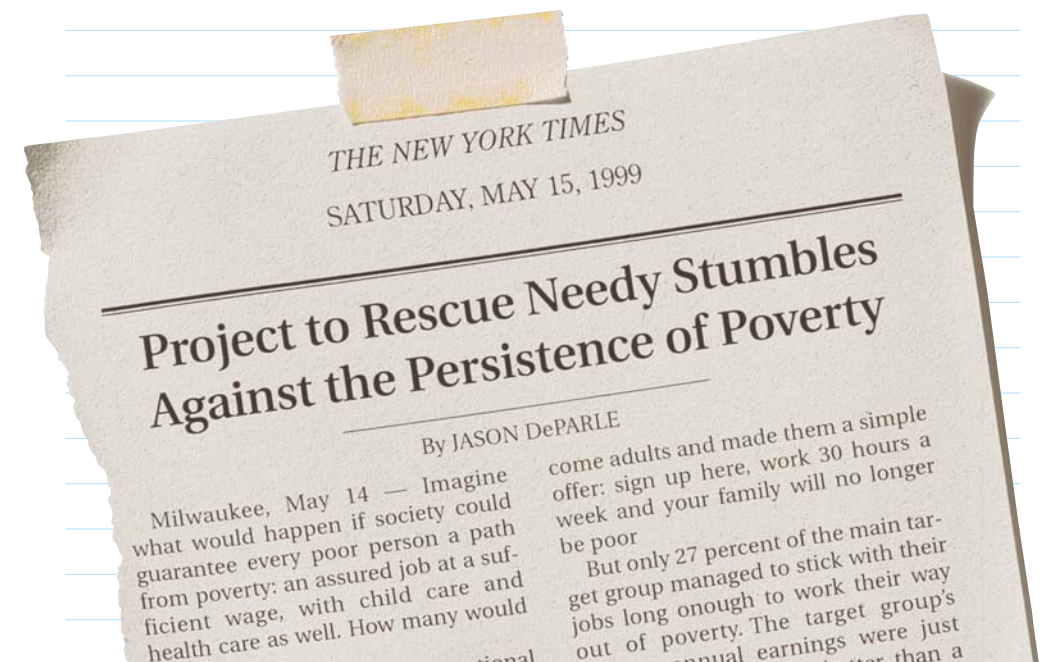
The persistence of such patterns across states suggests that poor health is likely to keep some people out of the labor force, no matter how strong the pressures to work become. Even in Wisconsin, with its stringent welfare-to-work requirements, evidence points in that direction; of Dane County respondents reporting poor health, for example, only 7.4% were currently employed; of those reporting mental health problems, 61.5% had not worked in the previous year.

Welfare reformers insisted that “able-bodied” people should get jobs instead of welfare. The corollary may be that those who cannot work have a moral claim on assistance. Federal Supplemental Security Income, along with Social Security disability provisions, are intended for this purpose. However, one

7 Sheila R. Zedlewski and Pamela Loprest, “Will TANF Work for the Most Disadvantaged Families?,” in Haskins and Blank, eds., *New World of Welfare*, p. 319.

national study of families that had left welfare found that only about 2% were getting either Social Security or SSI.⁷

Transportation: Getting to work is, like child care, an issue faced by many working families, whatever their income level. But again, families with higher incomes can afford more transportation options, or can buy housing near their jobs. Low-income people typically live in neighborhoods with fewer jobs, and they may find buying a car—let alone a downtown loft or a home in a job-rich suburb—beyond them. Researchers studying welfare recipients in the Cleveland area found that 40% of welfare leavers had a car. For those without a car, commutes by public transit took on average twice as long as they would take with a car. In Ohio, employers who have hired welfare recipients cite transportation as the second leading reason such employees miss work.



LESSON 5

Some families are being forced off the welfare rolls, either for failure to comply with program rules or because they have reached time limits.

Work is the most frequent reason that people leave welfare. But increasing numbers of people who leave welfare are being forced off, either because they were sanctioned for not complying with program requirements, or because they have reached time limits. As more families reach the five-year federal limits, this number seems likely to rise.

↙ Just under a quarter of welfare leavers in Indiana left involuntarily, either because they were sanctioned (7%) or reached time limits (16%). In an Ohio study, 15% of those leaving welfare did so because they had been sanctioned. In Wisconsin, over a third (36.6%) of those who had left said the reason was failure to comply with program rules. Illinois studies put the figure of those who are no longer getting benefits because of noncompliance at between 14% and 35%, with another 2–8% having reached time limits.

The number of families reaching time limits is low, largely because so many welfare recipients have worked at least part of the time since 1996. Nationwide, of those who have left the welfare rolls, more than 90% are thought to have some time left on the benefits clock.⁸

Families that are sanctioned (i.e., cut off the rolls for failing to meet program requirements) are often those with some of the most severe problems.

Indiana researchers found that such families were more needy than others, and were less able to meet their needs. Similarly, Illinois researchers found

⁸ Jason deParle, “A Mass of Newly Laid-Off Workers Will Put Social Safety Net to the Test,” *New York Times*, October 8, 2001.

that sanctioned families generally had more of the barriers to employment discussed in the previous section: they were less likely to have a high school degree, more likely to be in poor health, less likely to own a car. And, like the Indiana families, they were more needy: they had lower family incomes, were more likely to live in high-crime neighborhoods, and were more likely to go hungry. Such families fare much worse than non-sanctioned welfare leavers in the job market.

On the other hand, sanctions may also mask some other reasons for leaving. Iowa researchers found a striking discrepancy between what recipients said and what state records reported about reasons for leaving. The state reported that 56% of those leaving the FIP program had failed to comply with program requirements—but in a family survey, only 14% of those who’d left welfare said that was the reason. The apparent explanation: people who found work or other sources of income were less likely to show up for welfare appointments that they were required to make—which led state officials to report them as noncompliant.

LESSON 6

Many families continue to rely on food stamps, Medicaid, and other forms of government assistance to get by.

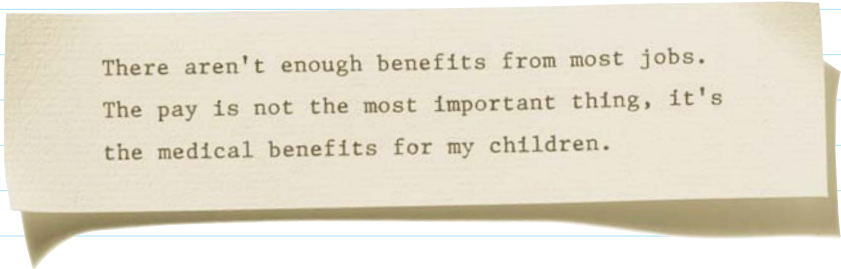
“Welfare Queen” myths notwithstanding, families on welfare are poor. When they leave welfare it’s generally for low-paid work (see lesson 3 above), and whether they are working or not, they often remain poor. Across the region, studies detail their economic hardships.

