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## Leaving Welfare: Challenges in a New Economy

Gregory Acs  
*Urban Institute*

Pamela Loprest  
*Urban Institute*

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Gregory Acs and Pamela Loprest

# Leaving Welfare

## Challenges in a New Economy

*NOTE: This article highlights some of the research findings that appear in the authors' new book, Leaving Welfare: Employment and Well-Being of Families that Left Welfare in the Post-Entitlement Era, which was recently published by the Upjohn Institute. Visit [www.upjohninstitute.org](http://www.upjohninstitute.org) to read the first chapter or to order the book.*

**D**uring the mid 1990s, states aggressively pursued new and innovative welfare policies beginning under waivers to federal rules and continuing through federal welfare reform. The Temporary Assistance for Needy Families (TANF) block grant program replaced the “check writing” culture of the old welfare system with program rules that emphasized the importance of work. These rules include strong work requirements for recipients of cash assistance and strict sanctions for noncompliance with these requirements, coupled with enhanced financial incentives to work. The late 1990s’ policy

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focus on work happily coincided with a booming economy. The results are well-known: welfare caseloads dropped dramatically around the country, and the majority of families leaving welfare had at least one working adult and were, on average, better off than they had been on welfare.

As we pass the eighth anniversary of federal welfare reform, states’ policies have begun to stabilize, and low-income families are likely to have adapted to the new world of welfare. Further, the hot economy of the 1990s has given way to a more temperate job market. As federal policymakers continue to debate whether and how to change federal program rules when reauthorizing the TANF program—a discussion that continued for nearly

three years without resolution—it is useful to reexamine what we know about the challenges facing families leaving welfare and the unfinished business of welfare reform.

### Status and Trends among Welfare Families

Most location-based studies of families leaving welfare during the late 1990s find that about 70 percent of welfare leavers worked at some point during the year following their exits from welfare, and at any given time, about three out of five were working. The similarity of these results across areas that differed dramatically in their specific welfare policies is a testament to both the strength of the economy at that time and the increased emphasis on work under welfare reform.

As the policy environment stabilized and the economic climate cooled, the share of welfare leavers working nationally dropped from 49.9 percent in 1999 to 42.2 percent in 2002 (Loprest 2003a). Further, more leavers ultimately returned to welfare. In 1999, one out of five leavers returned to TANF; by 2002, that share climbed to one out of four.

Next we assess the status of working leavers, disconnected leavers, and families that either returned to welfare or never left to highlight some of the issues that remain for reauthorization and beyond.

**Working leavers.** Studies of welfare leavers indicate that working leavers are, for better or worse, entrenched in the low-wage labor market. On average, employed leavers work full time and their median earnings are comfortably above the minimum wage (Acs and Loprest 2004). Access to employer-sponsored benefits varies across locations and studies, but even during the 1990s, fewer than half of all working leavers had health insurance coverage from

their employers or paid sick leave. While debate continues over the level of federal child care funding, relatively low percentages of working welfare leavers reported using child care subsidies. At the same time, unemployed leavers frequently cited child care as a reason for why they are not working (Acs and Loprest 2004).

National data comparing employed former TANF recipients in 1999 and 2002 show that their job characteristics have not changed much. In both years, about one-third of working leavers have employer-sponsored health insurance, about one-third work less than 35 hours a week, and about one-quarter worked irregular or night shifts (Loprest 2003a). Median hourly wages climbed modestly from \$7.72 to \$8.06 over the period.

