



## Testimony

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# WELFARE REFORM

## States' Implementation Progress and Information on Former Recipients

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# Welfare Reform: States' Implementation Progress and Information on Former Recipients

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Madam Chair and Members of the Subcommittee:

Thank you for inviting me here today to discuss our work on state implementation of welfare reform and information on families who have left welfare. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (P.L. 104-193) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. The act ended the federal entitlement to assistance for eligible needy families with children under Aid to Families With Dependent Children (AFDC) and created the Temporary Assistance for Needy Families (TANF) block grant, designed to help low-income families reduce their dependence on welfare and move toward economic independence. Under TANF, states have much greater flexibility than before to design and implement programs that meet state and local needs. At the same time, states must impose federal work and other program requirements on most adults receiving aid and enforce a lifetime limit of 5 years, or less at state option, on the length of time federal assistance is received.

These recent federal and state reforms represent significant departures from previous policies for helping needy families with children. To better understand states' program changes and the status of families who have left welfare, your Subcommittee, in concert with the Senate Finance Committee, asked us to review and report on state implementation of welfare reform and information on families who have left welfare. To respond to your requests, in June 1998 we issued a report on implementation of welfare reform in seven states,<sup>1</sup> and today the Subcommittee has released a second report that reviews and summarizes state-sponsored studies of families who left the welfare rolls during or after 1995.<sup>2</sup> Today I will summarize these reports' findings, discussing (1) states' implementation of welfare reform, (2) what state-sponsored studies tell us about the status of children and families leaving welfare,<sup>3</sup> and (3) key issues involved in assessing the success of welfare reform.

In summary, our work shows that states are transforming the nation's welfare system into a work-focused, temporary assistance program for

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<sup>1</sup>See *Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence* (GAO/HEHS-98-109, June 18, 1998). States reviewed in depth were California, Connecticut, Louisiana, Maryland, Oregon, Texas, and Wisconsin.

<sup>2</sup>See *Welfare Reform: Information on Former Recipients' Status* (GAO/HEHS-99-48, Apr. 28, 1999).

<sup>3</sup>For the purposes of this report, the term "welfare" will refer to cash assistance received under AFDC or TANF.

needy families. Many states are refocusing their programs on moving people into employment rather than signing them up for monthly cash assistance. To better support this new work focus, many states are changing how their offices and workers do business, expanding the roles of welfare workers to include helping clients address and solve problems that interfere with employment. These changes, made in times of strong economic growth, have been accompanied by a 45-percent decline in the number of families receiving welfare—from a peak of about 5 million families in 1994 to fewer than 3 million families as of December 1998.

Caseload reductions serve as only one indication of progress in meeting the goals of welfare reform, however. An essential question is: What do these program changes and caseload reductions mean for needy families with children? Early indications from our review of state-sponsored studies in seven states conducted at various periods from 1995 to 1998 are that most of the adults who left welfare were employed at some time after leaving the rolls, often at low-paying jobs. There was little evidence of increased incidence of homelessness or of children entering foster care after families left welfare, in the few cases in which these studies addressed these issues. However, much remains unknown about the economic status and well-being of most former welfare families nationwide.

Many efforts are under way to provide more information on the families who have left welfare and the effects of welfare reform. As this information becomes available, it will permit a more comprehensive assessment of welfare reform, which will need to address the following key issues:

- How do low-wage earners and their families fare after leaving welfare for work?
- What is happening to eligible families seeking welfare who are provided other forms of aid, such as job search assistance, instead of welfare or other aid?
- How effectively are states working with hard-to-serve welfare recipients who remain on the TANF rolls?
- How would an economic downturn affect states' welfare reform programs?

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## Background

PRWORA specified that the goals of TANF include providing assistance to needy families so that children may be cared for in their own homes or in

the homes of relatives; ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; preventing and reducing the incidence of out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. In fiscal year 1998, states expended or obligated \$12.2 billion of the \$14.8 billion in federal funds available for TANF.<sup>4</sup> In addition, states spent \$11 billion of their own funds on needy families with children, meeting the requirement to maintain a specified minimum level of their own spending to receive federal TANF funds. The Department of Health and Human Services (HHS) oversees TANF at the federal level.

Before PRWORA, many states received waivers from federal rules under the AFDC program to allow them to strengthen work requirements for adults, impose time limits on the receipt of aid, and change other aspects of their programs. As a result, at the time PRWORA was enacted, states were at different stages of implementing their reform efforts. State programs continue to evolve at different paces. The great extent of state experimentation and sweeping changes at the federal level have generated interest among program administrators, state and local policymakers, welfare advocates, and the public in general about state and local welfare programs and the status of families no longer receiving cash assistance under AFDC or TANF.