The following figures can't be directly compared because they report the experiences of different groups (workers/nonworkers, more/fewer hours, with/without welfare benefits); but they give some sense of the scope of the problems:

Utility shutoffs: 25% (Indiana), 15% (Ohio, Wisconsin), 5–11% (Michigan)

Hunger: 28% (Ohio), 14–38% (Iowa), 10–29% (Michigan)

Homelessness: 9% (Indiana), 3–24% (Iowa), 3–7% (Illinois), 13% (Wisconsin)



There aren't enough benefits from most jobs.
The pay is not the most important thing, it's
the medical benefits for my children.

However, moving from welfare to work does not necessarily increase such hardships. Michigan researchers found that those who'd left welfare and were relying on wages were better off on several of these measures than those who were still on welfare or who had left welfare but had no jobs. On the other hand, the wage-earning families were more likely to be uninsured and to go without medical care. Illinois results show the positive impact of allowing people to combine welfare and work; those who continue to draw benefits while working had, in general, lower levels of economic hardship than those who relied solely on welfare or solely on wages.

And not surprisingly, many families continue to rely on food stamps, Medicaid, Child Health Insurance Program (CHIP), housing subsidies, and other forms of government assistance to get by. More than half of former recipients in Illinois, Indiana, Iowa, and Wisconsin studies reported getting Medicaid; substantial numbers of former recipients (over 60% in Wisconsin) relied on food stamps.

Families are in general less likely to draw these benefits after leaving welfare, but not necessarily because they no longer need them. In the past, most people signed up for these benefits when they enrolled in welfare; if they come to welfare offices less often, they are less likely to get these other benefits.

Moreover, staying on food stamps involves frequent office visits, which may mean time off work. Getting the word out that working people can qualify for other benefits—and breaking down the red tape that keeps many from getting food stamps—has become an important priority of welfare advocates and state officials (especially in Ohio, which probably helps explain increased use of these services). Nationally, studies suggest that wages, combined with such benefits and the EITC, can offer a way out of poverty for a substantial number of families leaving welfare.

LESSON 7

Like other Americans, welfare recipients are optimistic about work and welfare reform.

↘ Contrary to another popular myth, most welfare recipients prior to 1996 shared their fellow citizens' unhappiness with the old welfare system. A 1995 *Wall Street Journal*/NBC News Poll found 57% of welfare recipients agreeing that the welfare system “does more harm than good” because it discourages work and encourages the breakup of families. Strong majorities of recipients favored requiring recipients to work (75%), and also wanted work requirements to be accompanied by such benefits as subsidized child care, job training, and health benefits.

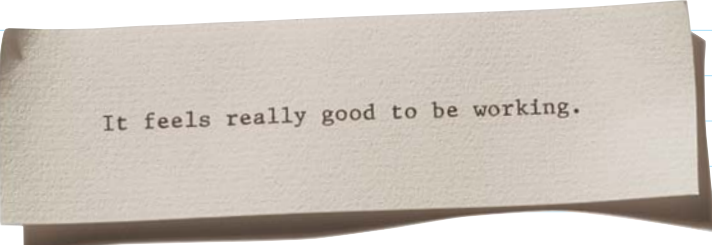
Today, five years after reform—and even in the face of difficulties finding jobs and other economic hardships—it is still striking how many people

who are or have been on welfare say they regard some of the changes as positive. A few examples:

- * 83% of Chicago welfare recipients interviewed agreed that “it is a good idea to require people on welfare to find a job and work.”
- * 92% of former AFDC recipients in Milwaukee said they have more self-confidence and are better role models for their children when they are working.
- * About half (45–51%) of Indiana and Illinois respondents said welfare reform gave them confidence or helped them feel they could succeed.

Some studies also find people who have left welfare reporting that they are better off now. Nearly half of such families in Iowa said their standard of living was good or very good (and about the same number said it was fair to very poor); 82% of former AFDC recipients in Wisconsin who were working regular jobs said their standard of living was the same or better than what they’d experienced on welfare.

Finally, some studies also found that people even felt positive about their encounters with welfare offices. In one Wisconsin study, the vast majority of those surveyed reported that they had been “treated with respect” and that agency workers “want people like me to succeed” or “wanted to help.” In Indiana, over 60% of those surveyed said that welfare workers had helped them get a job and become financially independent. An Illinois study found 73% of recipients agreeing (and 20% strongly disagreeing) that case workers had treated them with respect.



It feels really good to be working.

Welfare recipients know that they face time limits. But they often don’t know that working families are still eligible for benefits that could improve their standard of living.

Welfare reform created massive changes in a huge, bureaucratic system.

People who were receiving or seeking welfare, many of them poorly educated or with limited English skills, had to learn a whole new set of rules—rules that could have an enormous impact on their families’ lives.

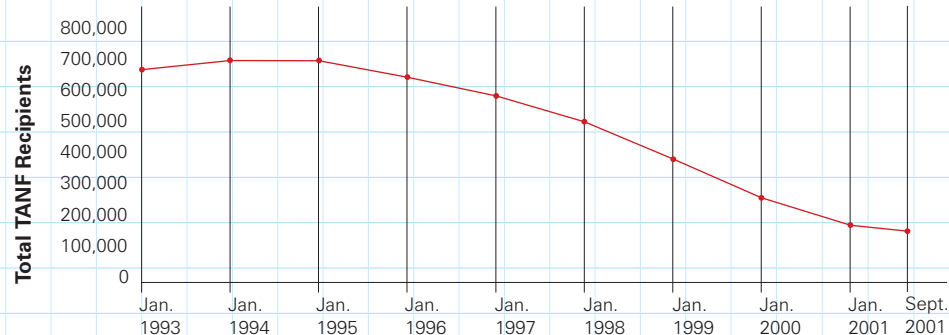
By and large, that work has been accomplished, though it’s been done better in some states than in others, and better around some rules than others.

The message about time limits has clearly gotten across: strong majorities (73% in Chicago, over 70% in Minnesota, about 60% in Wisconsin) knew there was a time limit on cash assistance.