**Disconnected leavers.** Particularly troubling in recent years is the growth of a subgroup of leavers who are

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“disconnected” from the labor market and welfare system. The proportion of leavers who were neither in the labor force nor receiving TANF or public disability benefits grew by 4 percentage points between 1999 and 2002, from 9.8 to 13.8 percent (Loprest 2003a). Disconnected leavers do not work, do not live with a working spouse, and do not receive welfare or disability benefits. In short, they have not made a successful transition off welfare, and their ranks are growing. This group faces significant barriers to work. Compared with working leavers, the disconnected leavers are substantially more likely to be in poor physical or mental health (41.3 versus 25.0 percent) and to lack a high school degree or GED (54.7 versus 22.3 percent) (Loprest 2003c). They also face considerably higher levels of economic hardship than working leavers, particularly food-related hardships. In response to concerns that some of these families left welfare due to sanctions but

lacked the information or ability to regain compliance with rules, some welfare offices have implemented intensive outreach services, such as social worker home visiting programs.

**TANF recipients.** Today's TANF caseload comprises recent entrants, families that have cycled back on to welfare after trying to leave, and families that have been on the rolls for relatively long periods of time. Unlike working leavers, they have been unable to establish themselves strongly enough in the low-wage labor market to leave the TANF rolls.

These families, especially long-term welfare recipients, are of particular concern because they are at risk of exhausting their five-year lifetime allotment of federal welfare benefits. Location-based studies and national survey data show that many recipients face serious challenges to work, including poor mental and physical health, domestic violence, poor education and little work experience, and the responsibility of caring for disabled children or parents. More than one-third of all long-term recipients are in very poor health, and half failed to complete high school. Further, nearly two out of every five have not held a job in over three years (Zedlewski 2003). States have made considerable efforts since the early years of welfare reform to implement programs to assess and address these major challenges for recipients. Many state officials have pointed out that the higher per-recipient cost of these types of interventions (relative to simple cash assistance) needs to be kept in mind in discussions of the level at which the TANF block grant should be set.

### What Government is Doing to Help

In the early days of welfare reform, many families that left welfare also stopped receiving food stamps and Medicaid even though they remained eligible for these program benefits. Continued receipt of these social supports could improve the well-being of working and nonworking leavers alike and would be an important tether to families who otherwise would be

disconnected. Eligible families do not participate in programs like Food Stamps, Medicaid, and State Children's Health Insurance Program because they do not realize they are eligible, cannot meet the administrative requirements to continue participating in them, or do not want to rely on the government for any further support.

In response to these real and perceived barriers to participation in public assistance programs available to TANF leavers, many states sought to increase awareness about eligibility for these programs and eased the administrative burden associated with maintaining benefits by simplifying forms and keeping program offices open outside of regular working hours. The federal government also allowed states to ease the Food Stamp Program's reporting requirements and made some changes to asset limits.

The benefits of these outreach efforts and program rule changes are evident. Between 1999 and 2002, the share of welfare leavers who participated in the Food Stamps Program grew from 28.1 to 35.4 percent, the share of adult leavers enrolled in Medicaid from 40.3 to 48.0 percent, and the share of leavers' children enrolled in Medicaid from 56.9 to 64.3 percent (Loprest 2003b). Leavers who receive government assistance are far less likely to return to welfare than leavers who do not receive these benefits.

### What the Future Holds

Future policy for welfare and low-income families needs to be two-pronged: 1) We must continue to promote policies that support low-income families' work and "make work pay," and 2) we must ensure that a viable welfare "safety net" remains for those with serious barriers to work. Indeed, the average welfare leaver solidly entered the low-wage labor market. But this leaves open a host of challenges: How do these families afford child care and health care costs? How can they move up and out of low-wage jobs? Do they have alternatives to returning to welfare if they lose their jobs? And while the average leaver may be working, there are a large number of

families on welfare and who have left welfare that face serious challenges to work and may need time on assistance as well as specific interventions to prepare them for the job market. The challenge as we move forward is to address both sets of policy needs. We cannot let the successes of welfare reform in moving families to work lead us to think TANF can be simply a very short-term "work first" program. Nor can these successes cause us to forget that the movement off of TANF to a low-wage job is only a first step for these families in the transition to self-sufficiency.

*Gregory Acs is a senior research associate in the Urban Institute's Income and Benefits Policy Center. Pamela Loprest is a labor economist and senior research associate at the Urban Institute.*

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