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## **States Are Changing Their Welfare Programs to Emphasize Work**

States' have made progress in restructuring their programs to emphasize work and to reduce families' dependence on welfare. State efforts include requiring more welfare recipients to look for work or participate in work activities; providing other forms of aid, such as child care and transportation, to keep families from needing monthly cash assistance; and focusing more on helping families solve problems that interfere with employment. Although caseloads have declined, it is not yet clear to what extent states' program changes, rather than the strong economy, have contributed to the decline.

Our work and other studies show that many states and localities are transforming their welfare offices into job placement centers. The seven states we reviewed in depth generally had increased the percentage of their clients required to participate in work-related activities from an average of 44 percent in 1994 to 65 percent in the early months of TANF

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<sup>4</sup>The Department of Health and Human Services (HHS) awarded states a total of \$16.6 billion under TANF. After some states transferred some of their TANF funds to the Child Care and Development Fund or the Social Services Block Grant, as allowed under TANF, \$14.8 billion remained available for TANF.

implementation in 1997. In some instances, applicants are now expected to engage in job search activities as soon as they apply for assistance. To emphasize the importance of work, five of the seven states have more strongly enforced work requirements by adopting provisions for terminating assistance to the entire family for noncompliance with program requirements. In addition, we recently reported that 17 states are drawing upon their existing workforce development systems to help welfare clients get jobs, often through the use of the Department of Labor's one-stop career center system.<sup>5</sup>

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## **Many States Are Using New Strategies to Divert Families From Welfare**

Requiring applicants to search for work as soon as or before they apply for aid is part of a major new strategy many states are using to divert some applicants from monthly cash assistance. With the end of the entitlement to cash aid and the increased flexibility now granted states under TANF, states are sometimes providing other forms of assistance—such as one-time, lump-sum payments; support services, such as child care and transportation; and assistance with job searches—in an attempt to keep families from needing monthly cash assistance. One-time cash payments can help families to catch up on rent, repair their car, or get through a medical emergency, allowing adults within the families to be more able to obtain or retain a job. Support services such as child care and transportation may also enable families to maintain their self-sufficiency without going on the welfare rolls. A study sponsored by HHS showed that, as of August 1998, 31 states had reported using at least one “diversion” strategy in at least part of the state.<sup>6</sup> A 1999 Rockefeller Institute review of 20 states' welfare programs found that states and localities have developed a range of diversion programs.<sup>7</sup> For example, a diversion program in Texas allows caseworkers to provide families with employment counseling or refer them to public or private agencies for a variety of services, while Arizona's diversion program offers families emergency shelter, rent or mortgage assistance, or assistance with utility payments.

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<sup>5</sup>See Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients (GAO/HEHS-99-22, Feb. 26, 1999).

<sup>6</sup>See Kathleen Maloy and others, A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform (Washington, D.C.: George Washington University, Aug. 1998) and Diversion as a Work-Oriented Welfare Reform Strategy and Its Effect on Access to Medicaid: An Examination of the Experiences of Five Local Communities (Washington, D.C.: George Washington University, Mar. 1999).

<sup>7</sup>See Richard P. Nathan and Thomas L. Gais, Implementing the Personal Responsibility Act of 1996: A First Look (Albany, N.Y.: Federalism Research Group, The Nelson A. Rockefeller Institute of Government, 1999).

Along with this new emphasis on diverting families from receiving monthly cash assistance comes concern among some policymakers, program administrators, and others that families in need of and eligible for Medicaid and food stamps may not be receiving these benefits. To ensure continued Medicaid coverage for low-income families, PRWORA generally preserves the Medicaid entitlement, setting eligibility standards at the AFDC levels in effect on July 16, 1996.<sup>8</sup> Moreover, many families who do not meet state-defined eligibility criteria for TANF can still be eligible for food stamps. We have ongoing work for Representatives Levin and Coyne addressing Medicaid and food stamp issues that we will be reporting on later this year.

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### **States Are Providing Supportive Services to Families to Decrease Welfare Dependence**

As many welfare offices have increased their emphasis on work activities, welfare offices and workers are also focusing more on helping clients address and solve problems that interfere with employment. The seven states we visited used some of the additional budgetary resources available under TANF<sup>9</sup> to provide services to help families address barriers to employment, including lack of child care,<sup>10</sup> lack of transportation,<sup>11</sup> and more complex mental and physical health problems. States are also continuing to provide services to families that have left the welfare rolls as a result of employment, including, in some cases, providing case management services to help ensure that families can deal with problems that might put parents' jobs at risk. In addition, some states are providing services to low-income working families not receiving cash.

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### **States Are Anticipating Difficulty in Serving Families Still on the Welfare Rolls**

As states require larger percentages of their welfare caseloads to participate in work-related activities—including some recipients who were previously exempted because of a determination of physical or mental disability—and as the most readily employable recipients leave welfare for employment, states are concerned that they will be left with a more difficult-to-serve population. Finding ways to involve these recipients in

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<sup>8</sup>For more information, see Medicaid: Early Implications of Welfare Reform for Beneficiaries and States (GAO/HEHS-98-62, Feb. 24, 1998).

