

Executive Summary

CENTER FOR THE FUTURE OF CHILDREN • THE DAVID and LUCILE PACKARD FOUNDATION

The Future of Children

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WELFARE
TO
WORK

Welfare to Work



ANALYSIS

- ◆ Two-thirds of the nation's welfare recipients are children, and the 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act, may alter the most basic aspects of their lives.
- ◆ Welfare reform replaces the Aid to Families with Dependent Children (AFDC) program, which since 1935 had guaranteed cash assistance for eligible families with children. In the average state in 1993, a single mother with two children and no earnings received \$367 per month from AFDC. Federal and state governments spent \$22.3 billion on AFDC benefits to about 5 million families, reaching 9.5 million children.
- ◆ In place of AFDC, the 1996 federal welfare law created a block grant, called Temporary Assistance for Needy Families (TANF), which provides funds to allow states to run welfare programs of their own design, within broad federal guidelines. The new welfare law obliges mothers to enter the workforce by imposing work requirements on those who receive cash assistance for more than two years, and by placing a five-year lifetime limit on eligibility for assistance.
- ◆ When mothers leave welfare for work, their ability to meet their children's basic needs depends on the wages they can earn; the steadiness of their employment; the costs of food, housing, health care, and child care; and the availability of assistance from relatives, friends, community agencies, and government sources.
- ◆ The majority of welfare recipients have poor job skills to offer employers. Almost half lack a high school diploma. From 10% to 15% have disabilities

that limit employment. Unskilled workers are usually poorly paid—the typical mother who leaves welfare for work earns only about \$6.00 per hour, often working as a maid, cashier, or waitress.

- ◆ Welfare-to-work programs that provide job training and help recipients search for work have increased the likelihood that welfare recipients will be employed, but only by 5 to 10 percentage points. About 30% to 40% of the participants in typical programs found work, and many in the control groups took jobs as well. However, more than half of those who found work lost their first job within a year.
- ◆ Because mothers who receive welfare have an average of 2.6 children, two-thirds of whom are under age six, therefore access to affordable child care is important to support their employment.
 - ◆ Child care subsidies are critical, because mothers who earn \$6.00 per hour cannot afford the average child care fee paid by parents in 1990 of \$1.60 per hour per child.
- ◆ Health care insurance is also a key factor in employment, especially for mothers whose families face health problems.
 - ◆ The Medicaid program offers health care coverage for children in low-income working families, reaching 61% of all poor children. However, Medicaid does not cover most mothers who do not receive welfare. In one study, 45% of mothers who left welfare for work were uninsured three years later.
- ◆ The families who receive welfare vary in their strengths and needs, and under welfare reform, they will follow different pathways having different consequences for their children.
 - ◆ Some single mothers will find employment readily in the mainstream economy, joining the ranks of the country's many low-income working families.
 - ◆ Others will find the transition more difficult, and they may require job training, employment assistance, or cash grants on a short-term basis.
 - ◆ A smaller group of families face problems that will prevent them from working, and they risk losing public aid and becoming unable to provide for their children.
- ◆ Because families have differing strengths and needs, “one size fits all” policies are inefficient. State governments can now create tailored assistance packages for families with different prospects and needs.

RECOMMENDATIONS

RECOMMENDATION 1

Policies to support employment in low-income families should not single out welfare recipients, but should provide broad access to affordable health insurance, child care subsidies, wage supplements, and unemployment and temporary disability insurance. These supports should

- ◆ Be independent of the welfare system,
- ◆ Cover all families with children who meet income eligibility criteria, and
- ◆ Require parents to share the cost of benefits as their incomes rise.

RECOMMENDATION 2

Good child care alternatives are needed to fit the schedules, preferences, and residence patterns of low-income working families. Measures that strengthen the quality of child care include regulatory oversight, training, access to capital for facilities, networks of professional support, and steps to attract and keep skilled providers.

RECOMMENDATION 3

To facilitate entry into the labor force, and to smooth transitions between jobs, short-term welfare-to-work supports and services such as job training, cash stipends, and child care subsidies should be provided during training and job search to both unemployed mothers and fathers.