On the other hand, too many families are unaware of benefits for which they are eligible and which could improve their standard of living. Over half (55%) of Wisconsin respondents were unaware that they could still get food stamps even if they weren’t on welfare, and a third (33%) didn’t know that their children could still get Medicaid. Iowa did better: 90% of participants knew their children could get Medicaid, 86% knew they were eligible for food stamps, and 76% knew they were eligible for child care assistance. In Illinois, about a quarter (27% and 23%) didn’t know about eligibility for food stamps and Medicaid; and 39% didn’t know that Illinois allows them to get some cash assistance while they are working.

MIDWEST WELFARE REFORM AT A GLANCE

Welfare caseloads have dropped dramatically.

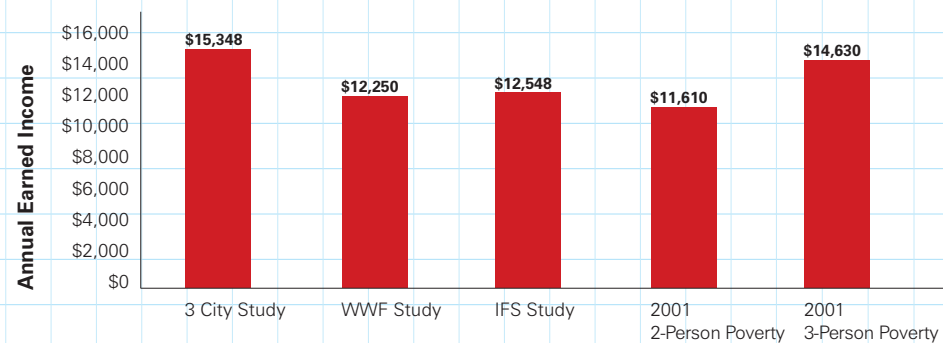


Most welfare recipients and leavers want to work and do work.

	3 City Study	IFS	WWF
Employed	57%	65%	67%
Left Welfare due to Work/Increased Earnings	65%	42%	54%
Work in Full-Time Jobs	54%	38%	—
Worked All Months While not on Welfare	52%	—	—

93% expect to be working one year from now.
83–88% agree it is a good idea to require people on welfare to work.

But low earnings leave many families poor.



Note: Sources on these data can be found in the References section. Full bibliographic citation for each chart is in the companion volume, *Welfare to Work: What Have We learned? Findings from Research on Welfare Reform in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin* (Joyce Foundation, 2002).

Work is only one reason for leaving welfare.

	3 City Study	IFS	WWF
Non-Compliance	14%	35%	30%
Time Limit	6%	2%	—

Families experience hardships.

	Unemployed Leavers	Employed Leavers
Can't buy groceries	56%	63%
Can't pay bills	61%	48%
Can't pay rent	54%	41%

Families face barriers to work.

	No HS/GED	HS/GED	Fair or Poor Health	Very Good or Excellent Health
% Employed	48%	72%	55%	72%
% Employed Full Time	53%	65%	53%	71%

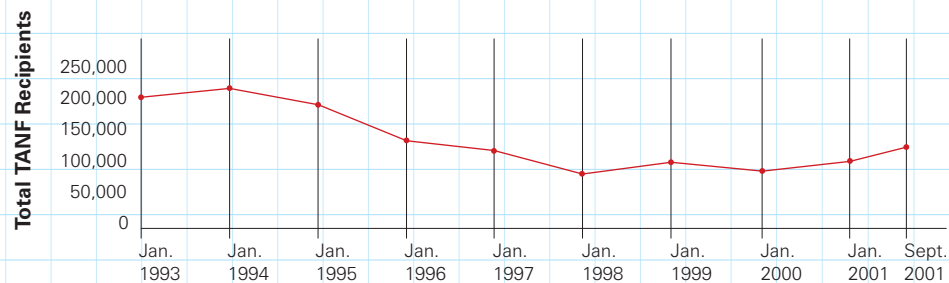
Many still need government assistance.

	3 City Study	WWF
Food Stamps	26%	40%
Medicaid	65%	61%
SSI	9%	10%
Subsidized Housing	58%	8%

Some families are still unaware of new rules and regulations.

39% mistakenly believed people cannot keep any cash assistance if they are working.
29% either did not know there were time limits on TANF or said there was no limit.
27% did not know it was possible to continue getting Food Stamps after leaving.
23% did not know it was possible to continue getting Medicaid while working.

Welfare caseloads have dropped dramatically but increased recently.



Most leavers work.

	Welfare Reform Group	AFDC Group
Percent Worked Since 1995 Reform	89%	87%
Percent Currently Working	58%	52%
Of Those Currently Working, % Full-Time	68%	68%
44% said that welfare reform "helped me to find a job"		
45% said welfare reform "helped me to feel I could succeed on my own"		

But low earnings leave many poor.

Average Hourly Wage	Annual Earnings	2-Person Poverty	3-Person Poverty
\$8.00	\$14,000	\$11,610	\$14,630

29% work less than 32 hours per week.

27% of part-time workers earn less than \$6.00 per hour.

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Work is only one reason for leaving welfare.

16% of families reached a time limit
 7% were sanctioned off
 Families who were sanctioned had more needs and were less able to meet these needs

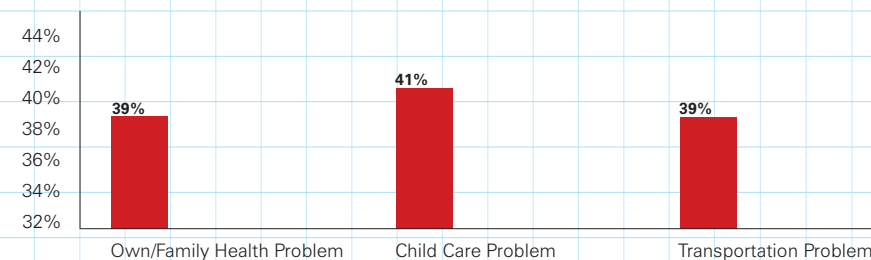
Families experience economic hardships.

25% had their utilities turned off
 9% had been homeless recently
 8% had been evicted
 8% searched trash cans, asked for spare change, and/or begged for work
 18% experienced hunger

Families still need government assistance.