<sup>9</sup>For more information, see Welfare Reform: Early Fiscal Effects of the TANF Block Grant (GAO/HEHS-98-137, Aug. 18, 1998).

<sup>10</sup>For more information on welfare reform and child care, see Welfare Reform: State Efforts to Expand Child Care Programs (GAO/HEHS-98-27, Jan. 13, 1998).

<sup>11</sup>See Welfare Reform: Transportation's Role in Moving From Welfare to Work (GAO/RCED-98-161, May 29, 1999) and Welfare Reform: Implementing DOT's Access to Jobs Program (GAO/RCED-99-36, Dec. 8, 1998).

work activities was one of the most challenging and widespread implementation issues cited in the seven states we visited.

Studies of these hard-to-serve recipients have found that, in addition to being less likely to have prior work experience and more likely to have lower literacy levels, they tend to have multiple problems that make participation in work-related activities more difficult. These problems include physical and mental health issues such as depression, anxiety, personality disorders, substance abuse, and domestic violence. To move these recipients toward economic self-sufficiency, states have sought to enhance their capacity to provide mental and physical health services. For example, in our June 1998 report, we noted that Oregon officials had estimated that about 50 percent of the state's welfare caseload requires drug or alcohol treatment services. Oregon introduced mental health and drug and alcohol services by integrating them into some of their training classes for welfare recipients and by placing counselors on-site at welfare offices.

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**Welfare Caseloads Have Declined, but No Consensus Exists on the Cause of the Decline**

States' implementation of more work-focused programs, undertaken under conditions of strong economic growth, has been accompanied by a 45-percent decline in the number of families receiving welfare—from a high of about 5 million families in 1994 to 2.7 million families as of December 1998. A large part of the reduction occurred after enactment of federal reform in August 1996: the national caseload declined 32 percent between January 1997 and December 1998 alone. Thirty-five states had caseload reductions of 25 percent or more during that same time period. While economic growth and state welfare reforms have been cited as key factors to explain nationwide caseload declines, there is no consensus about the extent to which each factor has contributed to these declines. In any case, it is important to view caseload reductions as only one measure of progress in meeting the goals of welfare reform. As stated, the goals of PRWORA include ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; encouraging two-parent families; and helping families care for their children in their own or relatives' homes. As a result, outcomes for families in the areas of economic status, family composition, and family and child well-being need to be assessed.



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## **Several Studies Show Most Adults in Former Welfare Families Were Employed at Some Time After Leaving Welfare; Little Is Known About Family Well-Being**

There are no federal requirements for states to report on the status of former welfare recipients. As a result, the only systematic data currently available on families who have left welfare come from research efforts initiated by states. We identified a total of 18 state-conducted or -sponsored studies in 17 states—2 studies in Wisconsin and 1 in each of the other 16 states—that reported on the status of families who left welfare in 1995 or later. (See app. I for a list of the studies.) These state studies differed in important ways, such as when they were conducted, the categories of families tracked, the length of time families were tracked, and the extent to which the families for whom data were available were representative of all families in the population from which the sample was drawn.

Taking these factors into account, we determined that only 8 of the 18 tracking studies, covering seven states, had sufficient data on a sample of families to conclude that the sample represented the population from which it was taken.<sup>12</sup> These states are Indiana, Maryland, Oklahoma, South Carolina, Tennessee, Washington, and Wisconsin. The eight studies from these states had data on at least 70 percent of the sample of families from the population of interest in the state or included a nonresponse analysis that showed no important differences between the respondents and the nonrespondents. We estimated that these seven states accounted for about 8 percent of the families who left welfare nationwide between October 1993 and June 1997. (See app. II for more information on the seven states' studies.)

Because the seven states' studies differ in key ways, including time periods covered and categories of families studied, the results are not completely comparable. However, the studies provide information on the status of families who had left welfare in these states at the time of the studies and, because certain results are consistent across the studies, suggest a pattern of what is happening to such families.

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<sup>12</sup>While the Iowa study had an 85-percent response rate, results could be generalized only to families assigned to an alternative assistance program for AFDC recipients who did not comply with program rules and for some who volunteered to be in the program, and not to families leaving welfare for other reasons. None of the 18 studies were able to locate all families included in the samples to be tracked. The nonresponse rates ranged from 15 percent to 88 percent for the studies using surveys; for the two studies using administrative data only, information about 8 percent and 18 percent of the families being tracked could not be found in the data being used.