RECOMMENDATION 4

Families headed by parents who are unable to find or keep employment should receive special attention from trained case managers to ensure that the needs of their children are met. This skilled case manager can assess family problems, observe the child's well-being, make referrals to services, and follow up with the family.

RECOMMENDATION 5

New information should be gathered immediately to assess the short-term and long-term impacts of new policies. Studies are needed that track the experiences of poor children and families as reforms are implemented, and that document the community conditions which support successful welfare reform.

RECOMMENDATION 6

Welfare reform plans should emphasize the core values of work, independence, fairness, and responsibility for family. Plans should focus on long-term rather than short-term costs and benefits, especially those related to children.

ARTICLE SUMMARIES

Introduction to the AFDC Program

Stephen B. Page, S.M., and Mary B. Lerner, Ph.D.

This article explains Aid to Families with Dependent Children (AFDC), the 60-year-old cash assistance program commonly referred to as “welfare.” Federal law required states to serve all eligible families (most headed by single parents), but the states set income guidelines and benefit levels. Key facts about AFDC contradict popular images of the program: 43% of recipients had only one child and 42% of new recipients depended on welfare for two years or less. In 1992, the program served 13.6 million individuals, two-thirds of whom were children, and it consumed from 3% to 5% of federal and state budgets. The article also discusses the changes made by the 1996 federal welfare reform legislation.

A Brief History of Work Expectations for Welfare Mothers

Susan W. Blank, M.A., and Barbara B. Blum

Reviewing the history of the AFDC program, this article highlights the policy tension between the desire to ensure support for children in poor families and the belief that parents should be expected to provide for their children. The article begins with the original aim of AFDC—to allow widowed and abandoned mothers to remain at home with their children—and traces the emergence of efforts to encourage welfare recipients to join the labor force, including the WIN program launched in 1967 and the JOBS program created in 1988. The article points out that welfare-to-work programs have not been fully funded or implemented, so their merits have not been truly tested. It also describes a two-generation approach that involves using welfare-to-work programs to assist children as well as parents, keeping child well-being in the forefront of welfare policy.

Welfare Recipients’ Job Skills and Employment Prospects

Gary T. Burtless, Ph.D.

This article examines the feasibility of moving mothers who rely on welfare into private-sector employment by reviewing the job qualifications of welfare recipients, obstacles to employment, and the capacity of the labor market to absorb new workers. The article concludes that the low skills of AFDC recipients, nearly half of whom lack a high school diploma, do not represent an insurmountable barrier to employment. However, poor job qualifications will restrict most recipients to jobs paying only \$6.00 or \$7.00 per hour. The article points out that the U.S. labor market can provide low-wage jobs for unskilled workers, but most families that move from welfare to work will remain below the poverty level and will need assistance paying for child care and health insurance.

Alternative Strategies for Increasing Employment

Demetra Smith Nightingale, M.A., and Pamela A. Holcomb, M.A.

This article summarizes research on the effectiveness of strategies to increase employment rates and earnings, drawing on 30 years of experience, and discusses the challenges of program implementation. Random assignment evaluations show that programs which encourage, help, or require welfare recipients to find jobs or participate in training or work-related activities can increase employment and modestly raise earnings, and that some programs reduce welfare costs. The authors urge that program managers improve program effectiveness by focusing clearly on the goal of employment, by increasing rates of participation and by strengthening links with the local labor market.

The Partners of Welfare Mothers: Potential Earnings and Child Support

Michael J. Brien, Ph.D., and Robert J. Willis, Ph.D.

This article estimates the lifetime earnings of noncustodial fathers whose children receive welfare

Continued...

benefits. Many of these men earn little at the time their child is born, but their incomes typically escalate over time. The child support payments these fathers would make over the child's first 18 years—if the child support laws that currently apply in Wisconsin were perfectly enforced—would amount to a monthly payment of between \$200 and \$460 per month, or almost half of the welfare benefit received by the mother and child. Based on the evidence of eventual earnings, the authors urge policymakers to invest in efforts to establish paternity and collect child support.

Turning Job Finders into Job Keepers

Alan M. Hershey, M.P.A., and LaDonna A. Pavetti, Ph.D.