	On TANF	Off TANF
Food Stamps	95%	38%
Medicaid	97%	53%
SSI	12%	11%

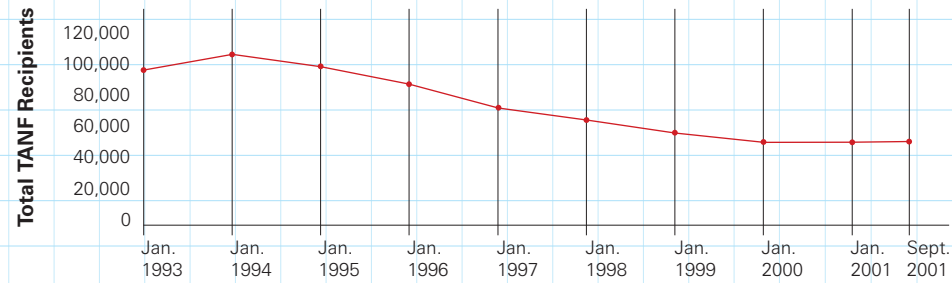
Families report barriers that limit their ability to work.



Some families are still unaware of new rules and regulations.

72% with a child 6–17 said they were not told about school attendance requirements.
 44% said they were not told about family cap rules.
 17% said they did not know about time limit rules.
 40% who knew the rule said they did not know how many months they had left on their 'clock'.

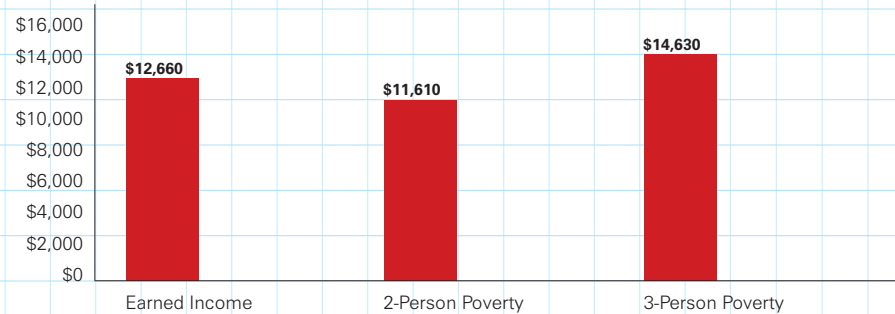
Welfare caseloads have dropped dramatically.



Most leavers work and they like it.

Employed	60%	<i>"The best thing about going back to work is feeling good about myself. And knowing that I am doing this all on my own. The self-reliance."</i>
Working 40+ Hours/Week	50%	
Average Hours/Week	34	

But low earnings leave many poor.

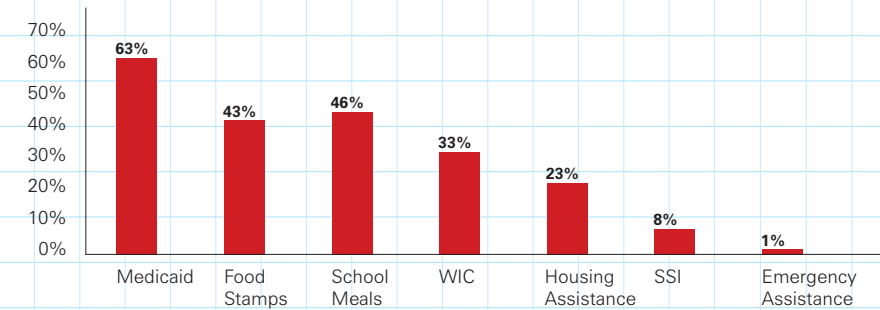


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Families experience economic hardships.

	Families with More than \$500 Monthly Income	Families with Less than \$500 Monthly Income
Experienced hunger	14%	38%
Homeless	3-5%	9-24%
Unable to pay rent/mortgage	24%	41%
Moved in with others to save money	19%	38%
No phone for at least 24 hours	33%	50%
No heat for at least 24 hours	7%	12%
No electricity for at least 24 hours	5%	18%

Families still need government assistance.



Some families are still unaware of new rules and regulations.

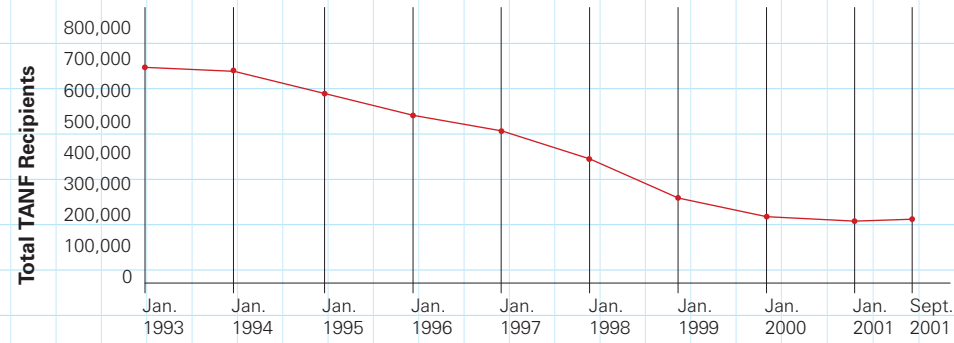
	Not Told About Continued Eligibility After Leaving FIP		
	Medicaid	Food Stamps	Child Care
All Families	49%	50%	56%

Families face barriers to work.

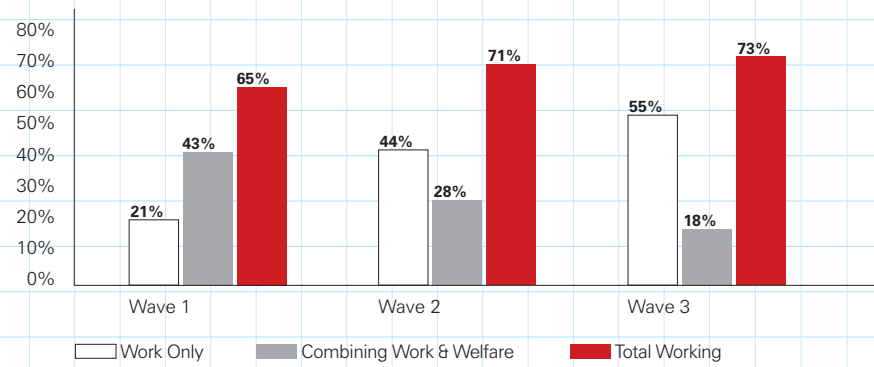
Reason for Not Working	Percentage Reporting
Physical or Mental Health Problems	23%
Unable to Find Job/Looking for a Job	16%
Child Care Problems	13%
Pregnancy	9%
Transportation	6%