## Adults Had Employment Rates of 61 Percent to 87 Percent, but Little Is Known About Household Income

Seven of the state studies reported that most of the adults in families remaining off the welfare rolls were employed at some time after leaving welfare. As shown in table 1, employment rates ranged from 61 percent to 87 percent for adults in these families. However, these employment rates were measured in different ways. Studies measuring employment at the time of follow-up reported employment rates from 61 percent to 71 percent. Studies measuring whether an adult in a family had ever been employed since leaving welfare reported employment rates from 63 percent to 87 percent. These employment rates generally exclude families who returned to welfare, which can be a substantial portion of the families who leave welfare.<sup>13</sup> The percentages of families who initially left welfare and then returned to the rolls were significant, ranging from 19 percent after 3 months in Maryland to 30 percent after 15 months in Wisconsin. The issue of families' needing to return to welfare will become more important as increasing numbers of recipients reach their time limit on aid, since returning to the rolls will no longer be an option for them.

**Table 1: Employment and Earnings Data From Studies in Seven States**

State and period during which families studied left welfare <sup>a</sup>	Employed at time of follow-up (percentage)	Ever employed since leaving welfare (percentage)	Average hourly wage rate <sup>b</sup>	Estimated average earnings per quarter <sup>c</sup>	Estimated average earnings per year
Indiana (1995-96) <sup>d</sup>	64.3	84.3	\$6.34	\$2,637	\$10,548
Maryland (1996-97)	<sup>e</sup>	63.0 <sup>f</sup>	<sup>e</sup>	2,384 <sup>f</sup>	9,536
Oklahoma (1996-97)	64.5	<sup>e</sup>	6.51	2,877	11,508
South Carolina (1997)	61.8	85.6	6.45	3,019	12,076
Tennessee (1997) <sup>g</sup>	61.0	<sup>e</sup>	5.67	2,727	10,908
Washington (1998)	71.0	87.0	8.09	3,786	15,144
Wisconsin (1995-96) <sup>h</sup>	<sup>e</sup>	82.1	<sup>e</sup>	2,378 <sup>i</sup>	9,512
Wisconsin (1998) <sup>j</sup>	62.0	83.0	7.42	3,473 <sup>i</sup>	13,892

(Table notes on next page)

<sup>13</sup>Removing families who return to welfare from the employment rate calculations results in higher employment rates, since many former recipients who return to the welfare rolls are not employed.

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Note: Except where noted, these data include only families who did not return to welfare.

<sup>a</sup>The year noted indicates the period during which the families studied left welfare. For more detailed information on the different time periods covered and frequency and length of follow-up of these studies, see app. II.

<sup>b</sup>These figures represent the mean wage. While the mean wage tends to be higher than the median wage, we did not have the median wage for all studies.

<sup>c</sup>For all studies except Maryland's and the first Wisconsin study, we had to estimate quarterly earnings on the basis of reported average hourly wages and average number of hours worked per week. Because it is unlikely that all members of the sample worked all 13 weeks in a quarter, most of these estimates are likely to be somewhat higher than the actual average earnings per quarter.

<sup>d</sup>Wage and earnings data for Indiana include those of recipients with earned income who were also on welfare. Because Indiana did report that average wage rates were significantly higher for former welfare recipients than for those combining work and welfare, the average wage rate for the combined groups may underestimate the wage rate for former recipients who are no longer on welfare.

<sup>e</sup>Data were not available.

<sup>f</sup>This figure also includes individuals who returned to welfare.

<sup>g</sup>The Tennessee study reported separately for families who left welfare for noncompliance and for those who were employed, whether on or off welfare. Employment rates presented here are for both groups, whereas wage data and earnings estimates are for the employed group only.

<sup>h</sup>These data are based on a study using administrative data for families leaving welfare from July 1995 to July 1996.

<sup>i</sup>Caution must be used in comparing these earnings figures because the earlier study used administrative data and the later one used survey responses. The administrative data may underestimate earnings because not all earnings were included. The survey data may be more inclusive of earnings but, because these data were self-reported, they could understate or overstate earnings.

<sup>j</sup>These data are based on interviews with families leaving welfare from Jan. 1998 to Mar. 1998.

**Turning to the incomes of those who left welfare, average quarterly earnings ranged from \$2,378 to \$3,786 in the studies that either reported quarterly earnings or for which we estimated quarterly earnings, as shown in table 1. Extrapolating these quarterly earnings to a year results in estimated average annual earnings for former welfare recipients in the seven states that range from \$9,512 to \$15,144, as also shown in table 1. These amounts of annual earned income are greater than the maximum annual amount of cash assistance and food stamps that a three-person family with no other income could have received in these states.<sup>14</sup> However, if these earnings were the only source of income for families**

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<sup>14</sup>As of Jan. 1997, in these seven states, the maximum annual amount of cash assistance and food stamps combined for a single-parent, three-person family with no income ranged from \$6,000 in Tennessee to \$9,744 in Washington.