Even when welfare recipients find work, many find it difficult to keep their jobs. As this article explains, families often cycle back and forth between welfare and work, losing jobs and returning temporarily to public assistance while they seek work again. Studies indicate that job loss results both from job factors like temporary work, lay-offs, and low pay; and from personal factors such as inexperience with meeting employer expectations, and personal or family problems. Drawing from the experience of innovative programs, the authors recommend policies that will allow for a gradual transition between welfare dependence and full reliance on earnings, and short-term supports to help families cope with periodic employment setbacks.

Health Care Coverage for Children Who Are On and Off Welfare

Robert A. Moffitt, Ph.D., and Eric P. Slade, Ph.D.

Health insurance is a key concern of all families, and those who leave welfare for work fear losing their eligibility for Medicaid and being uninsured. Especially in families with health problems, insurance coverage influences the decisions mothers make about employment. This article reports that poor children in the United States are most often covered by Medicaid (61%), but they are more likely to be uninsured (20%) than to have employer-based insurance (14%). Recent policy changes have extended Medicaid eligibility to low-income children who do not receive welfare, but these changes fail to provide coverage to the mothers who leave welfare for work. The article suggests that the declining rates of employer-provided health insurance will pose problems for welfare reformers and expose some families to health risks.

Arranging Child Care

Ellen E. Kisker, Ph.D., and Christine M. Ross, Ph.D.

More than half the children in families supported by welfare are under age six and another third are in grade school. Their mothers cannot leave welfare for employment unless they can find and pay for child care, but many require care for infants, care at odd hours, and care in poor neighborhoods—all of which are scarce. This article reviews evidence that problems with child care affordability, availability, and quality keep mothers from working and attending job training programs. Recent public funding for child care subsidies has helped families leaving welfare, although the demand for financial assistance outstrips available funding. The article suggests that policymakers concerned about both child development and parental employment make subsidies more available, increase the supply of child care tailored to low-income parents' needs, and protect children from exposure to poor quality care.

When Low-Income Mothers Go to Work: Implications for Children

Martha J. Zaslow, Ph.D., Carol A. Emig, M.P.P.

When mothers who have depended on welfare become employed, the change affects not only welfare budgets and the women themselves, but also the daily lives of the children who make up two-thirds of the welfare population. This article gives an overview of research suggesting how maternal employment affects children in low-income families. Studies of low-income groups typically find that children are not harmed when their mothers work, and many experience improved cognitive development. The authors caution, however, that the working mothers studied found work voluntarily and on their own, so their employment experiences may be more favorable than those of families who are forced off welfare and into jobs.

Effects of Low-Wage Employment on Family Well-Being

Toby L. Parcel, Ph.D., and Elizabeth G. Menaghan, Ph.D.

This article explores the idea that working conditions (wages, work hours, and task complexity) will influence mothers' behavior as parents and will shape the home environments they provide for their children. The article discusses the significance of home environments for children's intellectual and emotional development, and considers how home surroundings change when mothers begin jobs that are more or less rewarding. The authors conclude that, while maternal employment is not necessarily harmful, if welfare recipients find only low-wage, stressful jobs, working may prove costly for both family and child well-being. Therefore, they recommend that welfare-to-work programs focus on parenting, as well as job training.

Low-Wage Maternal Employment and Outcomes for Children: A Study

Kristin A. Moore, Ph.D., and Anne K. Driscoll, Dr. P.H.

This article uses national survey data to examine child outcomes among families that previously received welfare. About half the families studied had mothers who remained at home; the others were working at varying wage levels. The study reveals that maternal employment does not appear to undermine children's social or cognitive development from ages 5 to 14, and it may yield advantages, especially to children whose mothers earned more than \$5.00 per hour. The authors emphasize that mothers who choose employment are different from those who prefer to remain on welfare, and so one cannot conclude that these outcomes would apply in families forced into employment by welfare reform.

Appendix: State Efforts to Reform Welfare

The federal government and the states shared the costs and rule-making authority over the AFDC program, but states could seek waivers of specific federal program requirements to carry out welfare demonstration projects. This appendix describes the waiver requests intended to encourage work by welfare recipients that were submitted by states and approved by federal authorities between 1993 and 1996.

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Eugene M. Lewit, Ph.D., and Nancy Kerrebrock

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