MICHIGAN

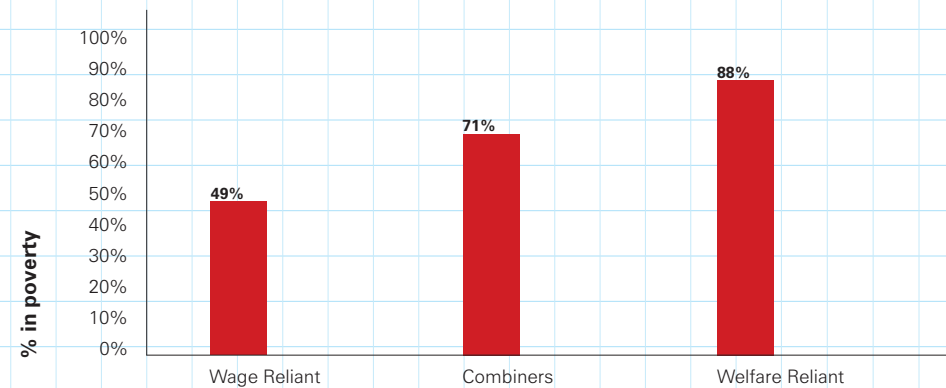
Welfare caseloads have dropped dramatically.



Most recipients and leavers work.



Low earnings leave many poor.



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Families experience economic hardships.

	Working Leavers	Combiners	Welfare Only	No Work/ No Welfare
Hunger	12%	21%	29%	10%
Utilities Cut Off	7%	11%	11%	5%
Eviction	6%	11%	9%	7%
Homeless	2%	4%	10%	3%
Telephone Cut Off	26%	39%	49%	28%
No Health Insurance (Mother)	37%	5%	3%	36%
Mother Did Not Receive Needed Medical or Dental Care	41%	12%	14%	38%

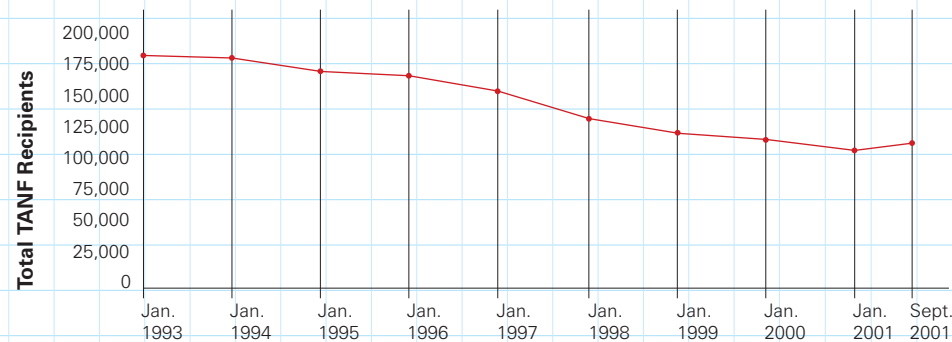
Families face barriers to work.

	% Working 20+ Hours	
	With Barrier	Without Barrier
Less than HS Education	39%	66%
Low Work Skills	34%	62%
Child Health Problem	49%	61%
Transportation Problem	45%	69%
Health Problem	39%	62%

Families still need government assistance.

Receipt of Aid in Month Prior to Fall 1999 Interview	Work Only	Combiners	Welfare Only	No Work/ No Welfare
Food Stamps	33%	90%	91%	39%
SSI	17%	15%	44%	27%
Friends & Family	14%	18%	17%	19%

Welfare caseloads have dropped dramatically overall.



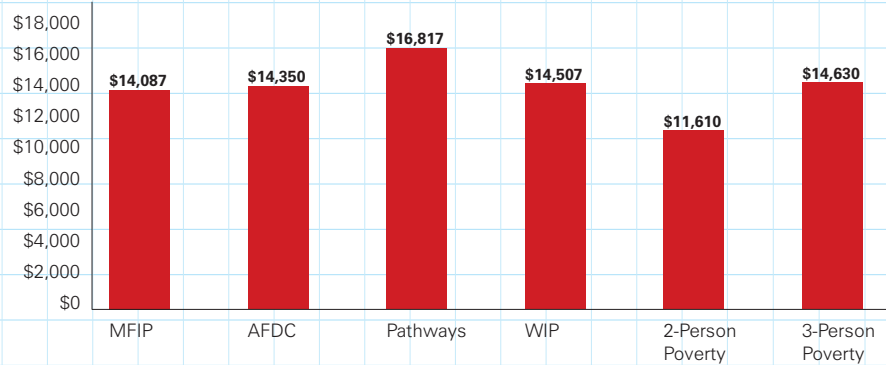
Most MFIP participants want to work and do.

49% of single-parent long-term recipients worked.

68% preferred to work full time.

19% said their families are better off if they stay on welfare.

But low earnings leave many near poverty



Note: Sources on these data can be found in the References section. Full bibliographic citation for each chart is in the companion volume, *Welfare to Work: What Have We learned? Findings from Research on Welfare Reform in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin* (Joyce Foundation, 2002).

MFIP reduced hardships for many families.

MFIP families had higher total incomes than those on AFDC.

MFIP recipients were more likely to be married than were AFDC recipients.

MFIP substantially reduced the incidence of abuse of family members.

Mothers in MFIP were less likely to report that children had behavior problems.

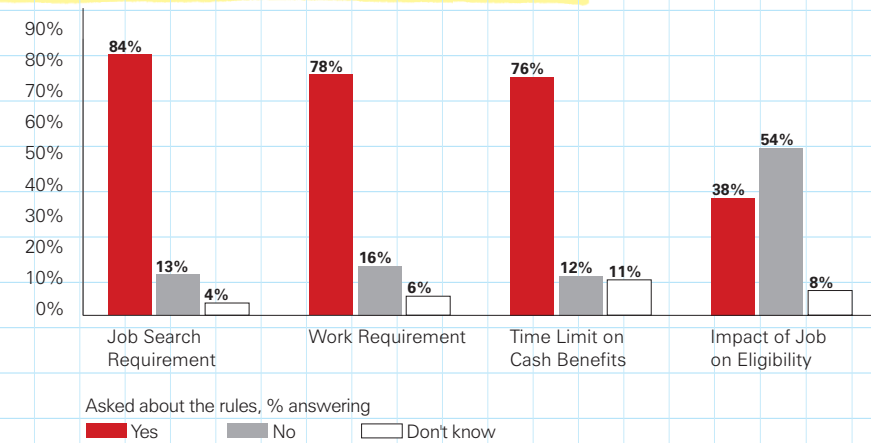
Families face barriers to work.