after they left welfare, many of them would remain below the federal poverty level.<sup>15</sup>

While the tracking studies provide information on individuals' earned incomes, much remains unknown about families' total household incomes. For example, the studies generally do not provide complete information on other forms of household income, such as earnings by other household members, child support payments, and financial assistance from relatives and friends. Three of the eight state studies provided some information on total household income. In the Oklahoma study, 57 percent of the former welfare families reported household incomes at or below the federal poverty level. In the Indiana study, 57 percent of the families off welfare at follow-up reported monthly household income below \$1,000. In contrast, the Washington study reported average total family income, including child support payments, equal to 130 percent of the federal poverty level for a family of three. In addition, the 1995-96 Wisconsin study, which focused on earnings rather than income, found that the proportion of families who had left and remained off welfare for at least 1 year who had earnings above the federal poverty level varied by family size. While 35 percent of the families with one child and 24 percent of the families with two children had earnings above the poverty level, only 11 percent of the families with three or more children did.

In addition to information on total household income, information on the receipt of government supports is key to understanding the condition of former welfare recipients and the extent to which they continue to rely on government aid and have not become economically self-sufficient. Five of the seven states' studies had some information on the receipt of benefits. For example, between 44 and 83 percent of the families who left welfare received Medicaid benefits, and between 31 and 60 percent received food stamps. As we discussed earlier, some policymakers and administrators are concerned that families seeking assistance and being diverted from welfare may be inappropriately diverted from receiving Medicaid and food stamps and that those who leave welfare may not receive Medicaid and food stamps even though they continue to be eligible for those programs. For example, families that leave TANF for employment generally may continue to receive Medicaid for 12 months. In addition, Medicaid coverage is also available for many low-income children even if their parents are not eligible.

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<sup>15</sup>For 1998, the federal poverty level for a family of three was \$13,650.

In addition to interest in welfare recipients who have left welfare and are employed, there is great interest in how those families who have left welfare and are not employed are faring. The South Carolina and Wisconsin surveys asked nonworking former recipients what stopped them from working for pay. In both states, the most frequently mentioned reason was their own physical or mental illness, followed by the inability to find a job, lack of transportation, and lack of child care. The Wisconsin study attempted to determine how these families were supporting themselves. Of the 142 former recipients not currently working, 18 percent were living with employed spouses or partners. Sixty-five percent of the families of the remaining nonworking former recipients were receiving Social Security, state unemployment insurance, child support, or foster care payments; 23 percent were not receiving cash assistance but were receiving noncash assistance, such as free housing, rent subsidies, Medicaid, or food stamps.

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**Studies in Seven States  
Provided Limited  
Information on the  
Well-Being of Children and  
Families**

The seven states' studies generally provided no information on changes in family composition, such as changes in marital status or formation of two-parent families, and provided little information on how former welfare children and families were doing relative to housing, health, education, and nutrition.<sup>16</sup> However, preliminary evidence from a few of these studies shows no increased incidence in homelessness or entry of children into foster care at the time of follow-up.

Three studies—from Maryland, Oklahoma, and Washington—reported on the number of children in former recipient families that had ever been involved with child protective services and found few cases in which children had been involved with child protective services since leaving welfare. For example, the Maryland study reviewed state data from its foster care program to determine the number of children placed in foster care after their families left welfare. This study reported that less than one-half of 1 percent of the children studied entered foster care after their families left cash assistance. In addition, South Carolina, in separate analyses, compared the number of incidents of maltreatment reported to the Child Protective Services' Central Registry for a sample of families who had left welfare with the number of incidents for families still on welfare; it also compared the number of incidents of maltreatment in a sample of former welfare families before and after leaving welfare. The differences were not statistically significant for either comparison.

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<sup>16</sup>These and other factors are considered indicators of well-being.

Two studies, South Carolina's as well as Wisconsin's recent survey of families leaving welfare during the first quarter of 1998, asked former recipients to compare several aspects of their general well-being after leaving welfare with their situation when they were on welfare. Because Wisconsin used a modified version of the interview schedule developed in South Carolina, the data are comparable, even though the programs that the recipients participated in are not. Table 2 shows the results from the two states' surveys. Former welfare recipients in both states more often experienced deprivations after leaving welfare than while on welfare. At the same time, 76 percent and 68 percent of respondents in South Carolina and Wisconsin, respectively, disagreed or strongly disagreed with the statement that "life was better when you were getting welfare." Regarding housing status, an important aspect of well-being, the limited information from the studies did not suggest increased incidence of homelessness at the time of follow-up.

**Table 2: Recipients' Comparisons of Deprivations While on and After Being on Welfare**

Question	South Carolina <sup>a</sup> (percentage responding "yes")		Wisconsin <sup>b</sup> (percentage responding "yes")	
	On welfare	Off welfare	On welfare	Off welfare
Did you ever get behind in rent or house payments?	13	15	30	37 <sup>c</sup>
Did you ever get behind on a utility bill?	16	18	49	47
Was there ever a time when you could not buy food?	6	9	22	32 <sup>c</sup>
Was there ever a time when you could not afford child care when needed in order to work?	11	9	22	33 <sup>c</sup>
Did somebody in your home ever get sick or hurt when you could not get medical care?	1	7 <sup>c</sup>	8	11
Did you have to go to a homeless shelter?	2	1	5	3

<sup>a</sup>Based on a sample of 403 former welfare recipients.

<sup>b</sup>Based on a sample of 375 former welfare recipients.

<sup>c</sup>These differences are statistically significant at the .05 level.

Sources: South Carolina's Survey of Former Family Independence Program Clients: Cases Closed During July Through September 1997 and Wisconsin's Survey of Those Leaving AFDC or W-2 January to March 1998, preliminary report.

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## **Efforts Are Under Way to Further Assess the Success of Welfare Reform**

While we were able to learn some things about the status of former welfare recipients in several states, we could not draw conclusions about the status of most families that have left welfare nationwide. In our attempt to describe the condition of former welfare families, we were constrained by the data available from these early state tracking studies. However, efforts are under way at both the federal and state levels to improve the usefulness of the data being collected to assess the status of former welfare families. A total of 39 states and the District of Columbia already are tracking or plan to track families leaving welfare. In addition, HHS has recently funded 14 projects to track and monitor families who have left welfare as part of its overall strategy to evaluate welfare reform and to respond to the Congress' earmarking of \$5 million for HHS to study the outcomes of welfare reform. The HHS projects will cover families who leave welfare in 10 states, five counties in 2 other states, and the District of Columbia and, in some cases, will study eligible families diverted from welfare. The limited nature of the information currently available emphasizes the importance of additional state efforts such as those funded by HHS. HHS is funding other efforts also, including 23 studies in 20 states of welfare reforms that began under waivers of the AFDC program. Most of these efforts are looking at issues such as duration and amount of welfare receipt and measures of employment, earnings, and income. Five of these states' studies also will include information on outcomes for children.<sup>17</sup>

Other efforts are also under way to provide information to better understand the effects of welfare reform on families. For example, to assess the post-reform status of all low-income families, not just former welfare families, the U.S. Census Bureau at the direction of the Congress is conducting a longitudinal survey of a nationally representative sample of families called the Survey of Program Dynamics. The survey particularly asks about eligibility for and participation in welfare programs, employment, earnings, out-of-wedlock births, and adult and child well-being. In addition, the Urban Institute is conducting a multiyear project monitoring program changes and fiscal developments along with changes in the well-being of children and families. As part of this project, the Urban Institute has surveyed nearly 50,000 people to obtain comprehensive information on the well-being of adults and children as

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<sup>17</sup>For more information, see Web sites <http://www.acf.dhhs.gov/programs/opre/rd&e.htm> and <http://aspe.os.dhhs.gov/hsp/hspres.htm#outcomes>.

welfare reform is being implemented in the various states.<sup>18</sup> A second survey is planned for 1999. Full results from the Census Bureau and Urban Institute surveys may not be available until the year 2000. In addition, a multitude of other studies—some by us, HHS, and other federal agencies; states and localities; and other researchers—that will be providing information in the future on various aspects of welfare reform are under way or planned.<sup>19</sup> In the near and long term, these efforts promise to provide more data to help us understand the effects of welfare reform on families.

In the meantime, our work shows that states have clearly made progress in restructuring their programs to emphasize the importance of employment to both clients and welfare workers. In addition, the information currently available from several states consistently shows that most families who have left welfare have at least some attachment to the workforce. In the longer term, the information that becomes available from ongoing and future studies will permit a more comprehensive assessment of welfare reform. Such an assessment will need to take into account some key questions.

### How Do Families Fare After Leaving Welfare for Work?

Our work and other studies consistently show that many of the individuals in families who have left welfare are employed in low-wage jobs. While they are now employed, these families' prospects for achieving some measure of economic stability remain an important issue in light of prior research showing that AFDC mothers, who often found jobs with low wages, generally experienced little rise in wages over time after they began working.<sup>20</sup> To the extent that these families' earnings do not increase over time and their employment-based fringe benefits are limited, the families' ability to maintain employment and support themselves may depend to a great extent on the availability of income supports, such as Medicaid, food stamps, subsidized child care, and the earned income credit. The recently

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<sup>18</sup>The Urban Institute, a research organization located in the District of Columbia, is analyzing the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, job training, and social services. Initial results from the 1997 National Survey of America's Families are available at the Urban Institute's Web site: [www.urban.org](http://www.urban.org). The survey is representative of the nonelderly population in the nation as a whole and in 13 states: Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin.