	Did Not Work	Worked less than 7 Quarters	Worked more than 7 Quarters
No HS Diploma	50%	40%	23%
Child Care Problem	58%	56%	51%
Transportation Problem	61%	49%	39%
Emotional/Health Problem	53%	34%	22%

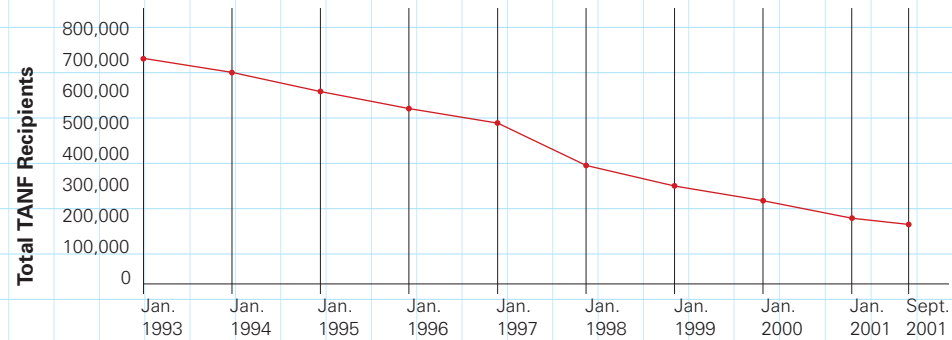
Families still need government assistance.

Percent Receiving Welfare	85%
Percent Relying Solely on Welfare	43%
Percent Combining Work and Welfare	42%

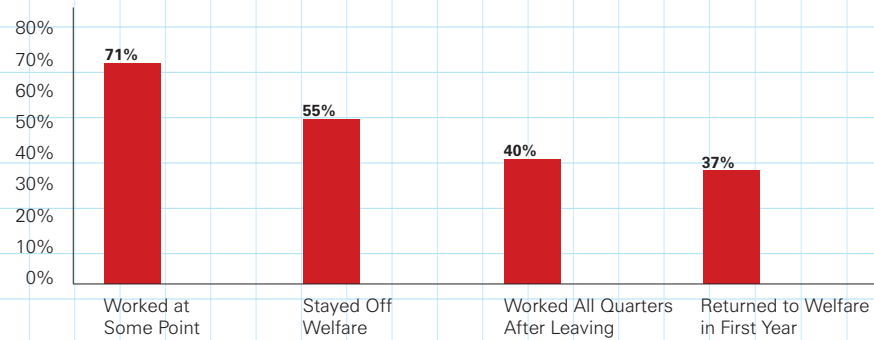
Some families are still unclear on new rules and regulations.



Welfare caseloads have dropped dramatically.



Most leavers work but many return to welfare.

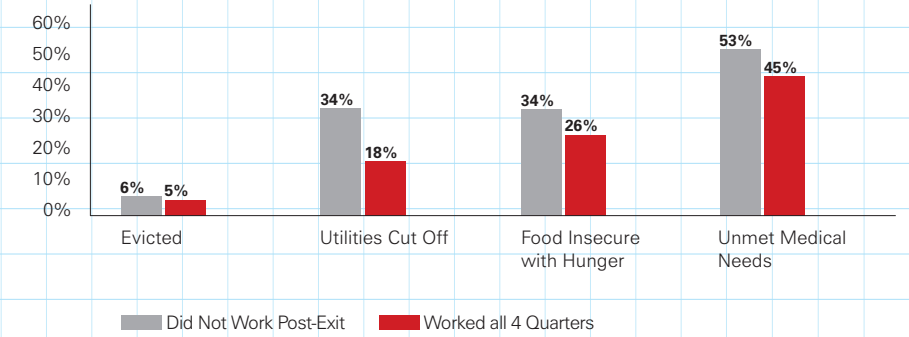


Low earnings leave many near poverty.

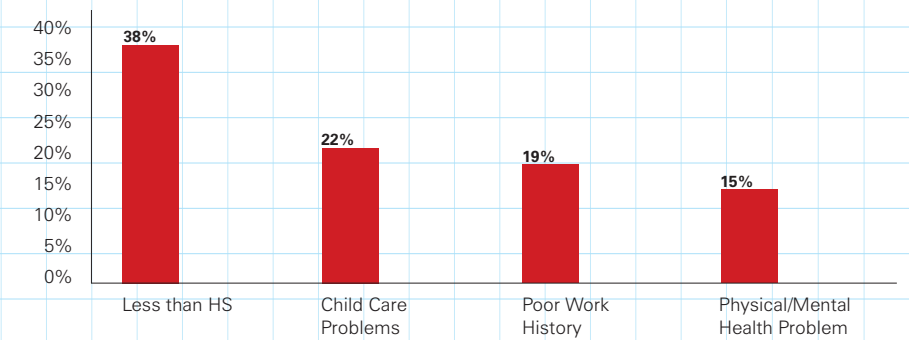
	CUPSC	PDUC	Two-Person Poverty	Three-Person Poverty
Monthly Earnings	\$933	\$1,056	\$968	\$1,223
Annual Earned Income	\$11,196	\$12,672	\$11,610	\$14,630

Note: Sources on these data can be found in the References section. Full bibliographic citation for each chart is in the companion volume, *Welfare to Work: What Have We learned? Findings from Research on Welfare Reform in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin* (Joyce Foundation, 2002).

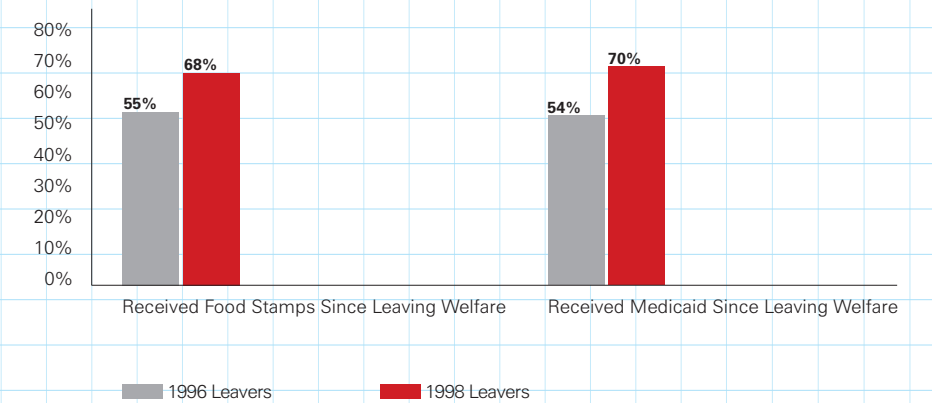
Families experience hardship.