<sup>19</sup>For a listing of completed and ongoing studies of welfare reform, see the Web site [www.researchforum.org](http://www.researchforum.org), created and maintained by the Research Forum on Children, Families and the New Federalism, National Center for Children in Poverty, 154 Haven Avenue, New York, NY 10032-1180.

<sup>20</sup>See Gary Burtless, "Employment Prospects of Welfare Recipients," *The Work Alternative: Welfare Reform and the Realities of the Job Market*, eds. Demetra Smith Nightingale and Robert H. Haveman (Washington, D.C.: The Urban Institute Press, 1995).



expanded earned income credit, for example, can increase the incomes of qualified low-income families by as much as \$2,271 for families with one child and \$3,756 for families with two or more children.<sup>21</sup> In some instances, states and localities have undertaken efforts to help these low-wage workers upgrade their skills to improve their job prospects.<sup>22</sup> Federal and state policies and programs for assisting low-income working families are likely to play a critical role in the future success of welfare reform.

**What Is Happening to Families Who Sought but Were Diverted From Cash or Other Assistance?**

In recent years, welfare caseloads have dropped dramatically. While we have focused in this testimony on families who have left welfare, states' diverting eligible families from receiving cash assistance may have contributed to the large decline. Any comprehensive assessment of welfare reform and outcomes for families will need to explore state and local practices of diverting families from aid and the impact of these practices on families.

**How Effective Are States in Working With Welfare Recipients Who Are Difficult to Employ?**

Another issue that has emerged as states have experienced large caseload reductions is that many of the remaining recipients have multiple barriers to participation in work activities, such as mental health and substance abuse problems and domestic violence. As a result, even if economic conditions remain favorable, states' initial successes with moving applicants and recipients into employment will probably slow over time. In response, states will need to adjust their approaches to better enable families with a range of problems to take steps toward becoming more self-supporting. More research will be needed to identify promising approaches for working with these welfare families.

**How Would an Economic Downturn Affect States' Welfare Reform Programs?**

In many states, favorable economic conditions appear to have facilitated implementation of more work-focused approaches. It is not yet known, however, how states' welfare reform programs will perform under weaker economic conditions. For example, some adults who had previously left welfare for work could become unemployed. While they could be eligible for unemployment insurance, some could once again apply for cash assistance after their unemployment insurance ran out. Furthermore, if caseloads did increase significantly in a worsening economy, it is unclear

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<sup>21</sup>The earned income credit is a refundable tax credit for qualified working people who have earned incomes below certain specified levels.

<sup>22</sup>See Rebecca Brown and others, *Working Out of Poverty: Employment Retention and Career Advancement for Welfare Recipients* (Washington, D.C.: National Governors' Association and HHS, 1998); Mark Elliott, Don Spangler, and Kathy Yorkievtz, *What Next After Work First?* (Philadelphia: Public/Private Ventures, spring 1998); and Brandon Roberts and Jeffrey D. Padden, *Welfare to Wages: Strategies to Assist the Private Sector to Employ Welfare Recipients* (Chevy Chase, Md.: Brandon Roberts and Associates, Aug. 1998).

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what budgetary responses states would take in an environment of fixed federal TANF funding.

While welfare agencies' increased emphasis on employment, the large number of welfare recipients transitioning into jobs, and caseload reductions indicate progress in meeting the goals of welfare reform, additional information from ongoing and future studies will help us better understand the evolving story of welfare reform and its impact on families and children.

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Madam Chair, this concludes my formal remarks. I will be happy to answer any questions you or other Members of the Subcommittee may have.

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# Reports From States' Studies of Families Who Left Welfare

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## Idaho

Project Self-Reliance TAFI Participant Closure Study (II), Idaho Department of Health and Welfare, spring 1998.

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## Indiana

The Indiana Welfare Reform Evaluation: Assessing Program Implementation and Early Impacts on Cash Assistance, Abt Associates, Inc., Aug. 1997.

The Indiana Welfare Reform Evaluation: Who Is On and Who Is Off? Comparing Characteristics and Outcomes for Current and Former TANF Recipients, Abt Associates, Inc., Sept. 1997.

The Indiana Welfare Reform Evaluation: Program Implementation and Economic Impacts After Two Years, Abt Associates, Inc., and The Urban Institute, Nov. 1998.

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## Iowa

Iowa's Limited Benefit Plan: Summary Report, Mathematica Policy Research, Inc., and the Institute for Social and Economic Development, May 1997.

A Study of Well-Being Visits to Families on Iowa's Limited Benefit Plan, Mathematica Policy Research, Inc., June 1998.

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## Kentucky

From Welfare to Work: Welfare Reform in Kentucky, Welfare Reform Evaluation No. 1, Center for Policy Research and Evaluation, Urban Studies Institute, University of Louisville, Jan. 1998.

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## Louisiana

Exiting Welfare: The Experiences of Families in Metro New Orleans, School of Social Work, Southern University at New Orleans, June 1998.

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## Maryland

Life After Welfare: An Interim Report, University of Maryland School of Social Work, Sept. 1997.

Life After Welfare: Second Interim Report, University of Maryland School of Social Work, Mar. 1998.

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**Michigan**

A Study of AFDC Case Closures Due to JOBS Sanctions April 1996, Michigan Family Independence Agency, May 1997.

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**Montana**

Montana's Welfare Reform Project: Families Achieving Independence in Montana FAIM, February 1998 Update, Montana Department of Public Health & Human Services, Feb. 12, 1998.

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**New Jersey**

WFNJ (TANF) Sanction Survey, New Jersey Department of Human Services, July 2, 1998.

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**New Mexico**

Survey of the New Mexico Closed-Case AFDC Recipients July 1996 to June 1997, Final Report, University of New Mexico, Sept. 1997.

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**Oklahoma**

Family Health & Well-Being in Oklahoma: An Exploratory Analysis of TANF Cases Closed and Denied October 1996 to November 1997, Oklahoma Department of Human Services, Sept. 1998.

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**Pennsylvania**

TANF Closed-Case Telephone Survey, Pennsylvania Department of Public Welfare, Mar. 1998.

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**South Carolina**

Survey of Former Family Independence Program Clients: Cases Closed During January Through March 1997, South Carolina Department of Social Services, Division of Program Quality Assurance, Mar. 3, 1998.

Survey of Former Family Independence Program Clients: Cases Closed During July Through September 1997, South Carolina Department of Social Services, Division of Program Quality Assurance, Oct. 9, 1998.

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**Tennessee**

Summary of Surveys of Welfare Recipients Employed or Sanctioned for Non-Compliance, University of Memphis, Mar. 1998.

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**Washington**

Washington's TANF Single Parent Families Shortly After Welfare: Survey of Families Which Exited TANF Between December 7 and March 1998, Washington DSHS Economic Services Administration, July 1998.

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Washington's TANF Single Parent Families After Welfare, Washington DSHS Economic Services Administration, Jan. 1999.

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## **Wisconsin**

Post-Exit Earnings and Benefit Receipt Among Those Who Left AFDC in Wisconsin, Institute for Research on Poverty, University of Wisconsin-Madison, Aug. 17, 1998.

Post-Exit Earnings and Benefit Receipt Among Those Who Left AFDC in Wisconsin, Institute for Research on Poverty, University of Wisconsin-Madison, Oct. 30, 1998.

Survey of Those Leaving AFDC or W-2 January to March 1998, Preliminary Report, State of Wisconsin, Department of Workforce Development, Jan. 13, 1999.

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## **Wyoming**

A Survey of Former POWER Recipients (Personal Opportunities With Employment Responsibilities), Western Management Services, LLC, for Wyoming Department of Family Services, May 1998.

# Information on Seven States' Studies of Families Who Have Left Welfare

Categories of families and time periods involved	Follow-up		Data collection method(s)
	Frequency	Timing	
<b>Indiana</b>			
Families receiving AFDC May 1995 to May 1996 who subsequently left AFDC	Once	12 to 18 months after enrollment	Telephone survey
<b>Maryland</b>			
Families who left TANF Oct. 1996 to Sept. 1997	Quarterly	Up to 12 months after exit	Review of administrative data
<b>Oklahoma</b>			
Families who left or were denied TANF Oct. 1996 to Nov. 1997	Once	2 to 18 months after exit or denial	Telephone survey
<b>South Carolina<sup>a</sup></b>			
Families with a household member required to seek employment who left welfare July to Sept. 1997 and had not returned at time of follow-up	Once	9 to 14 months after exit	Telephone survey and some in-person interviews
<b>Tennessee</b>			
Families who lost TANF benefits Jan. to Oct. 1997 because they did not comply with program rules and TANF families whose head was employed full- or part-time Feb. to Oct. 1997	Once	Approximately 3 months after exit	Telephone survey
<b>Washington<sup>a</sup></b>			
Single-parent families who left TANF Apr. to July 1998	Once	2 to 4 months after exit	Telephone survey and review of administrative data
<b>Wisconsin</b>			
Single, female-headed families who left AFDC July 1995 to July 1996	Five times	Quarterly for 5 quarters after family left welfare	Review of administrative data
Families who left TANF Jan. to Mar. 1998 and did not return prior to survey	Once	5 to 10 months after exit	Telephone survey and in-person interviews

<sup>a</sup>Both South Carolina and Washington reported on groups of families who had left welfare earlier. We included the most recent sample in our summary.

Source: GAO analysis of state studies.

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