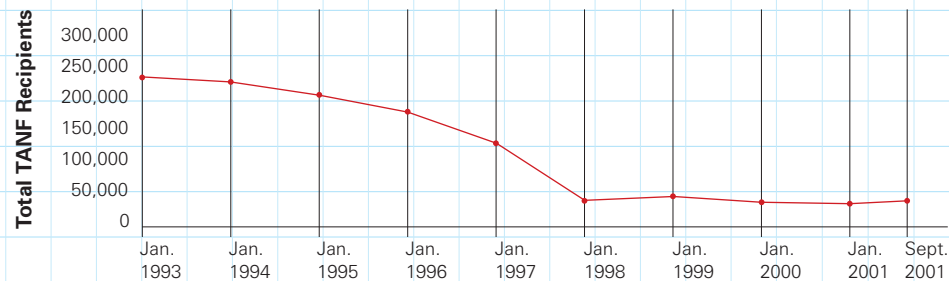
Families face barriers to work.



Families still need government assistance.



Welfare caseloads have dropped dramatically.



Most leavers work and they like it.

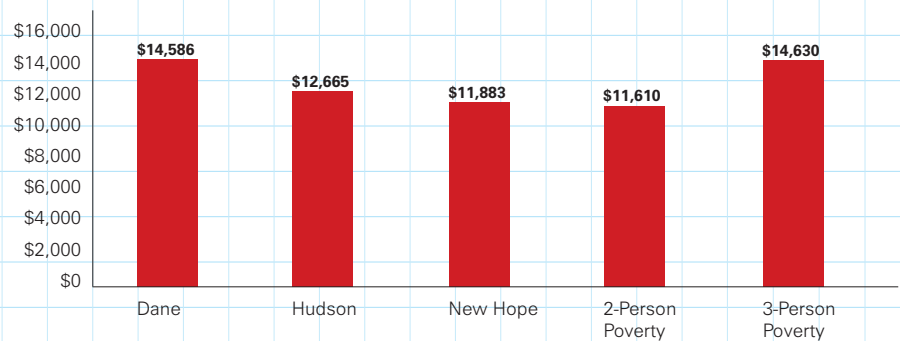
	IRP Dane	IRP Milwaukee	IRP-Before & After 1995	IRP-Before & After 1997
% Working Now or In Past Year	74%	62%	—	—
% Leavers Employed Some Point After Exiting	64%	—	81%	84%

92% feel they are better role models and have more self-confidence when working.

82% of working former recipients have same or better standard of living.

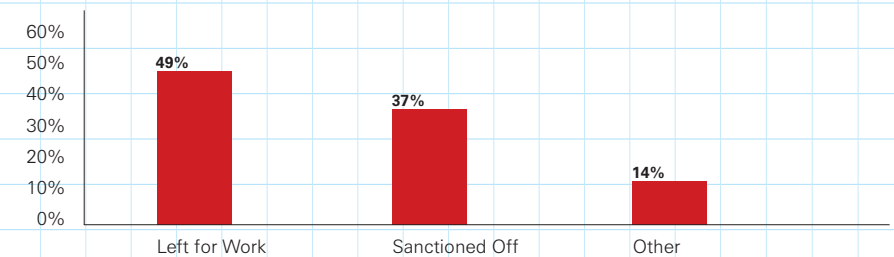
86% say they are better able to meet the needs of their children when working.

But low earnings leave many poor.



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Work is only one reason for leaving welfare.



Families experience economic hardships.

	IRP Milwaukee
Not Enough Money for Food	41%
Couldn't Pay Rent	47%
Couldn't Pay Bills	48%
Couldn't Buy Clothes	43%
Utilities Shut Off	15%
Phone Disconnected	34%
Evicted	11%
Doubled up	11%
Homeless	13%

Families still need government assistance.

	IRP Milwaukee	IRP Dane	Converting to W-2
Food Stamps	61%	56%	61%
Medicaid	77%	87%	86%
SSI	9%	24%	18%
Housing	18%	—	26%
Education	13%	22%	—
Child Care	24%	19%	15%
Can't Find Job	32%	26%	26%
Health	12%	13%	28%

Families face barriers to work.

Knowledge of new rules is still uneven.

	IRP-Dane
Did Not Know About	—
Sanctions for Missing Work Assignments	14%
Time Limits on Cash Assistance	42%
Cash Payments Unrelated to Family Size	35%

RECOMMENDATIONS

LESSONS

Richard Rothstein

Welfare-to-Work Route Shouldn't Skip Education

SAN FRANCISCO

We urge young people to get more education, arguing for example that women with college degrees earn 48 percent more than similar women with only high school diplomas.

But such advice did not guide the 1996 federal welfare reform. With a time limit of five years for receiving benefits, the law says that only one of those years can be used for education.

As a result, many recipients looking immediately for work got jobs in the booming economy of the 1990's—but these were often low-wage, dead-end jobs. Now, in a recession, the retail, restaurant and hotel industries that hired many welfare recipients are those with the most employment losses. Welfare recipients, the last hired, have been the first fired.

In the long run, it might have been wiser for more recipients to improve their skills before going to work. With more education, they might have been able to keep jobs in bad times as well as good.

Community colleges can offer the education, but an associate degree takes at least two years, not one. Some of these colleges, however, have gone beyond the limits in federal law, taking advantage of more flexible state and local rules.

City College of San Francisco, for example, provide



David Suter

used a San Francisco city scholarship to finish her studies.

Tomie Craig, 27, was City College valedictorian when she got an associate of arts degree in June 2000. Ten years ago, pregnant with the first of two children, Ms. Craig had dropped out of high school and gone on welfare. She, too, had sought an associate degree to get an equivalent to a high school diploma.

Given what we know about how Midwest families have fared under welfare reform, what should be done to improve welfare policymaking—and thus improve the lives of poor and working families—in the next round?

As Congress gears up to reauthorize PRWORA in 2002, many voices are weighing in with recommendations. Two Midwest regional voices, both funded by Joyce, offer solid suggestions: Midwest Partners, a regional coalition of welfare advocacy groups, and WELPAN, a network of Midwest state administrators who have been at the forefront of implementing reform.¹ Their agendas, which are based on their experiences on the frontlines, deserve serious consideration.

The following recommendations reflect the experience of the Foundation and arise out of the lessons that are outlined in this report.

Invest in effective education and training.

The first wave of welfare reform pushed “work first,” and the results show it. Most recipients did go to work. But lack of education and training remained a barrier that kept some recipients from getting jobs in the first place or from holding onto them for long. Those who were working generally earned low wages, not because higher-paid jobs weren’t available, but because they lacked the skills for them and had little or no access to training to get those skills. How much better off would low-skilled workers be if we had made more significant investments in upgrading their skills during the strong economy?

¹ Midwest Partners: *Recommendations for Welfare Reauthorization*, www.midwestpartners.org; Welfare Peer Assistance Network, *Principles to Guide Reauthorization*, www.ssc.wisc.edu/irp/welpan

The current recession makes investing in training even more imperative. When unemployment fell below 4%, desperate employers were willing to waive entry requirements to get people in jobs. Now regional unemployment is back up to 4.9% (December 2001 figures), Michigan and Illinois are above 5%, and the nation as a whole is edging back toward 6%. Those trends allow employers to be more selective. Meanwhile, thousands of people who followed the path from welfare to work are or will likely soon be losing their jobs. Training can help them qualify for jobs in fields that continue to grow—health care, for example—and also for jobs in manufacturing, where employers are finding it difficult to replace the skills of retiring workers. Training can keep former welfare recipients attached to the labor force; lacking training, and with the labor market tightening up, they’re likely to be forced back onto welfare, if they have not already exhausted their lifetime benefits.

Effective locally based training groups abound in the Midwest. Their voices, and the voices of employers, need to be heard in the next round of policy-making. Incentives for employers to provide educational opportunities for workers, flexibility for those on assistance to combine work experience and training, and adequate funding can all help boost the skills of low-wage workers, to the advantage of both these families and the regional economy.²

Maintain funding levels.

Opponents of welfare reform worried that the block grants, based on 1994 welfare levels, would be insufficient to meet the need. During the 1990s, they were wrong. Plummeting welfare rolls freed up money for states to spend on

² The Workforce Alliance, www.workforcealliance.org; and CLASP, *Opportunities to Reduce Poverty by Improving Employment Outcomes*, www.clasp.org

services like child care, which, as the research demonstrates, have been critical supports for people going to work. Even in good times, maintaining those services would be important to enable families to continue to pursue the promise of reform. As HHS Secretary (and former Wisconsin Governor) Tommy Thompson has repeatedly said, genuine welfare reform can’t be accomplished “on the cheap.” Policymakers need to resist the temptation to cut welfare block grants because the welfare rolls are down, and instead recognize that the funding, especially for non-cash assistance, has provided essential support for people who have moved from welfare to work, and thus has been critical for the success of welfare reform.

That becomes even more critical when recession pushes up unemployment rolls and cuts into state budgets. The whole notion of a safety net is to help people through hard times; this is no time to cut it.

Restructure the safety net to build supports around work.

Working families continue to experience economic hardship and depend on various forms of government assistance to get by. Determined outreach efforts on everything from bus placards to grocery bags have spread the word about eligibility for one of the most important forms of assistance, the Earned Income Tax Credit. But the research suggests that many working families don’t know that they can still qualify for benefits like Medicaid and food stamps. States should do a better job of communicating, and they should be able to experiment with employer-based enrollment for these programs.

Meanwhile, state administrators and welfare advocates alike express frustration especially with the food stamp program, which continues to impose bureaucratic rules that make it difficult for working families to get

food assistance.³ The program should be streamlined so that these barriers are eliminated.

Finally, states should continue to experiment with innovative ways to help families that are making a good faith effort to work.

Maintain state innovation and flexibility to help individual families.

One of the most striking features of welfare reform is the creativity and innovation at the state and local levels, especially here in the Midwest.⁴

That spirit should be maintained. Innovative programs that work—for example, the Illinois policy that enables families working 30 hours a week to get assistance through state funds without using up their five-year federal eligibility—should be considered by other states.

When recession threatens low-wage jobs, flexible policies are needed to enable newly laid-off workers to qualify for unemployment insurance, for which many low-wage and temporary workers are currently ineligible.⁵

Especially important, now that the five-year mark has been reached, will be flexibility in applying time limit policies. Some families, despite welfare reform and the strong labor market of the 1990s, still have not made the transition

³ America's Second Harvest, *Red Tape Divide: State-By-State Guide to Food Stamp Applications*, www.seconddharvest.org/policy/food_stamp_study.html. WELPAN: "Eliminating the Silos: Or, It's Not Just Welfare Anymore," www.ssc.wisc.edu/irp/welpan

⁴ For details, see "Effective State Policies and Programs That Support Work and Increase Income," in the companion volume: *Welfare to Work: What Have We Learned: Findings from Research in Welfare Reform in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin* (Joyce Foundation, 2002)

⁵ National Employment Law Project, www.nelp.org

to work. As the research makes clear, many are ill or disabled, physically or mentally or because of such problems as domestic violence; others are caring for disabled family members. Continued experimentation for reaching and helping these families is important, and states should monitor and share the results with one another so that successful programs are spread. A number of cities and states are experimenting with publicly funded, transitional jobs as one potential strategy for helping such people.⁶ States should also be flexible in applying time limits to keep families engaged with a social support network and ensure that those who are making efforts to comply with work requirements aren't punished if jobs aren't available or if they are finally unable to make it in the private workforce.

Ensure accountability for delivering results that genuinely help poor and working families.

Despite the magnitude of the social change it sought to introduce, the 1996 PRWORA contained little authority or funding to evaluate the results, leaving private funders like Joyce to step in. Although we believe the research reported here is first-rate, the results have inevitably been piecemeal. Especially lacking have been studies that compare the experience of people in new programs with a control group, which would enable researchers to figure out whether the new program or some other factor (a strong labor market, for example) was responsible for results. As pointed out in the foreword, lacking such studies we can only report the changes, not assign the cause.

⁶ Transitional Jobs Network, www.transitionaljobs.net

Meanwhile, critical questions remain unanswered going into the next round.

A Midwest welfare administrator who read this report in draft outlined several of them for us:

- What strategies lead to employment? to income gains? to job advancement?
- What is the cost benefit of one strategy versus another?
- What are the most effective forms of training?

To this list we should add:

- What are the best ways to serve “the hardest to employ”—those who still haven’t found their way into the workforce?
- What is preventing or deterring people from collecting benefits—EITC, food stamps, Medicaid, child health insurance—that they are eligible for?
- How can states keep better track of people who have left welfare—i.e., measure more than caseload reduction?

The next wave of reform should require, and fund, effective evaluation studies so that we can answer these questions. To quote another state official, “Welfare reform delivers but the work is not yet done.” We need to keep paying attention to make sure it is done right, so that Midwest families end up genuinely better off as a result.

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